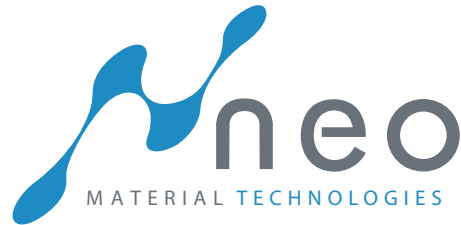


*None of the Canadian securities regulatory authorities nor the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the proposed arrangement involving Neo Material Technologies Inc., Molycorp, Inc. and MCP Exchangeco Inc., or passed upon the merits or fairness of the arrangement or upon the adequacy or accuracy of the information contained in this notice of annual and special meeting and management proxy circular. Any representation to the contrary is a criminal offence.*



**ARRANGEMENT**

**involving**

**NEO MATERIAL TECHNOLOGIES INC.**

**and**

**MOLYCORP, INC.**

**and**

**MCP EXCHANGECO INC.,  
a wholly-owned subsidiary of Molycorp, Inc.**

**NOTICE OF ANNUAL & SPECIAL MEETING  
AND  
MANAGEMENT PROXY CIRCULAR  
FOR  
ANNUAL & SPECIAL MEETING OF SHAREHOLDERS OF  
NEO MATERIAL TECHNOLOGIES INC.  
TO BE HELD ON MAY 30, 2012**

**APRIL 30, 2012**

**These materials are important and require your immediate attention. They require shareholders of Neo Material Technologies Inc. to make important decisions. If you are in doubt as to how to make such decisions, please contact your professional advisors. If you have any questions or require more information with regard to the procedures for voting or completing your transmitted documentation, please contact Kingsdale Shareholder Services Inc., our proxy solicitation agent, toll-free in North America at 1-888-518-1561 or call collect from outside North America at 416-867-2272 or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).**

**NOTICE TO UNITED STATES SECURITY HOLDERS**

*It may be difficult for shareholders of Neo Material Technologies Inc. who are resident in the United States to enforce their rights and any claim they may have arising under the United States federal securities laws, since Neo Material Technologies Inc. is incorporated and organized under the laws of Canada, some of its officers and directors may be resident outside of the United States and all or a substantial portion of the assets of such persons may be located outside the United States. Shareholders of Neo Material Technologies Inc. who are resident in the United States may not be able to sue a Canadian company or its officers or directors in a Canadian court for violations of the United States securities laws. It may be difficult to compel a Canadian company and its affiliates to subject themselves to a United States court's judgment.*



April 30, 2012

Dear Neo Material Technologies Inc. Shareholder,

It is my pleasure to extend to you, on behalf of the board of directors of Neo Material Technologies Inc. ("NEM" or the "**Corporation**"), an invitation to attend the annual and special meeting (the "**Meeting**") of the shareholders ("**NEM Shareholders**") of NEM to be held at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario at 10:00 a.m. (Toronto time) on Wednesday, May 30, 2012.

At the Meeting, you will be asked to consider and, if thought advisable, approve, *inter alia*, a special resolution (the "**Arrangement Resolution**") with respect to the arrangement (the "**Arrangement**") involving the acquisition by MCP Exchangeco Inc. ("**Exchangeco**"), a wholly-owned subsidiary of Molycorp, Inc. ("**Molycorp**"), of all of the outstanding common shares (the "**NEM Common Shares**") of NEM, pursuant to an arrangement agreement dated March 8, 2012 among NEM, Molycorp and Exchangeco.

Under the Arrangement, each NEM Shareholder may elect to receive either (i) cash consideration of C\$11.30 per share or (ii) share consideration of either 0.4242 common shares of Molycorp ("**Molycorp Shares**") per share or 0.4242 shares of Exchangeco that are exchangeable for Molycorp Shares ("**Exchangeable Shares**") per share, or (iii) a combination of cash and shares, provided that a NEM Shareholder's consideration election will be subject to pro-rata if the aggregate amount of cash elected by NEM Shareholders exceeds the Maximum Cash Amount (as defined in the Circular) or the aggregate number of Molycorp Shares and Exchangeable Shares elected by NEM Shareholders exceeds the Maximum Share Amount (as defined in the Circular). If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder will be adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares. This description of the pro-rata provisions of the Arrangement is subject to the detailed provisions of the Arrangement itself. See "The Arrangement — Election Procedure and Pro-rata" in the accompanying management proxy circular (the "**Circular**"). The actual consideration received by a NEM Shareholder will depend upon such NEM Shareholder's consideration election and the effect of pro-rata, if any.

Certain NEM Shareholders who are residents of Canada for purposes of the *Income Tax Act* (Canada) or, in the case of a partnership, a partnership that is a "Canadian partnership" for purposes of the *Income Tax Act* (Canada) will have the opportunity to elect to receive consideration that includes Exchangeable Shares and to make a valid tax election with Exchangeco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their NEM Common Shares for Molycorp Shares. See "The Arrangement — Election Procedure and Pro-rata" and "Certain Canadian Federal Income Tax Considerations" in the Circular.

To become effective, the Arrangement Resolution must be approved by at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders.

**The board of directors of NEM (the "NEM Board") believes that the Arrangement is in the best interest of NEM and NEM Shareholders. Accordingly, NEM has entered into the Arrangement Agreement and the NEM Board unanimously recommends that NEM Shareholders vote their NEM Common Shares IN FAVOUR of the Arrangement Resolution. In making its recommendation, the NEM Board considered a number of factors as described in the Circular under the heading "The Arrangement — Recommendation of the NEM Board".**

The accompanying Circular contains a detailed description of the Arrangement and other information relating to NEM, Molycorp and Exchangeco, including a description of the Molycorp Shares and the Exchangeable Shares. We urge you to consider carefully all of the information in the Circular. If you require assistance, please consult your financial, legal or other professional advisor. If you have any questions or require more information with regard to the procedures for voting or completing your transmitted documentation, please contact Kingsdale Shareholder Services Inc., our proxy solicitation agent, **toll-free in North America at 1-888-518-1561 or call collect from outside North America at 416-867-2272 or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).**

If you are unable to be present at the Meeting in person, we encourage you to vote by completing the enclosed form of proxy (printed on blue paper). Voting by proxy will not prevent you from voting in person if you attend the Meeting but will ensure that your vote will be counted if you are unable to attend. If you are a non-registered holder of NEM Common Shares and have received these materials through your broker or through

another intermediary, please complete and return the proxy or other authorization provided to you by your broker or by such other intermediary in accordance with the instructions provided with the proxy. Failure to do so may result in your NEM Common Shares not being eligible to be voted at the Meeting. This is an important matter affecting the future of NEM and your vote is important regardless of the number of NEM Common Shares you hold. To be eligible for voting at the Meeting, the form of proxy must be returned by mail or by facsimile to Computershare Investor Services Inc. (the "**Depositary**") not later than 10:00 a.m. (Toronto time) on Monday, May 28, 2012 or, if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays or any other holiday in Toronto, Ontario) prior to the time of such adjourned or postponed Meeting.

We also encourage registered NEM Shareholders to complete and return the enclosed letter of transmittal and election form (printed on yellow paper) ("**Letter of Transmittal and Election Form**"), together with the certificate(s) representing your NEM Common Shares, to the Depositary at the address specified in the Letter of Transmittal and Election Form. The Letter of Transmittal and Election Form contains other procedural information relating to the Arrangement and should be reviewed carefully. It is recommended that you complete, sign and return the Letter of Transmittal and Election Form with accompanying NEM Common Share certificate(s) to the Depositary as soon as possible. **To make a valid election as to the consideration that you wish to receive under the Arrangement (subject to pro-ration), you must sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it with the accompanying NEM Common Share certificate(s) to the Depositary prior to 4:30 p.m. (Toronto time) on Tuesday, May 29, 2012 (the business day immediately prior to the date of the Meeting) or, if the Meeting is adjourned or postponed, 4:30 p.m. (Toronto time) on the business day immediately prior to the date of such adjourned or postponed Meeting (the "Election Deadline").**

**Non-registered shareholders should contact their brokers to make the necessary elections.**

**IF YOU FAIL TO MAKE A PROPER ELECTION PRIOR TO THE ELECTION DEADLINE, YOU WILL BE DEEMED TO HAVE ELECTED TO RECEIVE, IN RESPECT OF EACH NEM COMMON SHARE, CASH CONSIDERATION AS TO 71.24% (OR C\$8.05 IN CASH) AND SHARE CONSIDERATION AS TO 28.76% (OR 0.122 MOLYCORP SHARES), SUBJECT TO PRO-RATION, AS DESCRIBED IN THE CIRCULAR.**

Subject to the satisfaction or waiver of all conditions precedent including obtaining court and other approvals, if NEM Shareholders approve the Arrangement Resolution, it is anticipated that the Arrangement will be completed in June 2012.

On behalf of NEM, we would like to thank all NEM Shareholders for their ongoing support as we join forces with Molycorp to create one of the most technologically advanced, vertically integrated rare earth companies in the world.

Yours truly,

*/s/ "Constantine E. Karayannopoulos"*

Constantine E. Karayannopoulos  
*Director, President and Chief Executive Officer*

## NEO MATERIAL TECHNOLOGIES INC.

### NOTICE OF ANNUAL & SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "**Meeting**") of shareholders ("**NEM Shareholders**") of Neo Material Technologies Inc. ("**NEM**") will be held at 10:00 a.m. (Toronto time) on Wednesday, May 30, 2012 at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario for the following purposes:

1. to receive the financial statements for the year ended December 31, 2011 and the report of the auditors thereon;
2. to re-appoint auditors and to authorize the directors to fix their remuneration;
3. to elect directors of NEM to hold office until the earlier of when the Arrangement (as defined herein) becomes effective and the next annual meeting of NEM Shareholders;
4. to consider, pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated April 30, 2012, and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix D to the accompanying management proxy circular (the "**Circular**"), approving an arrangement (the "**Arrangement**") pursuant to Section 192 of the *Canada Business Corporations Act*, as amended (the "**BCA**"), all as more particularly described in the Circular, which resolution, to be effective, must be passed by an affirmative vote of at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders; and
5. to act upon such other matters, including amendments to the foregoing, as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

NEM has fixed April 27, 2012 as the record date for determining those NEM Shareholders entitled to receive notice of and to vote at the Meeting.

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) dated April 30, 2012, registered NEM Shareholders have been granted the right to dissent in respect of the Arrangement Resolution. If the Arrangement becomes effective, a registered NEM Shareholder who dissents in respect of the Arrangement Resolution (a "**Dissenting NEM Shareholder**") is entitled to be paid the fair value of the common shares of NEM (the "**NEM Common Shares**") held by such Dissenting NEM Shareholder, provided that such Dissenting NEM Shareholder has delivered a written objection to the Arrangement Resolution to NEM by 4:00 p.m. (Toronto time) on Monday, May 28, 2012, being the second Business Day (as defined in the Circular) preceding the Meeting (or, if the Meeting is postponed or adjourned, the second Business Day preceding the date of the postponed or adjourned Meeting) and has otherwise complied strictly with the dissent procedures described in the Circular, including the relevant provisions of section 190 of the BCA. This right is described in detail in the accompanying Circular under the heading "Rights of Dissenting NEM Shareholders". The text of Section 190 of the BCA, which will be relevant in any dissent proceeding, is set forth in Appendix I to the Circular. **Failure to comply strictly with the dissent procedures described in the Circular may result in the loss of any right of dissent. Beneficial owners of NEM Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered owners of NEM Common Shares are entitled to dissent.** The obligation of Molycorp to complete the Arrangement is subject, among other matters, to there not having been delivered and not withdrawn notices of dissent in respect of more than 10% of the outstanding NEM Common Shares.

NEM Shareholders who are unable to be personally present at the Meeting are requested to date, complete, sign and return the form of proxy (printed on blue paper) in the prepaid envelope provided. To be effective, proxies must be returned by mail or by facsimile to Computershare Investor Services Inc. not later than 10:00 a.m. (Toronto time) on Monday, May 28, 2012 or, if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays or any other holiday in Toronto, Ontario) prior to the time of such adjourned or postponed Meeting.

DATED at Toronto, Ontario this 30<sup>th</sup> day of April, 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"Constantine E. Karayannopoulos"*

Constantine E. Karayannopoulos  
*Director, President and Chief Executive Officer*

## TABLE OF CONTENTS

	Page
<b>DEFINED TERMS .....</b>	<b>1</b>
<b>REPORTING CURRENCY AND FINANCIAL INFORMATION .....</b>	<b>1</b>
<b>FORWARD-LOOKING STATEMENTS.....</b>	<b>1</b>
<b>EXCHANGE RATE DATA .....</b>	<b>2</b>
<b>NOTICE REGARDING INFORMATION .....</b>	<b>3</b>
<b>NOTICE TO U.S. NEM SHAREHOLDERS.....</b>	<b>3</b>
<b>NOTICE TO ALL NEM SHAREHOLDERS .....</b>	<b>4</b>
<b>SUMMARY OF CIRCULAR .....</b>	<b>11</b>
<b>THE ARRANGEMENT.....</b>	<b>22</b>
Background to the Arrangement .....	22
Reasons for the Recommendation of the NEM Board .....	23
GMP Securities Fairness Opinion.....	25
NEM Shareholder Approval .....	26
Description of the Arrangement.....	27
Letter of Transmittal and Election Form.....	29
Election Procedure and Pro-ration .....	29
Exchange Procedure .....	31
Fractional Shares.....	33
Arrangements Respecting NEM Options, RSUs, Performance Units, SARs and DSUs.....	33
Interests of Certain Persons in the Arrangement.....	33
Procedure for Arrangement to Become Effective .....	34
Court Approval and Completion of the Arrangement.....	35
Depository.....	35
<b>DESCRIPTION OF EXCHANGEABLE SHARES AND RELATED AGREEMENTS .....</b>	<b>35</b>
Description of Exchangeable Shares.....	35
Voting and Exchange Trust Agreement .....	41
Support Agreement.....	42
<b>THE ARRANGEMENT AGREEMENT.....</b>	<b>45</b>
Representations and Warranties.....	45
Conditions Precedent .....	46
Covenants .....	48
Financing Commitment .....	49
Acquisition Proposals .....	49
Termination.....	51
Termination Fee.....	53
Amendment.....	53
Waiver .....	54
<b>REGULATORY MATTERS .....</b>	<b>54</b>
Canadian Securities Law Matters.....	54
United States Securities Law Matters .....	55
Stock Exchange Approval.....	55
Other Regulatory Matters .....	56
<b>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....</b>	<b>56</b>
NEM Shareholders Resident in Canada.....	57
NEM Shareholders Not Resident in Canada .....	66
<b>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS .....</b>	<b>67</b>
Tax Consequences to U.S. Holders Relating to the Arrangement.....	68
Tax Consequences to Non-U.S. Holders Relating to the Arrangement.....	69

<b>RISK FACTORS RELATING TO THE ARRANGEMENT.....</b>	<b>71</b>
<b>NEM CONVERTIBLE DEBENTURES.....</b>	<b>73</b>
<b>INFORMATION RELATING TO NEM.....</b>	<b>73</b>
General.....	73
Description of Capital Structure.....	74
NEM Rights Plan.....	74
Prior Sales.....	74
Documents Incorporated by Reference.....	75
<b>MARKET PRICE AND TRADING VOLUME OF NEM SECURITIES .....</b>	<b>76</b>
Trading Price and Volume of NEM Common Shares and NEM Convertible Debentures.....	76
<b>EFFECT OF THE ARRANGEMENT ON MARKETS AND LISTINGS.....</b>	<b>77</b>
<b>RIGHTS OF DISSENTING NEM SHAREHOLDERS.....</b>	<b>77</b>
<b>LEGAL MATTERS.....</b>	<b>80</b>
<b>ANNUAL BUSINESS OF THE MEETING .....</b>	<b>80</b>
Matters to be Acted Upon.....	80
1. <b>Re-Appointment of Auditors</b> .....	80
2. <b>Election of Directors</b> .....	80
<b>STATEMENT OF EXECUTIVE COMPENSATION.....</b>	<b>84</b>
<b>CORPORATE GOVERNANCE OF THE CORPORATION .....</b>	<b>104</b>
<b>GENERAL INFORMATION CONCERNING THE MEETING AND VOTING.....</b>	<b>105</b>
Time, Date and Place.....	105
Solicitation of Proxies.....	105
Appointment of Proxyholder.....	105
Revocation of Proxy.....	106
Exercise of Proxy.....	106
Explanation of Voting Rights for Beneficial Owners of NEM Common Shares.....	106
Quorum.....	107
Voting Securities and Principal Holders of Voting Securities.....	107
<b>ADDITIONAL INFORMATION.....</b>	<b>108</b>
Director and Officer's Insurance.....	108
Interest of Certain Persons or Companies in Matters to Acted Upon.....	108
Interest of Informed Persons in Material Transactions.....	108
Normal Course Issuer Bid.....	108
Other Business.....	108
Shareholder Proposal.....	108
Additional Copies.....	108
<b>APPROVAL OF BOARD .....</b>	<b>109</b>
<b>CONSENT OF AUDITORS OF MOLYCORP, INC. ....</b>	<b>110</b>
<b>CONSENT OF AUDITORS OF MCP EXCHANGECO INC. ....</b>	<b>111</b>
<b>CONSENT OF AUDITORS OF NEO MATERIAL TECHNOLOGIES INC. ....</b>	<b>112</b>
<b>CONSENT OF GMP SECURITIES L.P. ....</b>	<b>113</b>
<b>APPENDIX A GLOSSARY OF DEFINED TERMS.....</b>	<b>A-1</b>
<b>APPENDIX B COMPARISON OF RIGHTS OF NEM SHAREHOLDERS AND MOLYCORP STOCKHOLDERS ....</b>	<b>B-1</b>
<b>APPENDIX C INFORMATION RELATING TO MOLYCORP AND EXCHANGECO.....</b>	<b>C-1</b>
Description of Business and Recent Developments.....	C-1
Molycorp Mine Process and Development Plans.....	C-2
Molycorp Documents Incorporated By Reference.....	C-4
Intercorporate Relationships.....	C-5



Share Capital.....	C-6
Trading Price and Volume of Molycorp Shares.....	C-7
Dividend Policy .....	C-7
Principal Offices .....	C-8
Auditors and Transfer Agent.....	C-8
Presentation of Financial Information.....	C-8
Risk Factors .....	C-9
Unaudited Pro Forma, Combined, Condensed Financial Information of Molycorp.....	C-11
Exchangeco Financial Statements.....	C-23
<b>APPENDIX D FORM OF ARRANGEMENT RESOLUTION .....</b>	<b>D-1</b>
<b>APPENDIX E PLAN OF ARRANGEMENT.....</b>	<b>E-1</b>
<b>APPENDIX F INTERIM ORDER .....</b>	<b>F-1</b>
<b>APPENDIX G NOTICE OF APPLICATION FOR FINAL ORDER .....</b>	<b>G-1</b>
<b>APPENDIX H GMP SECURITIES L.P. FAIRNESS OPINION.....</b>	<b>H-1</b>
<b>APPENDIX I SECTION 190 OF THE CBCA .....</b>	<b>I-1</b>
<b>APPENDIX J NEM CORPORATE GOVERNANCE DISCLOSURE .....</b>	<b>J-1</b>

(This page intentionally left blank)

## MANAGEMENT PROXY CIRCULAR

This management proxy circular ("**Circular**") is furnished in connection with the solicitation of proxies by or on behalf of the management of Neo Material Technologies Inc. ("**NEM**") for use at the annual and special meeting of shareholders ("**NEM Shareholders**") of NEM (the "**Meeting**") to be held at 10:00 a.m. (Toronto time) on Wednesday, May 30, 2012 at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario, and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the Notice of Meeting.

### DEFINED TERMS

This Circular contains defined terms. For a list of the defined terms used herein, see Appendix A to this Circular.

### REPORTING CURRENCY AND FINANCIAL INFORMATION

Except as otherwise indicated in this Circular, references to "Canadian dollars", "C\$" are to the currency of Canada and references to "U.S. dollars" or "US\$" are to the currency of the United States.

All financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to NEM have been prepared in accordance with Canadian GAAP and all financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Molycorp, including the unaudited *pro forma* consolidated financial statements of Molycorp, have been prepared and presented in accordance with U.S. GAAP.

### FORWARD-LOOKING STATEMENTS

Certain statements in this Circular, including the documents incorporated by reference herein, are forward-looking statements, including, but not limited to, those relating to the proposed Arrangement, the timing of the closing of the proposed Arrangement, information concerning the combined entity, projected revenues and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including NEM's and Molycorp's experience and perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of NEM, Molycorp or the combined entity. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the control of NEM, Molycorp and the combined entity, may affect the operations, business, financial condition, performance and results of NEM and Molycorp or the combined entity that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: general economic, industry and market segment conditions; changes in applicable environmental, taxation and other laws and regulations, as well as how such laws and regulations are interpreted and enforced; changes in operating risks, including risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; ability to maintain current and obtain additional financing; industry consolidation; the execution of strategic growth plans; the

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

outcome of legal proceedings; the ability of NEM, Molycorp and the combined entity to continue to develop and grow; and management's success in anticipating and managing the foregoing factors, as well as the risks described under "Risk Factors Relating to the Arrangement" in this Circular and "Risk Factors" in Appendix C - "Information Relating to Molycorp and Exchangeco". In making these statements, NEM and Molycorp have made assumptions with respect to: expected cash provided by continuing operations; availability of additional financing; future capital expenditures, including the amount and nature thereof; trends and developments in the rare earths industry and in the technology sector and other sectors of the economy which depend on rare earths; business strategy and outlook; expansion and growth of business and operations; accounting policies; credit risks; anticipated acquisitions; opportunities available to or pursued by the combined entity; and other matters.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Circular are based upon what management of NEM and Molycorp currently believe to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These forward-looking statements are made as of the date of this Circular and, other than as specifically required by law, neither NEM nor Molycorp assumes any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

In evaluating forward-looking statements in this Circular relating to Molycorp (including forward-looking statements in Appendix C — "Information Relating to Molycorp and Exchangeco" and the continuous disclosure documents of Molycorp incorporated by reference herein), the reader is cautioned that important factors could cause Molycorp's actual results, performance or achievements or industry results to differ materially from any future results, performance or achievement described in or implied by such forward-looking statements including, without limitation: Molycorp's ability to secure additional capital to implement its business plans; Molycorp's ability to complete its initial modernization and expansion efforts, including the accelerated start-up of the Mountain Pass facility, which Molycorp refers to as Project Phoenix Phase 1, and the second phase capacity expansion plan, which Molycorp refers to as Project Phoenix Phase 2, and reach full planned production rates for rare earth oxides and other planned downstream products, in each case within the projected timeframe; the final costs of Project Phoenix Phase 1, including with accelerated start-up of the Mountain Pass facility, and Project Phoenix Phase 2, which may differ from estimated costs; uncertainties associated with Molycorp's reserve estimates and non-reserve deposit information; uncertainties regarding global supply and demand for rare earths materials; Molycorp's ability to successfully integrate acquired businesses; Molycorp's ability to maintain appropriate relations with unions and employees; Molycorp's ability to successfully implement its "mine-to-magnets" strategy; environmental laws, health and safety laws, regulations and permits affecting Molycorp's business, directly and indirectly, including, among others, those relating to mine reclamation and restoration, climate change, emissions to the air and water and human exposure to hazardous substances used, released or disposed of by Molycorp; and uncertainties associated with unanticipated geological conditions related to mining.

#### **EXCHANGE RATE DATA**

The following table sets out the high and low exchange rates for one Canadian dollar expressed in U.S. dollars, for each of the periods indicated, the exchange rate at the end of each such period and, the average of such exchange rates for each such period, in each case, based upon the noon buying rates as quoted by the Bank of Canada.

	Three Months Ended March 31,		Year Ended December 31,	
	2012	2011	2010	2009
High	1.0153	1.0583	1.0054	0.9716
Low	0.9735	0.9430	0.9278	0.7692
Rate at end of period	1.0084	0.9833	1.0054	0.9555
Average rate per period	0.9988	1.0110	0.9709	0.8757

On April 27, 2012, the exchange rate for one Canadian dollar expressed in U.S. dollars based upon the noon exchange rate as quoted by the Bank of Canada was US\$1.0197.

### NOTICE REGARDING INFORMATION

The information contained in this Circular concerning Molycorp, including with respect to its directors, officers and affiliates, is based solely upon information provided to NEM by Molycorp or upon publicly available information. With respect to this information, the NEM Board has relied exclusively upon Molycorp (which has reviewed the relevant parts of this Circular), without independent verification by NEM.

Information in this Circular is given as at April 30, 2012 unless otherwise indicated and except for information contained in the documents incorporated herein by reference, which is given as at the respective dates stated therein.

No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

### NOTICE TO U.S. NEM SHAREHOLDERS

Securities issued in the Arrangement will not be registered under the 1933 Act or the securities laws of any state of the United States. Such securities will instead be issued in reliance upon the exemption provided by Section 3(a)(10) of the 1933 Act and applicable exemptions under state securities laws. See "Regulatory Matters — United States Securities Law Matters".

This Arrangement involves the securities of a Canadian company. The solicitation of proxies made in connection with this Circular is not subject to the requirements of Section 14(a) of the 1934 Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada and in accordance with Canadian corporate and securities laws. NEM Shareholders in the United States should be aware that such disclosure requirements are different from those of the United States applicable to registration statements under the 1933 Act and to proxy statements under the 1934 Act. The financial statements of NEM incorporated by reference in this Circular have been prepared in accordance with Canadian GAAP and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable in all respects to financial statements of United States companies.

NEM Shareholders resident in the United States should be aware that the Arrangement described herein may have tax consequences both in the United States and in Canada. Such consequences for NEM Shareholders may not be described fully herein. For a general discussion of the Canadian income tax consequences to investors who

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

are resident in the United States, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Not Resident in Canada". For the United States federal income tax consequences to investors who are resident in the United States, see "Certain United States Federal Income Tax Considerations". U.S. holders are urged to consult their own tax advisors with respect to such Canadian and United States federal and state income tax consequences.

The enforcement by investors of rights or remedies under U.S. securities laws may be affected adversely by the fact that NEM is organized under the laws of a jurisdiction other than the United States, that some of its officers and directors are residents of countries other than the United States, that some or all of the experts named in the Circular may be residents of countries other than the United States, or that all or a substantial portion of the assets of NEM and such persons are located outside the United States. NEM Shareholders may not be able to sue NEM or its directors and officers in a foreign court for violations of U.S. securities laws. It may be difficult to compel NEM or its affiliates to subject themselves to a U.S. court's judgment.

**THE MOLYCORP SHARES AND EXCHANGEABLE SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT ARE BEING ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE 1933 ACT AND THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES IN WHICH NEM SHAREHOLDERS RESIDE AND THEY HAVE NOT BEEN REGISTERED OR OTHERWISE QUALIFIED FOR DISTRIBUTION UNDER THE LAWS OF ANY OTHER JURISDICTION OUTSIDE OF CANADA.** For a discussion of regulatory issues relating to U.S. NEM Shareholders, see "Regulatory Matters — United States Securities Law Matters".

**THE MOLYCORP SHARES AND EXCHANGEABLE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

#### **NOTICE TO ALL NEM SHAREHOLDERS**

Molycorp is incorporated under the laws of a foreign jurisdiction, and most of the directors and officers of Molycorp and its experts named in the Circular reside outside of Canada. All of the assets of these persons and Molycorp may be located outside Canada and, as a consequence, it may not be possible for investors to effect service of process within Canada upon all of the directors, officers and experts referred to above. It may also not be possible to enforce against Molycorp, its directors and officers and such experts judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada. In addition, the rights of a stockholder of a Delaware corporation differ from the rights of a shareholder of a CBCA corporation. See Appendix B to the Circular for a summary comparison of the rights of NEM Shareholders and Molycorp Stockholders.

**QUESTIONS AND ANSWERS  
ABOUT THE  
MEETING AND THE ARRANGEMENT**

*The following is a summary of certain information contained in or incorporated by reference into this Circular, including the Appendices hereto, together with some of the questions that you, as a NEM Shareholder, may have and answers to those questions. You are urged to read the remainder of the Circular, the form of proxy and the Letter of Transmittal and Election Form carefully, because the information contained below is of a summary nature and therefore is not complete. The following summary is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, including the Appendices hereto, the form of proxy and the Letter of Transmittal and Election Form, all of which are important and should be reviewed carefully. Capitalized terms used in these Questions and Answers but not otherwise defined herein have the meanings set forth in Appendix A to this Circular.*

**Q: Does the NEM Board support the Arrangement?**

**A: Yes. The NEM Board has unanimously determined (i) that the Arrangement is in the best interests of NEM and the NEM Shareholders, (ii) that NEM should enter into the Arrangement Agreement, and (iii) to recommend that NEM Shareholders vote IN FAVOUR of the Arrangement Resolution.**

Prior to entering into the Arrangement Agreement, the NEM Board established the Special Committee, comprised of three independent directors (Messrs. O'Connor (Chair), Jackson and Macfarlane), to oversee and supervise the process carried out by NEM in negotiating and entering into the Arrangement Agreement and to advise the NEM Board with respect to any recommendation that the NEM Board should make to NEM Shareholders. The Special Committee retained GMP Securities as its financial advisor and Stikeman Elliott LLP as its legal counsel.

The Special Committee determined that the proposed Arrangement with Molycorp was fair to NEM Shareholders and in the best interests of NEM. The Special Committee then recommended that the NEM Board approve the Arrangement Agreement.

In making its recommendation, the NEM Board considered a number of factors as described in the Circular under the heading "The Arrangement — Recommendation of the NEM Board", including an opinion of GMP Securities which determined that the consideration offered to NEM Shareholders pursuant to the Arrangement is fair, from a financial point of view, to NEM Shareholders other than Molycorp and its affiliates.

See "The Arrangement — Background to the Arrangement".

**Q: When will the Arrangement become effective?**

**A:** Subject to obtaining Court and other approvals as well as the satisfaction of all other conditions precedent, if NEM Shareholders approve the Arrangement Resolution, it is anticipated that the Arrangement will be completed in June 2012.

**Q: What will I receive for my NEM Common Shares under the Arrangement?**

**A:** Under the Arrangement, each NEM Shareholder may elect to receive, in respect of each NEM Common Share, either (i) Cash Consideration of C\$11.30 per share or (ii) Share Consideration of 0.4242 Molycorp Shares per share or, in the case of Eligible Holders, Eligible Share Consideration of 0.4242 Exchangeable Shares per share, or (iii) a combination of cash and shares, provided that, in any case, a NEM Shareholder's consideration election will be subject to pro-rata if the aggregate amount of cash elected by NEM Shareholders exceeds the Maximum Cash Amount or the aggregate number of Molycorp Shares and Exchangeable Shares elected by NEM Shareholders exceeds the Maximum Share Amount.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder shall be adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares. This description of the pro-ration provisions of the Arrangement is subject to the detailed provisions of the Arrangement itself. See "The Arrangement — Election Procedure and Pro-ration". The actual consideration received by a NEM Shareholder will depend upon such NEM Shareholder's consideration election and the effect of pro-ration, if any.

See "The Arrangement — Description of the Arrangement".

**Q: How do I elect to receive my consideration under the Arrangement?**

A: Each registered holder of NEM Common Shares will have the right to elect in the Letter of Transmittal and Election Form to be delivered to the Depository to receive the consideration set out below depending on whether the NEM Shareholder is an Eligible Holder. Each Beneficial Holder of NEM Common Shares who wishes to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

An "Eligible Holder" is a NEM Shareholder who is (i) a person who is a resident of Canada for purposes of the ITA or, in the case of a partnership, a partnership that is a "Canadian partnership" for purposes of the ITA, and (ii) not exempt from tax under Part I of the ITA or, in the case of a partnership, a partnership none of the partners of which is exempt from tax under Part I of the ITA.

Non-Eligible Holders

Each NEM Shareholder who is not an Eligible Holder may elect to receive, in respect of each NEM Common Share held by such person, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or a combination of Cash Consideration and Share Consideration, subject in each case to pro-ration as described herein.

Eligible Holders

Each NEM Shareholder who is an Eligible Holder may elect to receive, (i) in respect of each NEM Common Share that is an Eligible Share, the Eligible Share Consideration of 0.4242 Exchangeable Shares, or a combination of Cash Consideration and Eligible Share Consideration, subject in each case to pro-ration as described herein, and (ii) in respect of each NEM Common Share that is not an Eligible Share, if any, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or (iii) a combination thereof, subject in each case to pro-ration as described herein.

**NEM Shareholders who are Eligible Holders wishing to obtain a full or partial tax deferral in respect of the transfer of all or a portion of their NEM Common Shares must elect to receive Exchangeable Shares as all or part of the consideration in respect of such transfer.**

**Q: What happens if I do not make an election in respect of the consideration I wish to receive under the Arrangement?**

A: NEM Shareholders who do not make an election prior to the Election Deadline, or for whom the Depository determines that their election was not properly made with respect to any NEM Common Shares, will be deemed to have elected, in respect of each NEM Common Share, to receive Cash Consideration as to 71.24% (or C\$8.05 in cash) and Share Consideration as to 28.76% (or 0.122 Molycorp Shares), subject to pro-ration as described herein.



**Q: What are the Canadian federal income tax consequences of the elections that I make with respect to the Arrangement?**

A: NEM Shareholders who are residents of Canada for purposes of the ITA (other than Eligible Holders discussed below) will realize a taxable disposition of their NEM Common Shares under the Arrangement regardless of whether they elect, or are deemed to elect, to receive cash and/or Molycorp Shares.

NEM Shareholders who are Eligible Holders may elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights). The exchangeable share structure is designed to provide an opportunity for such Eligible Holders who make a valid tax election with Exchangeco to defer all or part of the Canadian income tax on any gain that would otherwise arise on an exchange of their NEM Common Shares for Molycorp Shares under the Arrangement.

NEM Shareholders who are not residents of Canada for purposes of the ITA, and do not hold their NEM Common Shares as "taxable Canadian property" will not be subject to tax under the ITA on the disposition of their NEM Common Shares under the Arrangement regardless of whether they elect, or are deemed to elect, to receive cash and/or Molycorp Shares.

See "Certain Canadian Federal Income Tax Considerations".

**Q: What are the U.S. federal income tax consequences of the Arrangement?**

A: For NEM Shareholders who are U.S. Holders, the exchange of NEM Common Shares for cash and/or Molycorp Shares will be a taxable transaction for U.S. federal income tax purposes.

NEM Shareholders who are not U.S. Holders generally will not be subject to U.S. federal income tax on the disposition of their NEM Common Shares under the Arrangement regardless of whether they elect, or are deemed to elect to receive cash, Exchangeable Shares and/or Molycorp Shares unless (i) the gain realized is effectively connected with the conduct by the Non-U.S. Holder of a trade or business, or, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the Non-U.S. Holder, in the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise.

See "Certain United States Federal Income Tax Considerations" for the definition of U.S. Holder and a general summary of certain U.S. federal income tax consequences relating to the Arrangement.

**Q: What will happen to NEM if the Arrangement is completed?**

A: If the Arrangement is completed, Exchangeco will acquire all of the NEM Common Shares and NEM will become an indirect, wholly-owned subsidiary of Molycorp. Exchangeco and NEM intend to have the NEM Common Shares de-listed from the TSX. In addition, NEM will apply to cease to be a reporting issuer (or the equivalent) in all jurisdictions in which it is a reporting issuer (or the equivalent) and thus will terminate its reporting obligations in Canada. See "Effect of the Arrangement on Markets and Listings".

**Q: Will the Molycorp Shares and Exchangeable Shares be listed on a stock exchange?**

A: Yes. Molycorp will apply to list the Molycorp Shares issuable by Molycorp under the Arrangement (including Molycorp Shares issuable upon the exchange of the Exchangeable Shares) on the NYSE. Exchangeco will also apply to list the Exchangeable Shares issuable under the Arrangement on the TSX (which listing is subject to Exchangeco fulfilling all of the requirements of the TSX, including the distribution of the Exchangeable Shares to a minimum number of public shareholders). It is also a condition of closing that Molycorp shall have obtained approval for listing of the Molycorp Shares issuable to NEM Shareholders under the Arrangement (including those Molycorp Shares issuable upon exchange of

the Exchangeable Shares) on the NYSE and conditional approval for listing of the Exchangeable Shares on the TSX.

**Q: What approvals are required by NEM Shareholders at the Meeting?**

A: To be effective, the Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders. See "The Arrangement — NEM Shareholder Approval".

**Q: Are NEM Shareholders entitled to Dissent Rights?**

A: Yes. Under the Interim Order, NEM Shareholders are entitled to Dissent Rights only if they follow the procedures specified in the CBCA, as modified by the Interim Order. If you wish to exercise Dissent Rights, you should review the requirements summarized in the Circular carefully and consult with legal counsel. See "Rights of Dissenting NEM Shareholders".

**Q: What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?**

A: If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. If this occurs, NEM will continue to carry on its business operations in the normal and usual course. See "Risk Factors Relating to the Arrangement". In certain circumstances, NEM will be required to pay to Molycorp a termination fee. See "The Arrangement Agreement — Termination Fee".

**Q: What do I need to do now?**

A: You should carefully read and consider the information contained in this Circular. NEM Shareholders should then complete, sign and date the enclosed form of proxy (printed on blue paper) and return it in the enclosed return envelope or by facsimile as indicated in the Notice of Meeting as soon as possible so that your NEM Common Shares may be represented at the Meeting. To be eligible for voting at the Meeting, the form of proxy must be returned by mail or by facsimile to the Depositary not later than 10:00 a.m. (Toronto time) on Monday, May 28, 2012 or, if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays or any other holiday in Toronto, Ontario) prior to the time of such adjourned or postponed Meeting. See "General Information Concerning the Meeting and Voting — Appointment of Proxyholder".

**Q: If my NEM Common Shares are held in street name by my broker, will my broker vote my NEM Common Shares for me?**

A: A broker will vote the NEM Common Shares held by you only if you provide instructions to your broker on how to vote. Without instructions, those NEM Common Shares will not be voted. NEM Shareholders should instruct their brokers to vote their NEM Common Shares by following the directions provided to them by their brokers. Unless your broker gives you its proxy to vote the NEM Common Shares at the Meeting, you cannot vote those NEM Common Shares owned by you at the Meeting. See "General Information Concerning the Meeting and Voting — Explanation of Voting Rights for Beneficial Owners of NEM Common Shares".

**Q: Should I send in my Letter of Transmittal and Election Form and NEM Common Share certificates now?**

A: Yes. It is recommended that you complete, sign and return the Letter of Transmittal and Election Form, together with the accompanying NEM Common Share certificate(s), to the Depositary as soon as possible. Beneficial Holders of NEM Common Shares who wish to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

To make a valid election as to the consideration that you wish to receive under the Arrangement (which election may be subject to pro-ration), you must sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it, together with the accompanying NEM Common Share certificate(s), to the Depository prior to the Election Deadline. Beneficial Holders should contact their brokers as soon as possible, as they will be subject to the same Election Deadline.

The Election Deadline is 4:30 p.m. (Toronto time) on Tuesday, May 29, 2012 (the Business Day immediately prior to the date of the Meeting) or, if the Meeting is adjourned or postponed, such time on the Business Day immediately prior to the date of such adjourned or postponed Meeting. **If you fail to make a proper election by the Election Deadline, you will be deemed to have elected to receive, in respect of each NEM Common Share, Cash Consideration as to 71.24% (or C\$8.05 in cash) and Share Consideration as to 28.76% (or 0.122 Molycorp Shares), subject to pro-ration.**

See "The Arrangement — Election Procedure and Pro-ration".

**Q: Should I send in my proxy now?**

A: Yes. To ensure the Arrangement Resolution is passed, you need to complete and submit the enclosed form of proxy (printed on blue paper) or, if applicable, provide your broker with voting instructions. See "General Information Concerning the Meeting and Voting — Appointment of Proxyholder" and "General Information Concerning the Meeting and Voting — Explanation of Voting Rights for Beneficial Owners of NEM Common Shares".

**Q: When will I receive the consideration payable to me under the Arrangement for my NEM Common Shares?**

A: You will receive the consideration due to you under the Arrangement promptly after the Arrangement Resolution is approved, Court and other approvals have been obtained, the Arrangement becomes effective and your Letter of Transmittal and Election Form and NEM Common Share certificate(s) and all other required documents are received by the Depository. See "The Arrangement — Procedure for Arrangement to Become Effective".

**Q: What happens if I send in my NEM Common Share certificates and the Arrangement Resolution is not approved or the Arrangement is not completed?**

A: If the Arrangement Resolution is not approved or if the Arrangement is not otherwise completed, your NEM Common Share certificates will promptly be returned to you by the Depository.

**Q: Can I change my vote after I have deposited my proxy?**

A: Yes. A NEM Shareholder executing the enclosed form of proxy has the right to revoke it under subsection 148(4) of the CBCA. A NEM Shareholder may revoke a proxy by depositing an instrument in writing executed by him or her, or by his or her attorney authorized in writing, at the registered office of NEM at any time up to and including the last day (other than a Saturday, Sunday or other holiday in Toronto, Ontario) preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting prior to the Meeting, or any adjournment or postponement thereof, or in any other manner permitted by law.

**Q: Who can help answer my questions?**

A: NEM Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the Arrangement, including the procedures for voting NEM Common Shares, should contact their broker or Kingsdale Shareholder Services Inc. toll free at one of the numbers below. In addition, Kingsdale Shareholder Services Inc. is available to answer any questions you might have in respect of the information contained in the Circular.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

North American Toll-Free Number	1-888-518-1561
Outside North America Call Collect	416-867-2272

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

## SUMMARY OF CIRCULAR

*The following is a summary of certain information contained elsewhere in, or incorporated by reference into, this Circular, including the Appendices hereto. Certain capitalized terms used in this summary are defined in the Glossary of Defined Terms or elsewhere in this Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere, or incorporated by reference, in this Circular.*

### **The Meeting**

The Meeting will be held at 10:00 a.m. (Toronto time) on Wednesday, May 30, 2012 at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario for the purposes set forth in the Notice of Meeting. At the Meeting, NEM Shareholders will be asked to consider and, if thought advisable, pass, with or without variation, the Arrangement Resolution to approve the Arrangement under Section 192 of the CBCA.

In addition, the NEM Shareholders will be asked to consider and approve the following matters:

- (a) the election of the directors of NEM to hold office until the earlier of when the Arrangement becomes effective and the next annual meeting of NEM Shareholders; and
- (b) the re-appointment of KPMG LLP, Chartered Accountants, as the auditors of NEM for the ensuing year and to authorize the NEM Board to fix their remuneration.

See "Annual Business of the Meeting".

NEM has fixed April 27, 2012 as the record date for determining those NEM Shareholders entitled to receive notice of and to vote at the Meeting.

### **NEM Shareholder Approval**

The NEM Board recommends that NEM Shareholders vote their NEM Common Shares **IN FAVOUR** of the Arrangement Resolution. To be effective, the Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast on the Arrangement Resolution, in person or by proxy, by NEM Shareholders.

The Arrangement Resolution must be passed in order for NEM to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order.

See "The Arrangement — NEM Shareholder Approval".

### **Effects of the Arrangement**

If the Arrangement Resolution is passed and all of the other conditions to closing of the Arrangement are satisfied or waived, Exchangeco will acquire all of the outstanding NEM Common Shares from NEM Shareholders in exchange for a combination of cash and either Molycorp Shares or (in the case of Eligible Holders) Exchangeable Shares. Upon completion of the Arrangement, NEM will become an indirect wholly-owned subsidiary of Molycorp.

See "The Arrangement — Description of the Arrangement".

### **Description of the Arrangement**

If the Arrangement is approved by the NEM Shareholders and all of the conditions precedent to the completion of the Arrangement are satisfied or waived, the Arrangement will become effective at the Effective Time (which is expected to be at 12:01 a.m. (Toronto time) on the Effective Date). At the Effective Time, the following shall be deemed to occur in the following order:

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

- (a) at the Effective Time:
  - (i) each NEM Option granted and outstanding immediately prior to the Effective Time will be and be deemed to be transferred by the holder thereof to NEM (free and clear of any liens) in exchange for a cash payment from NEM equal to the NEM Option Consideration (if any) in respect of such NEM Option;
  - (ii) with respect to each NEM Option, the holder thereof will cease to be the holder thereof or to have any rights as a holder in respect of such NEM Option or under the NEM Stock Option Plan and the name of the holder thereof will be removed from the applicable securities register of NEM with respect to such NEM Option; and
  - (iii) the NEM Stock Option Plan will be cancelled;
- (b) immediately after the steps in paragraph (a) above occur:
  - (i) each NEM Common Share held by a Dissenting NEM Shareholder who is ultimately determined to be entitled to be paid the fair value of the NEM Common Shares in respect of which such Dissenting NEM Shareholder has exercised Dissent Rights will be and be deemed to be transferred by the holder thereof to Exchangeco (free and clear of any liens) and such Dissenting NEM Shareholder will cease to be the holder thereof or to have any rights as a holder in respect of such NEM Common Share other than the right to be paid the fair value of such NEM Common Share determined and payable in accordance with Article 4 of the Plan of Arrangement; and
  - (ii) at the same time as the step in subparagraph (b)(i) occurs, legal and beneficial title to each such NEM Common Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such NEM Common Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (c) at the same time as the steps in paragraph (b) above occur:
  - (i) each Eligible Share will be and be deemed to be transferred by the holder thereof to Exchangeco (free and clear of any liens) in exchange for (x) the Cash Consideration, (y) the Eligible Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 of the Plan of Arrangement and subject, in each case, to proration in accordance with Section 3.3 of the Plan of Arrangement); and
  - (ii) at the same time as the step in subparagraph (c)(i) occurs, the holder of each Eligible Share transferred to Exchangeco as set forth in subparagraph (c)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Eligible Share Consideration payable in respect thereof as set forth in subparagraph (c)(i), and legal and beneficial title to each such Eligible Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such Eligible Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (d) at the same time as the steps in paragraph (c) above occur:
  - (i) each NEM Common Share outstanding immediately prior to the Effective Time (other than NEM Common Shares held by Dissenting NEM Shareholders who are ultimately determined to be entitled to be paid the fair value of their NEM Common Shares as determined in accordance with Article 4 of the Plan of Arrangement and other than Eligible Shares), will be and be deemed to be transferred by the holder thereof to

Exchangeco (free and clear of any liens) in exchange for (x) the Cash Consideration, (y) the Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 of the Plan of Arrangement and subject, in each case, to proration in accordance with Section 3.3 of the Plan of Arrangement); and

- (ii) at the same time as the step in subparagraph (d)(i) occurs, the holder of each NEM Common Share transferred to Exchangeco as set forth in subparagraph (d)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Share Consideration payable in respect thereof as set forth in subparagraph (d)(i), and legal and beneficial title to each such NEM Common Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such NEM Common Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (e) immediately after the steps in paragraph (d) above occur:
  - (i) notwithstanding the terms of the LTIP, all vested and unvested RSUs, Performance Units and SARs under the LTIP will be deemed to be vested, and will without any further action by the holders of RSUs, Performance Units and SARs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM, in exchange therefor:
    - (A) the Total Consideration in cash per RSU;
    - (B) the SAR Consideration in cash per SAR; and
    - (C) the Total Consideration in cash per Performance Unit; and
  - (ii) at the same time as the step in subparagraph (e)(i) occurs, the LTIP will be cancelled;
- (f) immediately after the steps in paragraph (e) above occur:
  - (i) notwithstanding the terms of the DSU Plan, all vested and unvested DSUs under the DSU Plan will be deemed to be vested, and will without any further action by the holders of DSUs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM in exchange therefor, the Total Consideration in cash per DSU; and
  - (ii) at the same time as the step in subparagraph (f)(i) occurs, the DSU Plan will be cancelled; and
- (g) each holder of NEM Options or NEM Common Shares, or both, outstanding immediately prior to the Effective Time, with respect to each step set out above applicable to such holder, will be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer all NEM Options or NEM Common Shares held by such holder in accordance with such step.

See "The Arrangement — Description of the Arrangement".

## **NEM**

NEM is a corporation existing under the CBCA. NEM is a producer, processor and developer of neodymium-iron-boron magnetic powders, rare earths and zirconium based engineered materials and applications, and other rare metals and their compounds through its Magnequench and Performance Materials business divisions. These innovative products are essential in many of today's high technology products. Magnequench's Neo powders

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

are used to produce bonded magnets, generally used in micro motors, precision motors, sensors and other applications requiring high levels of magnetic strength, flexibility, small size and reduced weight. Rare earth and zirconium applications include catalytic converters, computers, television display panels, optical lenses, mobile phones and electronic chips. NEM's rare metals products are primarily used in the wireless, LED, flat panel, turbine, solar and catalyst industries. NEM is headquartered in Toronto, Canada.

See "Information Relating to NEM".

### **Molycorp**

Molycorp is a corporation existing under the laws of the State of Delaware. Molycorp is the largest rare earth oxide producer in the Western hemisphere and owns one of the world's largest rare earth projects outside of China. Molycorp also owns one of the largest rare earth oxide and rare metal producers in Europe, and is the only producer of rare earth alloys in the United States. Rare earths are critical inputs in many existing and emerging applications including: clean energy technologies, such as hybrid and electric vehicles and wind power turbines; multiple high-tech uses, including fibre optics, lasers and hard disk drives; numerous defence applications, such as guidance and control systems and global positioning systems; and advanced water treatment technology for use in industrial, military and outdoor recreation applications.

See Appendix C — "Information Relating to Molycorp and Exchangeco".

### **Exchangeco**

Exchangeco, an indirect wholly-owned subsidiary of Molycorp, is a corporation incorporated under the BCBCA. Under the Arrangement, Exchangeco will issue Exchangeable Shares to Eligible Holders who have elected to receive Exchangeable Shares instead of Molycorp Shares.

See Appendix C — "Information Relating to Molycorp and Exchangeco".

### **GMP Securities Fairness Opinion**

GMP Securities was formally engaged by the Special Committee and the Board on January 24, 2012 as its financial advisor to advise and assist NEM in connection with NEM's consideration of Molycorp's offer, including, if requested, providing opinions as to the fairness, from a financial point of view, of the consideration to be received in respect of any transaction that emerged from such offer.

GMP Securities delivered its opinion orally to the Special Committee and the NEM Board on March 2, 2012. GMP Securities subsequently confirmed its opinion by delivery of a written opinion to the Special Committee and the NEM Board dated March 8, 2012, a copy of which is attached to this Circular as Appendix H. Based upon and subject to the assumptions made and the matters considered in the GMP Securities Fairness Opinion, **GMP Securities is of the opinion that the consideration offered to NEM Shareholders pursuant to the Arrangement is fair, from a financial point of view, to NEM Shareholders other than Molycorp and its affiliates.**

The GMP Securities Fairness Opinion does not constitute a recommendation to NEM Shareholders with respect to the Arrangement Resolution.

See "The Arrangement — GMP Securities Fairness Opinion".

### **Recommendation of the NEM Board**

**The NEM Board believes that the Arrangement is in the best interests of NEM and NEM Shareholders. Accordingly, NEM has entered into the Arrangement Agreement and the NEM Board unanimously recommends that NEM Shareholders vote their NEM Common Shares IN FAVOUR of the Arrangement Resolution.**

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*



## Reasons for the Recommendation of the NEM Board

In making its recommendation, the NEM Board considered a number of factors, including:

1. The Arrangement values NEM at approximately C\$1.3 billion (based on the 20 day weighted average trading price of the Molycorp Shares on the NYSE through March 7, 2012). This represents a premium of approximately 42% over the closing price of the NEM Shares on the TSX of C\$7.97 on March 8, 2012, being the last trading day prior to the Arrangement being publicly announced.
2. A substantial portion of the consideration is payable in cash, which provides certainty of value and liquidity to the NEM Shareholders.
3. NEM Shareholders who receive Molycorp Shares or Exchangeable Shares will continue to participate in any value increases associated with the combined entity. Among the anticipated benefits:
  - (a) the Arrangement will combine Molycorp's world-class rare earth resource and low-cost production from its Project Phoenix with NEM's proven leadership in the development, processing, and distribution of technically advanced rare earth products;
  - (b) the Arrangement will give the combined entity greater exposure to the world's largest and fastest-growing rare earth consuming nation - China - which now comprises about 70% of global rare earth consumption;
  - (c) the transaction leverages NEM's existing infrastructure to allow Molycorp to ramp up its overall production once Project Phoenix Phase 2 production begins in 2013;
  - (d) the transaction expands Molycorp's production capabilities to include NEM's Magnequench patented magnet powder portfolio used to produce neodymium-iron-boron (NdFeB) bonded rare earth magnets;
  - (e) the Arrangement expands Molycorp's strategic rare metals portfolio to include gallium, rhenium, and indium, which are used in advanced electronics, photovoltaic, aerospace, automotive, and lighting industries; and
  - (f) significant identified synergies are expected to strengthen the combined entity's financial performance beyond 2012.
4. The GMP Securities Fairness Opinion, which concluded that the consideration to be received under the Arrangement by NEM Shareholders is fair, from a financial point of view, to NEM Shareholders other than Molycorp and its affiliates.
5. NEM Shareholders who receive Molycorp Shares or Exchangeable Shares under the Arrangement may benefit from the greater trading liquidity of Molycorp Shares as compared to NEM Common Shares. In that regard, the average daily trading value and the average daily trading volume of the Molycorp Shares on the NYSE and alternate trading platforms over the twelve-month period ended March 8, 2012 (the last trading day prior to the public announcement of the Arrangement) was approximately US\$257.9 million and 5.3 million, respectively. This compares to the average daily trading value and average daily trading volume of the NEM Common Shares on the TSX and alternate trading platforms during the same twelve-month period of approximately US\$9.4 million and 1.1 million, respectively.
6. NEM Shareholders who are Eligible Holders will have the opportunity to elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights) and to make a valid tax election with Exchangeco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their NEM Common Shares for Molycorp Shares.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

7. Industry, economic and market conditions and trends.
8. Historical market prices and trading information with respect to the NEM Common Shares and the Molycorp Shares.
9. Information regarding the business, operations, property, assets, financial performance and condition, operating results and prospects of NEM and Molycorp.
10. The likelihood that the Arrangement will be completed, given the absence of a financing condition and the other conditions and approvals necessary to complete the Arrangement.
11. The terms of the Arrangement Agreement, which permit the NEM Board to consider and respond to a Superior Proposal subject to the payment of the Termination Fee to Molycorp in certain circumstances.
12. The requirement that the Arrangement Resolution be passed by at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders.
13. The procedures by which the Arrangement is to be approved, including the requirement for approval by the Court after a hearing at which fairness will be considered.
14. The availability of rights of dissent to the registered NEM Shareholders with respect to the Arrangement.

See "The Arrangement — Reasons for the Recommendation of the NEM Board".

#### **Letter of Transmittal and Election Form**

A Letter of Transmittal and Election Form (printed on yellow paper) is being mailed, together with this Circular, to each person who was a registered holder of NEM Common Shares on the Record Date. Each registered NEM Shareholder must forward a properly completed and signed Letter of Transmittal and Election Form, with accompanying NEM Common Share certificates, in order to receive the consideration to which such NEM Shareholder is entitled under the Arrangement. It is recommended that NEM Shareholders complete, sign and return the Letter of Transmittal and Election Forms with accompanying NEM Common Share certificates to the Depository as soon as possible. Each Beneficial Holder of NEM Common Shares who wishes to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

See "The Arrangement — Letter of Transmittal and Election Form" and "The Arrangement — Election Procedure and Pro-ration".

#### **Election Procedure and Pro-ration**

##### *Available Elections and Procedure*

Each registered holder of NEM Common Shares will have the right to elect in the Letter of Transmittal and Election Form to be delivered to the Depository to receive the consideration set out below depending on the status of the NEM Shareholder. Each Beneficial Holder of NEM Common Shares who wishes to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

**To make a valid election as to the consideration that you wish to receive under the Arrangement (subject to pro-ration), you must sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it with accompanying NEM Common Share certificate(s) to the Depository prior to the Election Deadline, being 4:30 p.m. (Toronto time) on Tuesday, May 29, 2012, being the Business Day immediately prior to the date of the Meeting or, if the Meeting is adjourned or postponed, 4:30 p.m. on the Business Day immediately prior to the date of such adjourned or postponed Meeting.**

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

**Beneficial Holders should contact their brokers as soon as possible, as they will be subject to the same Election Deadline.**

#### Non-Eligible Holders

Each NEM Shareholder who is not an Eligible Holder may elect to receive, in respect of each NEM Common Share held by such person, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or a combination of Cash Consideration and Share Consideration, subject in each case to pro-ration as described below.

#### Eligible Holders

Each NEM Shareholder who is an Eligible Holder may elect to receive, (i) in respect of each NEM Common Share that is an Eligible Share, the Eligible Share Consideration of 0.4242 Exchangeable Shares, or a combination of Cash Consideration and Eligible Share Consideration, subject in each case to pro-ration as described below, and (ii) in respect of each NEM Common Share that is not an Eligible Share, if any, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or (iii) a combination thereof, subject in each case to pro-ration as described below.

**NEM Shareholders who are Eligible Holders wishing to obtain a full or partial tax deferral in respect of the transfer of all or a portion of their NEM Common Shares must elect to receive Exchangeable Shares as all or part of the consideration in respect of such transfer. See "Certain Canadian Federal Income Tax Considerations".**

An election will have been properly made only if the Depository has received, by the Election Deadline, a Letter of Transmittal and Election Form properly completed and signed and accompanied by the certificate(s) for the NEM Common Shares to which the Letter of Transmittal and Election Form relates, properly endorsed or otherwise in proper form for transfer.

The determination of the Depository as to whether elections have been properly made or revoked and when elections and revocations were received by it will be binding on NEM Shareholders. **NEM SHAREHOLDERS WHO DO NOT MAKE AN ELECTION PRIOR TO THE ELECTION DEADLINE, OR FOR WHOM THE DEPOSITARY DETERMINES THAT THEIR ELECTION WAS NOT PROPERLY MADE WITH RESPECT TO ANY NEM COMMON SHARES, WILL BE DEEMED TO HAVE ELECTED, IN RESPECT OF EACH NEM COMMON SHARE, TO RECEIVE CASH CONSIDERATION AS TO 71.24% (OR C\$8.05 IN CASH) AND SHARE CONSIDERATION AS TO 28.76% (OR 0.122 MOLYCORP SHARES), SUBJECT TO PRO-RATION AS DESCRIBED BELOW.** The Depository may, with the mutual agreement of NEM and Molycorp, make such rules as are consistent with the Arrangement for the implementation of the elections contemplated by the Arrangement and as are necessary or desirable to fully effect such elections.

#### *Pro-ration*

The Arrangement provides that the maximum amount of cash to be paid to NEM Shareholders shall not exceed the Maximum Cash Amount and the maximum aggregate number of Molycorp Shares and Exchangeable Shares that may be issued to NEM Shareholders shall not exceed the Maximum Share Amount. If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder shall be adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares.

#### ***Elections for Cash***

If the aggregate amount of Cash Consideration that would, but for pro-rationing pursuant to the Plan of Arrangement, be paid to NEM Shareholders under the Arrangement exceeds the Maximum Cash Amount, then the Cash Consideration paid to any NEM Shareholder shall be determined by multiplying the total amount of Cash

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

Consideration otherwise payable to such NEM Shareholder by a fraction, rounded to six decimal places, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate amount of the Cash Consideration otherwise payable to all NEM Shareholders; and such NEM Shareholder shall be deemed to have elected to receive Share Consideration or Eligible Share Consideration, as the case may be, for the remainder of its NEM Common Shares for which, but for such pro-rationing, such NEM Shareholder would otherwise have received Cash Consideration.

### ***Elections for Molycorp Shares and/or Exchangeable Shares***

If the aggregate number of Molycorp Shares and Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to NEM Shareholders under the Arrangement exceeds the Maximum Share Amount, then the number of Molycorp Shares and Exchangeable Shares to be issued to any NEM Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Molycorp Shares and/or Exchangeable Shares otherwise issuable to such NEM Shareholder by a fraction, rounded to six decimal places, the numerator of which is the Maximum Share Amount and the denominator of which is the aggregate number of Molycorp Shares and Exchangeable Shares otherwise issuable to all NEM Shareholders; and such holder shall be deemed to have elected to receive Cash Consideration for the remainder of its NEM Shares for which, but for such pro-rationing, such NEM Shareholder would otherwise have received Molycorp Shares and/or Exchangeable Shares.

### **Interests of Certain Persons in the Arrangement**

In considering the recommendation of the NEM Board with respect to the Arrangement, NEM Shareholders should be aware that certain members of the NEM Board and of NEM's management have interests in connection with the transactions contemplated in the Arrangement (such as considerations relating to employment agreements and directors' and officer liability insurance and indemnities) that may create actual or potential conflicts of interest in connection with such transactions. The Board is aware of these interests and considered them along with the other matters described above in "The Arrangement — Recommendation of the NEM Board".

See "The Arrangement — Interests of Certain Persons in the Arrangement".

### ***The Arrangement Agreement***

The Arrangement Agreement provides for the Arrangement and matters related thereto. Under the Arrangement Agreement, NEM has agreed to, among other things, call the Meeting to seek approval of NEM Shareholders for the Arrangement Resolution and, if approved, apply to the Court for the Final Order. See "The Arrangement Agreement."

### ***NEM Convertible Debentures***

The NEM Indenture sets forth the mechanism for dealing with the NEM Convertible Debentures in the event of a change of control transaction such as the Arrangement. In the Arrangement Agreement, both Molycorp and Exchangeco have agreed to abide by the terms of the NEM Indenture in respect of the treatment of the holders NEM Convertible Debenture. Holders of NEM Convertible Debentures will receive a notice from NEM informing them of the Arrangement.

### **Unaudited *Pro Forma* Consolidated Financial Statements of Molycorp**

The unaudited *pro forma* consolidated financial statements of Molycorp after giving effect to the Arrangement are set forth in Appendix C to this Circular.

### **Court Approval and Completion of the Arrangement**

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, NEM obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdala shareholder.com](mailto:contactus@kingsdala shareholder.com)*

Interim Order is attached hereto as Appendix F. A copy of the Notice of Application applying for the Final Order is attached hereto as Appendix G.

Subject to the approval of the Arrangement Resolution by NEM Shareholders at the Meeting, the hearing in respect of the Final Order is expected to take place on or about June 8, 2012 in the Court at 330 University Avenue, Toronto, Ontario, or as soon thereafter as is reasonably practicable. Any NEM Shareholder who wishes to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the Notice of Application for the Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived, it is currently anticipated that Articles of Arrangement for NEM will be filed with the Director under the CBCA to give effect to the Arrangement in June 2012.

See "The Arrangement — Court Approval and Completion of the Arrangement".

### **Fractional Shares**

No fractional Exchangeable Shares or fractional Molycorp Shares will be issued upon the surrender for exchange of certificates representing NEM Common Shares. Where the aggregate number of Exchangeable Shares or Molycorp Shares to be issued to a NEM Shareholder as consideration under the Arrangement would result in a fraction of an Exchangeable Share or a Molycorp Share being issuable, the number of Exchangeable Shares or Molycorp Shares to be received by such holder will be rounded down to the nearest whole Exchangeable Share or Molycorp Share, as the case may be, and, in lieu of a fractional Exchangeable Share or Molycorp Share, the holder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to the Canadian Dollar Equivalent of (i) the volume weighted average trading price on the NYSE of the Molycorp Shares over the five Business Days ending one Business Day before the Effective Date *multiplied* by (ii) the fractional share amount. All cash payable in lieu of fractional Exchangeable Shares and Molycorp Shares will be denominated in Canadian dollars.

See "The Arrangement — Exchange Procedure".

### **Dissent Rights**

The Interim Order expressly provides registered holders of NEM Common Shares with the right to dissent with respect to the Arrangement. As a result, any Dissenting NEM Shareholder is entitled to be paid the fair value (determined as of the Effective Time) of all, but not less than all, of the shares of the same class beneficially held by it in accordance with Section 190 of the CBCA, if the NEM Shareholder dissents with respect to the Arrangement and the Arrangement becomes effective.

Section 190 of the CBCA provides that a shareholder may only make a claim under that section with respect to all of the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a registered NEM Shareholder may only exercise the Dissent Rights under Section 190 of the CBCA (as modified by the Plan of Arrangement and the Interim Order) in respect of NEM Common Shares that are registered in that NEM Shareholder's name.

The execution or exercise of a proxy does not constitute a written objection for purposes of the right to dissent under the CBCA.

The Interim Order and the CBCA require strict adherence to the procedures established therein and failure to adhere strictly to such procedures may result in the loss of all rights of dissent with respect to the Arrangement Resolution. Accordingly, each NEM Shareholder who desires to exercise rights of dissent should carefully consider

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

and comply with the provisions of Section 190 of the CBCA, as modified by the Plan of Arrangement and the Interim Order, and consult its legal advisors.

**Notwithstanding subsection 190(5) of the CBCA (pursuant to which a written objection may be provided at or prior to the Meeting), a Dissenting NEM Shareholder who seeks payment of the fair value of its NEM Common Shares is required to deliver a written objection to the Arrangement Resolution to NEM by 4:30 p.m. (Toronto time) on the second Business Day preceding the Meeting (or, if the Meeting is postponed or adjourned, the second Business Day preceding the date of the reconvened or postponed Meeting). NEM's address for such purpose is 121 King Street West, Suite 1740, Standard Life Centre, Toronto, Ontario, M5H 3T9.**

A vote against the Arrangement Resolution or a withholding of votes does not constitute a written objection.

A Dissenting NEM Shareholder who fails to send to NEM, within the appropriate time frame, a dissent notice, demand for payment and certificates representing the NEM Common Shares in respect of which the NEM Shareholder dissents forfeits the right to make a claim under Section 190 of the CBCA as modified by the Plan of Arrangement and the Interim Order. The transfer agent of NEM will endorse on the share certificates received from a Dissenting NEM Shareholder a notice that the holder is a Dissenting NEM Shareholder and will forthwith return the certificates to the Dissenting NEM Shareholder.

**Failure to comply strictly with the dissent procedures described in the Circular may result in the loss of any right of dissent. Beneficial owners of NEM Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered owners of NEM Common Shares are entitled to dissent.** The obligation of Molycorp to complete the Arrangement is subject, among other matters, to there not having been delivered and not withdrawn notices of dissent in respect of more than 10% of the outstanding NEM Common Shares.

See "Right of Dissenting NEM Shareholders".

#### **De-listing of NEM Common Shares and NEM Convertible Debentures**

If the Arrangement is completed, the NEM Common Shares and NEM Convertible Debentures will be de-listed from the TSX, NEM will apply to cease to be a reporting issuer (or the equivalent) in all jurisdictions in Canada in which it is a reporting issuer (or the equivalent) and thus will terminate its reporting obligations in Canada.

See "Effect of the Arrangement on Markets and Listings".

#### **Certain Canadian Federal Income Tax Considerations**

NEM Shareholders that are residents of Canada for purposes of the ITA (other than Eligible Holders that make valid tax elections with Exchangeco as discussed below) will realize a taxable disposition of their NEM Common Shares under the Arrangement regardless of whether they elect, or are deemed to elect, to receive cash and/or Molycorp Shares.

NEM Shareholders that are Eligible Holders may elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights). The exchangeable share structure is designed to provide an opportunity for such Eligible Holders that make a valid tax election with Exchangeco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their NEM Common Shares for Molycorp Shares under the Arrangement.

NEM Shareholders that are not residents of Canada for purposes of the ITA, and do not hold their NEM Common Shares as "taxable Canadian property" will not be subject to tax under the ITA on the disposition of their

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

NEM Common Shares under the Arrangement regardless of whether they elect, or are deemed to elect, to receive cash and/or Molycorp Shares.

This Circular contains a summary of the principal Canadian federal income tax considerations applicable to NEM Shareholders that participate in the Arrangement and the above comments are qualified in their entirety by reference to such summary. See "Certain Canadian Federal Income Tax Considerations".

### **Certain United States Federal Income Tax Considerations**

The exchange of NEM Common Shares for cash and/or Molycorp Shares pursuant to the Arrangement will be a taxable transaction to U.S. Holders of NEM Common Shares for U.S. federal income tax purposes.

A Non-U.S. Holder of NEM Common Shares will generally not be subject to U.S. federal income tax in respect of the exchange of NEM Common Shares for cash and/or Molycorp Shares or Exchangeable Shares unless (i) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business, or, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the Non-U.S. Holder, in the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise.

See "Certain United States Federal Income Tax Considerations" for a general summary of certain United States federal income tax considerations relevant to NEM Shareholders.

### **Risk Factors**

There are a number of risk factors relating to the Arrangement, the business of Molycorp, the Molycorp Shares and the Exchangeable Shares all of which should be carefully considered by NEM Shareholders.

See "Risk Factors Relating to the Arrangement" and Appendix C — "Information Relating to Molycorp and Exchangeco — Risk Factors".

## THE ARRANGEMENT

### Background to the Arrangement

The following is a summary of the principal events leading up to the proposal from Molycorp, the finalization of the Arrangement Agreement and the meetings, discussions and other actions between the parties that preceded the public announcement of the Arrangement and the calling of the Meeting.

NEM and Molycorp first explored the possibility of a cooperative business relationship, having regard for the synergies between Molycorp's low-cost production capability and NEM's proven leadership in the development, processing and distribution of rare earth products in November 2009. In furtherance thereof, NEM and Molycorp entered into the Non-Disclosure Agreement which included a mutual standstill obligation terminating on December 31, 2014.

Informal discussions took place in September and November 2011 regarding the possibility of a friendly business combination between Molycorp and NEM. On December 9, 2011, Mr. Smith, Molycorp's President and Chief Executive Officer, indicated to Mr. Karayannopoulos Molycorp's desire to explore a friendly business combination and requested the opportunity to meet with representatives of NEM to present a proposal.

At a regularly scheduled meeting of the NEM Board held on December 15, 2011, the NEM Board directed a previously constituted Special Committee (comprised of Messrs. O'Connor (Chair), Jackson and Macfarlane) to, among other things, review and make recommendations to the NEM Board regarding the manner in which to respond to enquiries from interested parties, and was empowered to oversee and coordinate NEM's engagement with any potential acquiror.

The Special Committee met on January 6, 2012 to consider Molycorp's approach and how NEM might respond. GMP Securities was retained as financial advisor to the NEM Board and the Special Committee and Stikeman Elliott LLP was engaged as counsel to the Special Committee. It was agreed that management and representative members of the NEM Board would meet with Molycorp's representatives on January 12, 2012 to discuss Molycorp's proposal. In the interim, having regard for the Non-Disclosure Agreement, management and GMP Securities were authorized to respond to certain of Molycorp's information requests, with a view to enabling Molycorp to put forward as compelling a proposal as possible. The Special Committee met on January 12, 2012 to prepare for the meeting with Molycorp's representatives, following which the Special Committee, along with Mr. Karayannopoulos and representatives of GMP Securities, met with Molycorp and its advisors. Based on that initial discussion, NEM agreed to provide Molycorp with certain additional information in order to enable Molycorp to present a formal proposal to the NEM Board.

Representatives of Molycorp and its advisors met again with the Special Committee, Messrs. Karayannopoulos and Bedford and representatives of GMP Securities on January 24, 2012. NEM's representatives made it clear that NEM was not seeking a bid and would only proceed if Molycorp's proposal was compelling, having regard to price, conditionality and the broader interests of NEM and its stakeholders. At this meeting, a framework for an agreement was arrived at and both parties agreed to work together on an exclusive basis to determine whether a mutually satisfactory transaction could be agreed upon. An exclusivity agreement was entered into on January 26, 2012 and extended on March 2, 2012.

Over the course of the next several weeks, representatives of Molycorp and NEM had ongoing discussions with respect to the terms of a potential transaction and related due diligence. Site visits of both companies' major facilities were conducted and management meetings were held. One representative of the Special Committee participated in the Molycorp Mountain Pass site visit and meetings along with NEM's senior management. During this timeframe, NEM indicated that it was not prepared to entertain a proposal conditional on financing.

The Special Committee met on each of February 8, 10, 11, 12, 15 (twice), 20 and 22, 2012 to receive updates on the due diligence process (including discussions relating to management integration) and transaction negotiations. The key terms under negotiation at this time related to the form of consideration, amount of break-fee and nature of Molycorp's financing. During the course of due diligence and negotiation meetings on February 21 to



23, 2012 these issues were substantially resolved to the satisfaction of the Special Committee. In addition, NEM management and the Special Committee (which met on February 22 and 24, 2012) gained additional confidence in the capabilities of Molycorp management and the likelihood of the two management teams being able to work together to successfully create synergies in connection with the transaction.

The Special Committee met on February 27 and 28, 2012 to discuss the conditions to closing and the regulatory risks posed by the transaction.

On February 29, 2012, the Special Committee and its advisors and management reported to the NEM Board. The Special Committee noted that the NEM Board's starting premise had been that NEM was not looking for a buyer and that, while Molycorp was a logical counter-party (as evidenced by prior discussions about a strategic alliance), there were risks inherent in any transaction. Accordingly, the focus of negotiations had been on (i) ensuring fair value for NEM Shareholders, (ii) becoming comfortable with respect to the capacity of Molycorp's management team and the likelihood of the two operations being successfully integrated, and (iii) mitigating execution (including financing) risks. Based on discussions to that date, the Special Committee, the NEM Board and management were optimistic that, subject to settlement of final valuation and agreement issues, including Molycorp securing a satisfactory commitment letter for bridge financing, the proposed transaction could be recommended to NEM's Shareholders.

On March 2, 2012, the NEM Board met to receive an update from the Special Committee and its advisors and management of the terms and status of the proposed transaction. GMP Securities presented its preliminary view as to the fairness of consideration proposed under the transaction, from a financial perspective, to NEM's Shareholders other than Molycorp and its affiliates. The NEM Board concluded that the Molycorp offer presented the right opportunity for NEM Shareholders to obtain a premium and continue with an investment in the overall enterprise. The Special Committee met later that day and agreed to extend the exclusivity agreement to March 7, 2012 subject to delivery by Molycorp by March 5, 2012 of a substantially final draft commitment letter for the contemplated bridge financing.

The Special Committee met on March 6, 2012 for an update from its advisors and management and decided to have a meeting of the NEM Board called for March 8, 2012 to consider entering into the Arrangement Agreement. On March 8, the NEM Board met twice to receive updates from management, the Special Committee and its advisors. At the second such meeting, for the reasons described under "Reasons for the Recommendation of the NEM Board", the Special Committee unanimously recommended the proposed transaction and the NEM Board unanimously determined that NEM should enter into the Arrangement Agreement and to recommend that NEM Shareholders vote their NEM Common Shares **IN FAVOUR** of the Arrangement Resolution. NEM and Molycorp jointly announced the Arrangement after the close of trading on the TSX and NYSE that day.

#### **Reasons for the Recommendation of the NEM Board**

**The NEM Board believes that the Arrangement is in the best interests of NEM and NEM Shareholders. Accordingly, the NEM Board has entered into the Arrangement Agreement and unanimously recommends that NEM Shareholders vote their NEM Common Shares IN FAVOUR of the Arrangement Resolution.**

In making its recommendation, the NEM Board considered a number of factors, including:

1. The Arrangement values NEM at approximately C\$1.3 billion (based on the 20 day weighted average trading price of the Molycorp Shares on the NYSE through March 7, 2012). This represents a premium of approximately 42% over the closing price of the NEM Shares on the TSX of C\$7.97 on March 8, 2012, being the last trading day prior to the Arrangement being publicly announced.
2. A substantial portion of the consideration is payable in cash, which provides certainty of value and liquidity to the NEM Shareholders.

3. NEM Shareholders who receive Molycorp Shares or Exchangeable Shares will continue to participate in any value increases associated with the combined entity. Among the anticipated benefits:
  - (a) the Arrangement will combine Molycorp's world-class rare earth resource and low-cost production from its Project Phoenix with NEM's proven leadership in the development, processing, and distribution of technically advanced rare earth products;
  - (b) the Arrangement will give the combined entity greater exposure to the world's largest and fastest-growing rare earth consuming nation - China - which now comprises about 70% of global rare earth consumption;
  - (c) the transaction leverages NEM's existing infrastructure to allow Molycorp to ramp up its overall production once Project Phoenix Phase 2 production begins in 2013;
  - (d) the transaction expands Molycorp's production capabilities to include NEM's Magnequench patented magnet powder portfolio used to produce neodymium-iron-boron (NdFeB) bonded rare earth magnets;
  - (e) the Arrangement expands Molycorp's strategic rare metals portfolio to include gallium, rhenium, and indium, which are used in advanced electronics, photovoltaic, aerospace, automotive, and lighting industries; and
  - (f) significant identified synergies are expected to strengthen the combined entity's financial performance beyond 2012.
4. The GMP Securities Fairness Opinion, which concluded that the consideration to be received under the Arrangement by NEM Shareholders is fair, from a financial point of view, to NEM Shareholders other than Molycorp and its affiliates.
5. NEM Shareholders who receive Molycorp Shares or Exchangeable Shares under the Arrangement may benefit from the greater trading liquidity of Molycorp Shares as compared to NEM Common Shares. In that regard, the average daily trading value and the average daily trading volume of the Molycorp Shares on the NYSE and alternate trading platforms over the twelve-month period ended March 8, 2012 (the last trading day prior to the public announcement of the Arrangement) was approximately US\$257.9 million and 5.3 million, respectively. This compares to the average daily trading value and average daily trading volume of the NEM Common Shares on the TSX and alternate trading platforms during the same twelve-month period of approximately US\$9.4 million and 1.1 million, respectively.
6. NEM Shareholders who are Eligible Holders will have the opportunity to elect to receive consideration that includes Exchangeable Shares (and the Ancillary Rights) and to make a valid tax election with Exchangeco to defer all or part of the Canadian income tax on any capital gain that would otherwise arise on an exchange of their NEM Common Shares for Molycorp Shares.
7. Industry, economic and market conditions and trends.
8. Historical market prices and trading information with respect to the NEM Common Shares and the Molycorp Shares.
9. Information regarding the business, operations, property, assets, financial performance and condition, operating results and prospects of NEM and Molycorp.
10. The likelihood that the Arrangement will be completed, given the absence of a financing condition and the other conditions and approvals necessary to complete the Arrangement.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

11. The terms of the Arrangement Agreement, which permit the NEM Board to consider and respond to a Superior Proposal subject to the payment of the Termination Fee to Molycorp in certain circumstances.
12. The requirement that the Arrangement Resolution be passed by at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders.
13. The procedures by which the Arrangement is to be approved, including the requirement for approval by the Court after a hearing at which fairness will be considered.
14. The availability of rights of dissent to the registered NEM Shareholders with respect to the Arrangement.

The foregoing discussion of the information and consideration of factors by the NEM Board is not intended to be exhaustive, but summarizes the material factors considered by the NEM Board in its consideration of the Arrangement. The NEM Board collectively reached its unanimous decision with respect to the Arrangement in light of the factors described above and other factors that each member of the NEM Board considered were appropriate. In reaching its determination to approve and recommend the Arrangement, the NEM Board did not find it useful or practicable to, and did not, quantify, rank or otherwise attempt to make any specific assessments of or otherwise assign any relative or specific weight to the factors that were considered. The NEM Board's determination and recommendation was made after consideration of all the factors relating to the Arrangement and in light of its own knowledge of the business, financial condition and prospects of NEM and Molycorp and was based, in part, upon the advice of the financial and legal advisors to NEM, the NEM Board and the Special Committee. Individual directors may have assigned or given different weights to different factors. The NEM Board was, however, unanimous in its determination that the Arrangement be approved and in its recommendation that the NEM Shareholders vote **IN FAVOUR** of the Arrangement Resolution.

### **GMP Securities Fairness Opinion**

GMP Securities was formally engaged by the Special Committee and the Board on January 24, 2012 as financial advisor to advise and assist NEM in connection with NEM's consideration of Molycorp's offer, including, if requested, providing opinions as to the fairness, from a financial point of view, of the consideration to be received in respect of any transaction that emerged from such offer. The Special Committee requested that GMP Securities provide an opinion to the Special Committee and the NEM Board as to the fairness, from a financial point of view, of the consideration offered to NEM Shareholders pursuant to the Arrangement. GMP Securities delivered its opinion orally to the Special Committee and the NEM Board on March 2, 2012. GMP Securities subsequently confirmed its opinion by delivery of a written opinion to the Special Committee and the NEM Board dated March 8, 2012, a copy of which is attached as Appendix H. **Based upon and subject to the assumptions made and the matters considered in the GMP Fairness Opinion, GMP Securities is of the opinion that the consideration to be received under the Arrangement by NEM Shareholders is fair, from a financial point of view, to NEM Shareholders other than Molycorp and its affiliates.**

In rendering the GMP Securities Fairness Opinion, GMP Securities relied, without independent verification, on financial and other information that was obtained by GMP Securities from public sources or provided to GMP Securities by NEM, Molycorp and their respective affiliates, associates, advisors or otherwise. GMP Securities assumed that this information was complete and accurate and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading.

The GMP Securities Fairness Opinion was rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date of GMP Securities Fairness Opinion and the conditions and prospects, financial and otherwise, of NEM and Molycorp, as they were reflected in the information and documents reviewed by GMP Securities and as they were represented to GMP Securities. Subsequent developments may affect the GMP Securities Fairness Opinion. GMP Securities has disclaimed any undertaking or obligation to update the GMP Securities Fairness Opinion.

GMP Securities is a wholly-owned subsidiary of GMP Capital Inc., which is a publicly traded company listed on the TSX. GMP Securities has offices in Toronto, Calgary and Montreal, Canada. GMP Securities is one of

the largest independent Canadian investment banking firms involved in corporate finance, mergers and acquisitions, equity sales and trading and investment research. As part of its investment banking activities, GMP Securities is regularly engaged in public offerings and private placements of listed and unlisted securities, in the evaluation of securities and the provision of fairness opinions in connection with mergers and acquisitions, and in market making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP Securities is not in the business of providing auditing services and is not controlled by a financial institution.

GMP Securities acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of NEM or Molycorp and, from time to time, may have executed or may execute transactions on behalf of NEM or Molycorp for which it received or may receive compensation. As an investment dealer, GMP Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to NEM or Molycorp.

None of GMP Securities, its associates or affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) or related entity of NEM or Molycorp, or any of their respective subsidiaries, associates or affiliates. GMP Securities is not an advisor to any person or company other than the NEM Board and Special Committee with respect to the Arrangement.

GMP Securities has not previously provided any financial advisory services to NEM or Molycorp or any of their respective associates or affiliates for which it has received compensation within the past two years other than in connection with GMP Securities acting as an underwriter in connection with the NEM Convertible Debentures and the Molycorp initial public offering and financial advisory engagements for NEM.

The GMP Securities Fairness Opinion does not constitute a recommendation to NEM Shareholders as to how to vote with respect to the Arrangement Resolution.

The full text of the GMP Securities Fairness Opinion, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the review undertaken by GMP Securities, is reproduced as Appendix H to this Circular. The GMP Securities Fairness Opinion was prepared solely for the benefit and use of the NEM Board in its consideration of the Arrangement and addresses only the fairness, from a financial point of view, of the consideration to be received under the Arrangement by NEM Shareholders. This summary of the GMP Securities Fairness Opinion is qualified in its entirety by reference to the full text of the GMP Securities Fairness Opinion. **NEM Shareholders are urged to read the GMP Securities Fairness Opinion carefully and in its entirety.**

GMP Securities will be paid fees for its services as financial advisor to the NEM Board and Special Committee, including for the delivery of the GMP Securities Fairness Opinion. A substantial portion of the fees in respect of GMP Securities' services as financial advisor is contingent on completion of the Arrangement or an alternative transaction. The fee to be received by GMP Securities in respect of the GMP Securities Fairness Opinion is not contingent on completion of the Arrangement or an alternative transaction. In addition, GMP Securities is to be reimbursed for its reasonable expenses and is to be indemnified in respect of certain liabilities that might arise out of its engagement. The NEM Board took this fee structure into account when considering the GMP Securities Fairness Opinion.

### **NEM Shareholder Approval**

At the Meeting, NEM Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote of at least two-thirds of the votes cast at the Meeting in person or by proxy by NEM Shareholders. The Arrangement Resolution must be passed in order for NEM to seek the Final Order and to implement the Arrangement on the Effective Date in accordance with the Final Order.

## Description of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which forms part of Appendix E of this Circular.

Under the Arrangement, each NEM Shareholder may elect to receive, in respect of each NEM Common Share, either (i) Cash Consideration of C\$11.30 per share or (ii) Share Consideration of 0.4242 Molycorp Shares per share or, in the case of Eligible Holders, Eligible Share Consideration of 0.4242 Exchangeable Shares per share, or (iii) a combination of cash and shares, provided that a NEM Shareholder's consideration election will be subject to pro-rata as described below under the heading "Election Procedure and Pro-rata".

If the Arrangement is approved by the NEM Shareholders and all of the conditions precedent to the completion of the Arrangement are satisfied or waived, the Arrangement will become effective at the Effective Time (which is expected to be at 12:01 a.m. (Toronto time) on the Effective Date). At the Effective Time, the following shall be deemed to occur in the following order:

- (a) at the Effective Time:
  - (i) each NEM Option granted and outstanding immediately prior to the Effective Time will be and be deemed to be transferred by the holder thereof to NEM (free and clear of any liens) in exchange for a cash payment from NEM equal to the NEM Option Consideration (if any) in respect of such NEM Option;
  - (ii) with respect to each NEM Option, the holder thereof will cease to be the holder thereof or to have any rights as a holder in respect of such NEM Option or under the NEM Stock Option Plan and the name of the holder thereof will be removed from the applicable securities register of NEM with respect to such NEM Option; and
  - (iii) the NEM Stock Option Plan will be cancelled;
- (b) immediately after the steps in paragraph (a) above occur:
  - (i) each NEM Common Share held by a Dissenting NEM Shareholder who is ultimately determined to be entitled to be paid the fair value of the NEM Common Shares in respect of which such Dissenting NEM Shareholder has exercised Dissent Rights will be and be deemed to be transferred by the holder thereof to Exchangeco (free and clear of any liens) and such Dissenting NEM Shareholder will cease to be the holder thereof or to have any rights as a holder in respect of such NEM Common Share other than the right to be paid the fair value of such NEM Common Share determined and payable in accordance with Article 4 of the Plan of Arrangement; and
  - (ii) at the same time as the step in subparagraph (b)(i) occurs, legal and beneficial title to each such NEM Common Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such NEM Common Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (c) at the same time as the steps in paragraph (b) above occur:
  - (i) each Eligible Share will be and be deemed to be transferred by the holder thereof to Exchangeco (free and clear of any liens) in exchange for (x) the Cash Consideration, (y) the Eligible Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 of the Plan of Arrangement and subject, in each case, to proration in accordance with Section 3.3 of the Plan of Arrangement); and

- (ii) at the same time as the step in subparagraph (c)(i) occurs, the holder of each Eligible Share transferred to Exchangeco as set forth in subparagraph (c)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Eligible Share Consideration payable in respect thereof as set forth in subparagraph (c)(i), and legal and beneficial title to each such Eligible Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such Eligible Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (d) at the same time as the steps in paragraph (c) above occur:
  - (i) each NEM Common Share outstanding immediately prior to the Effective Time (other than NEM Common Shares held by Dissenting NEM Shareholders who are ultimately determined to be entitled to be paid the fair value of their NEM Common Shares as determined in accordance with Article 4 of the Plan of Arrangement and other than Eligible Shares), will be and be deemed to be transferred by the holder thereof to Exchangeco (free and clear of any liens) in exchange for (x) the Cash Consideration, (y) the Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 of the Plan of Arrangement and subject, in each case, to proration in accordance with Section 3.3 of the Plan of Arrangement); and
  - (ii) at the same time as the step in subparagraph (d)(i) occurs, the holder of each NEM Common Share transferred to Exchangeco as set forth in subparagraph (d)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Share Consideration payable in respect thereof as set forth in subparagraph (d)(i), and legal and beneficial title to each such NEM Common Share will vest in Exchangeco and Exchangeco will be and be deemed to be the transferee and legal and beneficial owner of such NEM Common Share (free and clear of any liens) and will be entered in the central securities register of NEM as the sole holder thereof;
- (e) immediately after the steps in paragraph (d) above occur:
  - (i) notwithstanding the terms of the LTIP, all vested and unvested RSUs, Performance Units and SARs under the LTIP will be deemed to be vested, and will without any further action by the holders of RSUs, Performance Units and SARs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM, in exchange therefor:
    - (A) the Total Consideration in cash per RSU;
    - (B) the SAR Consideration in cash per SAR; and
    - (C) the Total Consideration in cash per Performance Unit; and
  - (ii) at the same time as the step in subparagraph (e)(i) occurs, the LTIP will be cancelled;
- (f) immediately after the steps in paragraph (e) above occur:
  - (i) notwithstanding the terms of the DSU Plan, all vested and unvested DSUs under the DSU Plan will be deemed to be vested, and will without any further action by the holders of DSUs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM in exchange therefor, the Total Consideration in cash per DSU; and

- (ii) at the same time as the step in subparagraph (f)(i) occurs, the DSU Plan will be cancelled; and
- (g) each holder of NEM Options or NEM Common Shares, or both, outstanding immediately prior to the Effective Time, with respect to each step set out above applicable to such holder, will be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer all NEM Options or NEM Common Shares held by such holder in accordance with such step.

### **Letter of Transmittal and Election Form**

A Letter of Transmittal and Election Form (printed on yellow paper) is being mailed, together with this Circular, to each person who was a registered holder of NEM Common Shares on the Record Date. Each registered NEM Shareholder must forward a properly completed and signed Letter of Transmittal and Election Form, with accompanying NEM Common Share certificates, in order to receive the consideration to which such NEM Shareholder is entitled under the Arrangement. It is recommended that NEM Shareholders complete, sign and return the Letter of Transmittal and Election Form with accompanying NEM Common Share certificates to the Depository as soon as possible. **To make a valid election as to the consideration that you wish to receive under the Arrangement (subject to pro-ration), you must sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it with the accompanying NEM Common Share certificate(s) to the Depository prior to the Election Deadline. The Election Deadline is 4:30 p.m. (Toronto time) on Tuesday, May 29, 2012 (the Business Day immediately prior to the date of the Meeting) or, if the Meeting is adjourned or postponed, 4:30 p.m. (Toronto time) on the Business Day immediately prior to the date of such adjourned or postponed Meeting.** See "The Arrangement — Election Procedure and Pro-ration".

Each Beneficial Holder of NEM Common Shares who wishes to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

Any use of the mail to transmit a certificate for NEM Common Shares and a related Letter of Transmittal and Election Form is at the risk of the NEM Shareholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Whether or not NEM Shareholders forward the certificates representing their NEM Common Shares, upon completion of the Plan of Arrangement on the Effective Date, NEM Shareholders will cease to be NEM Shareholders and will only be entitled to receive the cash and/or that number of Molycorp Shares or Exchangeable Shares to which they are entitled under the Plan of Arrangement or, in the case of NEM Shareholders who properly exercise Dissent Rights, the right to receive fair value for their NEM Common Shares in accordance with the dissent procedures. See "Rights of Dissenting NEM Shareholders".

The instructions for making elections, exchanging certificates representing NEM Common Shares and depositing such share certificates with the Depository are set out in the Letter of Transmittal and Election Form. The Letter of Transmittal and Election Form provides instructions with regard to lost certificates. See "The Arrangement — Exchange Procedure".

### **Election Procedure and Pro-ration**

#### *Available Elections and Procedure*

Each registered holder of NEM Common Shares will have the right to elect in the Letter of Transmittal and Election Form to be delivered to the Depository to receive the consideration set out below depending on the status of the NEM Shareholder. Each Beneficial Holder of NEM Common Shares who wishes to make an election as to the consideration they wish to receive should contact their broker and provide instructions as to the election they wish to make.

**In order to make a valid election as to the consideration to be received under the Arrangement (subject to pro-ration), a registered NEM Shareholder must sign and return the Letter of Transmittal and Election Form and make a proper election thereunder and return it with accompanying NEM Common Share certificate(s) to the Depository prior to the Election Deadline.**

#### Non-Eligible Holders

Each NEM Shareholder who is not an Eligible Holder may elect to receive in respect of each NEM Common Share held by such person, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or a combination of Cash Consideration and Share Consideration, subject in each case to pro-ration as described below.

#### Eligible Holders

Each NEM Shareholder who is an Eligible Holder may elect to receive, (i) in respect of each NEM Common Share that is an Eligible Share, the Eligible Share Consideration of 0.4242 Exchangeable Shares, or a combination of Cash Consideration and Eligible Share Consideration, subject in each case to pro-ration as described below, and (ii) in respect of each NEM Common Share that is not an Eligible Share, if any, either the Cash Consideration of C\$11.30 or the Share Consideration of 0.4242 Molycorp Shares, or (iii) a combination thereof, subject in each case to pro-ration as described below.

**NEM Shareholders who are Eligible Holders wishing to obtain a full or partial tax deferral in respect of the transfer of all or a portion of their NEM Common Shares must elect to receive Exchangeable Shares as all or part of the consideration in respect of such transfer. See "Certain Canadian Federal Income Tax Considerations".**

An election will have been properly made only if the Depository has received, by the Election Deadline, a Letter of Transmittal and Election Form properly completed and signed and accompanied by the certificate(s) for the NEM Common Shares to which the Letter of Transmittal and Election Form relates, properly endorsed or otherwise in proper form for transfer.

Any NEM Shareholder who has made an election by submitting a Letter of Transmittal and Election Form to the Depository may revoke such election by written notice or by filing a later-dated Letter of Transmittal and Election Form received by the Depository prior to the Election Deadline. In addition, all Letters of Transmittal and Election Forms will be automatically revoked if the Depository is notified in writing by NEM and Molycorp that the Arrangement Agreement has been terminated. If a Letter of Transmittal and Election Form is revoked, the certificate(s) for the NEM Common Shares received with the Letter of Transmittal and Election Form will be promptly returned to the NEM Shareholder submitting the same to the address specified in the Letter of Transmittal and Election Form.

The determination of the Depository as to whether elections have been properly made or revoked and when elections and revocations were received by it will be binding on NEM Shareholders. **NEM SHAREHOLDERS WHO DO NOT MAKE AN ELECTION PRIOR TO THE ELECTION DEADLINE, OR FOR WHOM THE DEPOSITARY DETERMINES THAT THEIR ELECTION WAS NOT PROPERLY MADE WITH RESPECT TO ANY NEM COMMON SHARES, WILL BE DEEMED TO HAVE ELECTED, IN RESPECT OF EACH NEM COMMON SHARE, TO RECEIVE CASH CONSIDERATION AS TO 71.24% (OR C\$8.05 IN CASH) AND SHARE CONSIDERATION AS TO 28.76% (OR 0.122 MOLYCORP SHARES), SUBJECT TO PRO-RATION AS DESCRIBED BELOW.** The Depository may, with the mutual agreement of NEM and Molycorp, make such rules as are consistent with the Arrangement for the implementation of the elections contemplated by the Arrangement and as are necessary or desirable fully to effect such elections.

#### *Pro-ration*

The Arrangement provides that the maximum amount of cash to be paid to NEM Shareholders shall not exceed the Maximum Cash Amount and the maximum aggregate number of Molycorp Shares and Exchangeable

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*



Shares that may be issued to NEM Shareholders shall not exceed the Maximum Share Amount. If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder shall be adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares.

### ***Elections for Cash***

If the aggregate amount of Cash Consideration that would, but for pro-rationing pursuant to the Plan of Arrangement, be paid to NEM Shareholders under the Arrangement exceeds the Maximum Cash Amount, then the Cash Consideration paid to any NEM Shareholder shall be determined by multiplying the total amount of Cash Consideration otherwise payable to such NEM Shareholder by a fraction, rounded to six decimal places, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate amount of the Cash Consideration otherwise payable to all NEM Shareholders; and such NEM Shareholder shall be deemed to have elected to receive Share Consideration or Eligible Share Consideration, as the case may be, for the remainder of its NEM Common Shares for which, but for such pro-rationing, such NEM Shareholder would otherwise have received Cash Consideration.

### ***Elections for Molycorp Shares and/or Exchangeable Shares***

If the aggregate number of Molycorp Shares and Exchangeable Shares that would, but for pro-rationing pursuant to the Plan of Arrangement, be issued to NEM Shareholders under the Arrangement exceeds the Maximum Share Consideration, then the number of Molycorp Shares and Exchangeable Shares to be issued to any NEM Shareholder, subject to rounding in accordance with the Plan of Arrangement, shall be determined by multiplying the total number of Molycorp Shares and/or Exchangeable Shares otherwise issuable to such NEM Shareholder by a fraction, rounded to six decimal places, the numerator of which is the Maximum Share Amount and the denominator of which is the aggregate number of Molycorp Shares and Exchangeable Shares otherwise issuable to all NEM Shareholders; and such holder shall be deemed to have elected to receive Cash Consideration for the remainder of its NEM Shares for which, but for such pro-rationing, such NEM Shareholder would otherwise have received Molycorp Shares and/or Exchangeable Shares.

### **Exchange Procedure**

At the Effective Time, Exchangeco will deposit or cause to be deposited with the Depository (i) the aggregate number of Molycorp Shares issuable to all NEM Shareholders who have elected (or are deemed to have elected) to receive Molycorp Shares under the Arrangement, (ii) the aggregate number of Exchangeable Shares issuable to all NEM Shareholders who have elected (or are deemed to have elected as a result of pro-ration) to receive Exchangeable Shares under the Arrangement, (iii) sufficient funds representing the aggregate Cash Consideration to satisfy payment to all NEM Shareholders who have elected (or are deemed to have elected) to receive the Cash Consideration under the Arrangement; and (iv) sufficient funds representing the cash payable to NEM Shareholders in lieu of fractional Molycorp Shares and/or Exchangeable Shares, as the case may be.

Upon surrender to the Depository for cancellation of a certificate which immediately prior to the Effective Time represented NEM Common Shares that were exchanged under the Arrangement, together with a duly completed Letter of Transmittal and Election Form and such other documents and instruments as the Depository may reasonably require, the holder of such surrendered certificate will be entitled to receive, and promptly after the Effective Time the Depository will deliver to such holder, written evidence of the book entry issuance in uncertificated form to, or certificates registered in the name of, such holder representing that number (rounded down to the nearest whole number) of Molycorp Shares and/or Exchangeable Shares which such holder is entitled to receive and a cheque for the Cash Consideration (and any cash in lieu of fractional Molycorp Shares and/or Exchangeable Shares as described below) which such holder is entitled to receive, less any applicable tax withholdings, and the surrendered certificate will be cancelled.

NEM Shareholders who hold NEM Common Shares registered in the name of a broker, investment dealer, bank, trust company or other intermediary should contact the intermediary for instructions and assistance in

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

providing details for registration and delivery of the Molycorp Shares, Exchangeable Shares and/or Cash Consideration to which the registered holder is entitled.

Until surrendered, each certificate that immediately prior to the Effective Time represented NEM Common Shares will be deemed, following the Effective Time, to represent only the right to receive upon such surrender (i) the consideration to which the holder is entitled under the Arrangement, and (ii) any dividends or other distributions with a record date after the Effective Time paid or payable with respect to any Molycorp Shares or Exchangeable Shares issued in exchange therefor, in each case less any applicable tax withholdings.

No dividends or other distributions paid, declared or made with respect to Exchangeable Shares or Molycorp Shares with a record date after the Effective Time will be paid to the holder of any unsurrendered NEM Common Shares exchanged pursuant to the Arrangement, and no cash payment in lieu of fractional shares will be paid to any such holder, unless and until the holder of record of the certificate representing such NEM Common Shares surrenders such certificate. Subject to applicable law, at the time of surrender of any such certificate, the holder of record of the certificate will be paid, without interest (i) the amount of any cash payable in lieu of a fractional Exchangeable Share or Molycorp Share to which such holder is entitled, (ii) the amount of dividends or other distributions with a record date after the Effective Time which have been paid or made prior to such surrender with respect to the whole number of Exchangeable Shares or Molycorp Shares, as the case may be, and (iii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but which have not been paid or made prior to such surrender.

If any certificate that immediately prior to the Effective Time represented outstanding NEM Common Shares has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, and upon contacting the Depository toll free at 1-800-564-6253, the Depository will issue in exchange for such lost, stolen or destroyed certificate, any cash and/or Exchangeable Shares or Molycorp Shares deliverable in respect thereof in accordance with such holder's Letter of Transmittal and Election Form, as determined in accordance with the Arrangement. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom such payment is to be delivered must, as a condition precedent to the delivery thereof, give a bond satisfactory to Exchangeco and the Depository or otherwise indemnify NEM, Molycorp, Exchangeco and the Depository in a manner satisfactory to them against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Any certificate which immediately prior to the Effective Time represented outstanding NEM Common Shares that were acquired pursuant to the Arrangement and which has not been surrendered on or prior to the sixth anniversary of the Effective Date, shall cease to represent a claim or interest of any kind or nature whatsoever, whether as security holder or otherwise and whether against NEM, Exchangeco, Molycorp or the Depository or any other person. On such date, the cash and/or Exchangeable Shares and/or Molycorp Shares to which the former registered holder of the certificate referred to in the preceding sentence would otherwise have been entitled to receive shall be deemed to have been surrendered to Exchangeco, together with all entitlements to dividends, distributions and interest thereon held for such former registered holder, for no consideration.

NEM, Exchangeco and the Depository are entitled to deduct and withhold from any consideration otherwise payable under the Arrangement to any NEM Shareholder such amounts as NEM, Exchangeco or the Depository are required to deduct and withhold with respect to such payment under the ITA, United States tax laws or any other applicable law. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

Under no circumstances will interest accrue or be paid by Exchangeco or the Depository to persons depositing NEM Common Shares on the Cash Consideration payable in respect thereof, regardless of any delay in making such payment.

The Depository will act as the agent of persons who have deposited NEM Common Shares pursuant to the Arrangement for the purpose of receiving the Share Consideration, Eligible Share Consideration and Cash Consideration and transmitting the Share Consideration, Eligible Share Consideration and Cash Consideration to

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

such persons and receipt of the Share Consideration, Eligible Share Consideration and Cash Consideration by the Depository will be deemed to constitute receipt of payment by persons depositing NEM Common Shares.

Settlement with persons who deposit NEM Common Shares will be effected by the Depository forwarding cheques representing the Cash Consideration and/or written evidence of the book entry issuance in uncertificated form of, or certificates representing, the Share Consideration and/or Eligible Share Consideration by first class insured mail, postage prepaid.

### **Fractional Shares**

No fractional Exchangeable Shares or fractional Molycorp Shares will be issued upon the surrender for exchange of certificates representing NEM Common Shares. Where the aggregate number of Exchangeable Shares or Molycorp Shares to be issued to a NEM Shareholder as consideration under the Arrangement would result in a fraction of an Exchangeable Share or a Molycorp Share being issuable, the number of Exchangeable Shares or Molycorp Shares to be received by such holder will be rounded down to the nearest whole Exchangeable Share or Molycorp Share, as the case may be, and, in lieu of a fractional Exchangeable Share or Molycorp Share, the holder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to the Canadian Dollar Equivalent of (i) the volume weighted average trading price on the NYSE of the Molycorp Shares over the five Business Days ending one Business Day before the Effective Date *multiplied* by (ii) the fractional share amount. All cash payable in lieu of fractional Exchangeable Shares and Molycorp Shares will be denominated in Canadian dollars.

### **Arrangements Respecting NEM Options, RSUs, Performance Units, SARs and DSUs**

The Arrangement will constitute a "change of control" for the purposes of the NEM Stock Option Plan and, as such, upon approval of the Arrangement Resolution by the NEM Shareholders, all outstanding NEM Options shall immediately become vested and may be exercised by the holders thereof at any time prior the Effective Time.

At the Effective Time, (i) each outstanding NEM Option will be and will be deemed to be transferred by the holder to NEM in exchange for a cash payment equal to the amount, if any, by which the Total Consideration under the Arrangement of C\$11.30 per NEM Common Share exceeds the exercise price of such NEM Option, (ii) the holder of each NEM Option shall cease to have any further rights in respect of such NEM Option or otherwise under the NEM Stock Option Plan, and (iii) the NEM Stock Option Plan will be cancelled.

At the Effective Time, notwithstanding the terms of the LTIP, the LTIP will be cancelled and all vested and unvested RSUs, Performance Units and SARs under the LTIP will be deemed to be vested, and will without any further action by the holders of RSUs, Performance Units and SARs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM, in exchange therefor: (i) the Total Consideration in cash per RSU; (ii) the SAR Consideration in cash per SAR; and (iii) the Total Consideration in cash per Performance Unit.

At the Effective Time, notwithstanding the terms of the DSU Plan, the DSU Plan will be cancelled and all vested and unvested DSUs under the DSU Plan will be deemed to be vested, and will without any further action by the holders of DSUs be cancelled and terminated by NEM and each holder thereof will be entitled to receive from NEM in exchange therefor, the Total Consideration in cash per DSU.

### **Interests of Certain Persons in the Arrangement**

In considering the recommendation of the NEM Board with respect to the Arrangement, NEM Shareholders should be aware that certain members of the NEM Board and of NEM's management have interests in connection with the transactions contemplated in the Arrangement, including those referred to below, that may create actual or potential conflicts of interest in connection with such transactions. The NEM Board is aware of these interests and considered them along with the other matters described above in "The Arrangement — Recommendation of the NEM Board".

### *Employment Agreements*

NEM has written employment agreements with each of its Named Executive Officers providing for certain payments in the event of the termination of the executive's employment by NEM (except for cause or voluntary resignation or retirement) or if the executive resigns anytime within six months of a change of control of NEM. See "Statement of Executive Compensation – Termination and Change of Control Benefits" for further details.

The transactions contemplated by the Arrangement will constitute a change of control event of NEM entitling each of the Named Executive Officers and certain other officers of NEM to "change of control payments" for the purposes of the employment agreements. Each of the Named Executive Officers and certain other officers of NEM have been offered retention arrangements with NEM providing for, in addition to any Change of Control Payment or other entitlements pursuant to the applicable employment agreement, a payment to such officer of a combination of cash and restricted stock units of Molycorp should such officer stay with NEM following the completion of the Arrangement for a period of either six or 12 months following the Effective Date.

### *NEM Options, RSUs, Performance Units, SARs and DSUs*

Pursuant to the Plan of Arrangement: (i) the outstanding NEM Options will be transferred to NEM in exchange for a cash payment equal to the NEM Option Consideration (if any); (ii) all RSUs, Performance Units and SARs under the LTIP will be deemed to be vested, and cancelled in exchange for the Total Consideration or SAR Consideration, as the case may be; and (iii) all DSUs under the DSU Plan will be deemed to be vested, and cancelled in exchange for Total Consideration in respect of such DSU.

See "The Arrangement — Arrangements Respecting NEM Options, RSUs, Performance Units, SARs and DSUs" and "Statement of Executive Compensation".

### *Directors' and Officers' Insurance*

The Arrangement Agreement provides that, without limiting the right of NEM to do so prior to the Effective Time, Molycorp will cause NEM to maintain in effect without any reduction in scope of coverage for seven years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable to the protection provided by the policies maintained by NEM which are in effect immediately prior to the Effective Date and providing protection in respect of any claim related to any period or time at or prior to the Effective Time.

### *Indemnification of Directors and Officers*

The Arrangement Agreement provides that all rights to indemnification or exculpation existing in favour of the present and former directors and officers of NEM or of any of the NEM Entities (each such present or former director or officer of NEM or of any of the NEM Entities being herein referred to as an "**Indemnified Party**") as provided in the constating documents of NEM or any of the NEM Entities or any contract by which NEM or any of the NEM Entities is bound will survive the completion of the Arrangement and continue in full force and effect and without modification, with respect to actions or omissions of the Indemnified Parties occurring prior to the Effective Time, for the period contemplated therein.

### **Procedure for Arrangement to Become Effective**

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Court must grant the Final Order approving the Arrangement;
- (b) all conditions precedent to the Arrangement further described in the Arrangement Agreement must be satisfied or waived (as applicable) by the appropriate party; and

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

- (c) the Articles of Arrangement in the form prescribed by the CBCA must be filed with the Director under the CBCA.

### **Court Approval and Completion of the Arrangement**

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, NEM obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Appendix F. A copy of the Notice of Application applying for the Final Order is attached hereto as Appendix G.

Subject to the approval of the Arrangement Resolution by NEM Shareholders at the Meeting, the hearing in respect of the Final Order is expected to take place on or about June 8, 2012 in the Court at 330 University Avenue, Toronto, Ontario, or as soon thereafter as is reasonably practicable. Any NEM Shareholder who wishes to appear or be represented and to present evidence or arguments must serve and file a notice of appearance as set out in the Notice of Application for the Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court has further been advised that the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof with respect to the Molycorp Shares and Exchangeable Shares to be issued under the Arrangement will be based on the Final Order granted by the Court.

Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived, it is currently anticipated that Articles of Arrangement for NEM will be filed with the Director under the CBCA to give effect to the Arrangement in June 2012.

Although NEM's objective is to have the Effective Date occur as soon as possible after the Meeting, the Effective Date could be delayed for a number of reasons, including, but not limited to, an objection before the Court at the hearing of the application for the Final Order or any delay in obtaining any required approvals. Under certain circumstances, NEM and Molycorp may terminate the Arrangement Agreement, as a result of which the Arrangement will not become effective, without prior notice to or action on the part of NEM Shareholders. See "The Arrangement Agreement — Termination".

### **Depositary**

NEM will retain the services of the Depositary for the receipt of the Letter of Transmittal and Election Forms and the certificates representing NEM Common Shares and for the delivery and payment of the consideration payable for the NEM Common Shares under the Arrangement. The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities laws and expenses in connection therewith.

## **DESCRIPTION OF EXCHANGEABLE SHARES AND RELATED AGREEMENTS**

### **Description of Exchangeable Shares**

The Exchangeable Shares, together with the Ancillary Rights, represent securities of a Canadian issuer having economic rights that are, as nearly as practicable, equivalent to those of and are exchangeable for Molycorp Shares. Exchangeco is a company governed by the BCBCA, the provisions of which may differ from those of the CBCA, NEM's governing statute. NEM Shareholders that are Eligible Holders may wish to elect to receive Exchangeable Shares rather than Molycorp Shares in order to take advantage of a full or partial tax deferral available under the ITA. A disadvantage of holding Exchangeable Shares is the possibility that there may be a limited or no active trading market for the shares. Moreover, if the Call Rights are not exercised on redemption or retraction of the Exchangeable Shares, a holder of Exchangeable Shares may be deemed to receive a taxable dividend for Canadian tax purposes that may exceed the holder's economic gain. See "Certain Canadian Federal

Income Tax Considerations" and Appendix C — "Information Relating to Molycorp and Exchangeco — Risk Factors — Risks Related to Exchangeable Shares".

**The following summary description of certain material provisions of the Exchangeable Share Provisions, is not comprehensive and is qualified in its entirety by reference to the complete text thereof which is attached as Appendix I to the Plan of Arrangement which forms part of Appendix E of this Circular.**

#### *Ranking*

The Exchangeable Shares shall be entitled to a preference over the common shares of Exchangeco and any other shares ranking junior to the Exchangeable Shares with respect to (i) the payment of dividends and (ii) the distribution of assets in the event of the liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs.

#### *Dividends and Other Distributions*

A holder of an Exchangeable Share shall be entitled to receive and the board of directors of Exchangeco shall, subject to applicable law, on each date (a "**Molycorp Dividend Declaration Date**") on which the board of directors of Molycorp declares a dividend on the Molycorp Shares, declare a dividend on each Exchangeable Share:

- (a) in case of a cash dividend or distribution declared on the Molycorp Shares, in an amount for each Exchangeable Share equal to the Canadian Dollar Equivalent of the cash dividend or distribution declared on each Molycorp Share on the Molycorp Dividend Declaration Date;
- (b) in the case of a stock dividend or distribution declared on the Molycorp Shares to be paid in Molycorp Shares, by the issue or transfer by Exchangeco of such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of Molycorp Shares to be paid on each Molycorp Share; provided that Exchangeco may, in lieu of such stock dividend, elect to effect a contemporaneous and economically equivalent (as determined by the board of directors of Exchangeco) subdivision of the outstanding Exchangeable Shares; or
- (c) in the case of a dividend or distribution declared on the Molycorp Shares in property other than cash or Molycorp Shares, in such type and amount of property for each Exchangeable Share as is the same as or economically equivalent (as determined by the board of directors of Exchangeco) to the type and amount of property declared as a dividend or distribution on each Molycorp Share.

Such dividends or distributions shall be paid out of money, assets or property of Exchangeco properly applicable to the payment of dividends or other distributions, or out of authorized but unissued shares of Exchangeco, as applicable. The holders of Exchangeable Shares will not be entitled to any dividends or other distributions other than or in excess of the foregoing.

The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend or distribution declared on the Exchangeable Shares will be the same dates as the record date and payment date, respectively, for the corresponding dividend or distribution declared on the Molycorp Shares.

If on any payment date for any dividends or distributions declared on the Exchangeable Shares, the dividends or distributions are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends or distributions that remain unpaid will be paid on a subsequent date or dates determined by the board of directors of Exchangeco on which Exchangeco has sufficient monies, assets or property properly applicable to the payment of such dividends or distributions.

The board of directors of Exchangeco is required to determine, in good faith and in its sole discretion, "economic equivalence" for the purposes of the Exchangeable Shares and each such determination will be

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*

conclusive and binding on Exchangeco and its shareholders. In making each such determination, a number of factors set out in the rights, privileges, restrictions and conditions attaching to the Exchangeable Share Provisions are, without excluding other factors determined by the board of directors of Exchangeco to be relevant, to be considered by the board of directors of Exchangeco.

#### *Certain Restrictions*

So long as any of the Exchangeable Shares are outstanding, Exchangeco shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares:

- (a) pay any dividends on the common shares of Exchangeco or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends, other than stock dividends payable in common shares of Exchangeco or any such other shares ranking junior to the Exchangeable Shares, as the case may be;
- (b) redeem or purchase or make any capital distribution in respect of common shares of Exchangeco or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs;
- (c) redeem or purchase or make any capital distribution in respect of any other shares of Exchangeco ranking equally with the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs;
- (d) issue any Exchangeable Shares or any other shares of Exchangeco ranking equally with the Exchangeable Shares other, in each case, than by way of stock dividend to the holders of such Exchangeable Shares; or
- (e) issue any shares of Exchangeco ranking superior to the Exchangeable Shares.

The restrictions listed in (a), (b), (c) and (d) above shall not apply if all dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid to date on the Molycorp Shares shall have been declared and paid in full on the Exchangeable Shares and provided that the proposed redemption, purchase or other capital distribution does not impair Exchangeco's ability to redeem all of the outstanding Exchangeable Shares.

#### *Distribution on Liquidation and Associated Call Right*

Subject to applicable law and the due exercise by Molycorp or Callco (an entity formed for the purposes of exercising the Call Rights described in this section entitled "Description of Exchangeable Shares and Related Agreements") of the Liquidation Call Right (as defined below), in the event of the liquidation, dissolution or winding-up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares shall be entitled to receive from the assets of Exchangeco in respect of each Exchangeable Share held by such holder on the Liquidation Date, before any distribution of any part of the assets of Exchangeco among the holders of the common shares of Exchangeco or any other shares ranking junior to the Exchangeable Shares, an amount per share (the "**Liquidation Amount**") equal to the Exchangeable Share Price on the last business day prior to the Liquidation Date, which price shall be satisfied in full by Exchangeco delivering or causing to be delivered to such holder the Exchangeable Share Consideration representing the Liquidation Amount.

Molycorp and Callco shall have the overriding right (the "**Liquidation Call Right**"), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, to purchase from all but not

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

less than all of the holders of Exchangeable Shares (other than Molycorp or an affiliate of Molycorp) on the Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder on payment by Molycorp or Callco, as the case may be, of an amount per share (the "**Liquidation Call Purchase Price**") equal to the Exchangeable Share Price on the last business day prior to the Liquidation Date, which price shall be satisfied in full by Molycorp or Callco depositing or causing to be deposited with the Transfer Agent, on or before the Liquidation Date, the Exchangeable Share Consideration representing the total Liquidation Call Purchase Price less any amounts withheld on account of taxes. In the event of the exercise of the Liquidation Call Right by Molycorp or Callco, each holder shall be obligated to sell all of the Exchangeable Shares held by the holder to Molycorp or Callco, as the case may be, on the Liquidation Date on payment by Molycorp or Callco, as the case may be, to the holder of the Liquidation Call Purchase Price for each such share, and Exchangeco shall have no obligation to pay any Liquidation Amount to the holders of such shares so purchased.

To exercise the Liquidation Call Right, Molycorp or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Exchangeco of its intention to exercise such right (i) in the case of a voluntary liquidation, dissolution or winding-up of Exchangeco or any other voluntary distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, at least 30 days before the Liquidation Date, at least 30 days before the Liquidation Date and (ii) in the case of an involuntary liquidation, dissolution or winding-up of Exchangeco or any other involuntary distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs, at least five business days before the Liquidation Date. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not Molycorp or Callco has exercised the Liquidation Call Right forthwith after the expiry of the period during which the same may be exercised by Molycorp or Callco. If Molycorp or Callco exercises the Liquidation Call Right, Molycorp or Callco will purchase, and the holders of the Exchangeable Shares will sell, on the Liquidation Date, all of the Exchangeable Shares then outstanding for a price per share equal to the Liquidation Call Purchase Price.

#### *Retraction of Exchangeable Shares and Associated Call Right*

Subject to applicable law and the due exercise by Molycorp or Callco of the Retraction Call Right (as defined below), a holder of Exchangeable Shares will be entitled at any time following the Effective Time to require Exchangeco to redeem, on the fifth business day after the date on which the Retraction Request is received by Exchangeco (the "**Retraction Date**"), any or all Exchangeable Shares registered in the name of such holder and for an amount per share (the "**Retraction Price**") equal to the Exchangeable Share Price on the last business day prior to the Retraction Date, which price shall be satisfied in full by Exchangeco delivering or causing to be delivered to such holder the Exchangeable Share Consideration representing the Retraction Price. Holders of Exchangeable Shares must give notice of a request to redeem by presenting and surrendering to Exchangeco or the Transfer Agent the certificate(s) representing the Exchangeable Shares that the holder desires to have Exchangeco redeem, together with (i) such other documents and instruments as may be required to effect a transfer of the Exchangeable Shares under the BCBCA and the articles and by-laws of Exchangeco and such additional documents, instruments and payments as the Transfer Agent and Exchangeco may reasonably require and (ii) a duly executed Retraction Request specifying that the holder desires to have all or any number specified therein of the Exchangeable Shares represented by such certificate(s) redeemed by Exchangeco.

In the event that a holder of Exchangeable Shares delivers a Retraction Request, Molycorp and Callco shall have the overriding right (the "**Retraction Call Right**"), notwithstanding the proposed redemption of the Exchangeable Shares, to purchase from such holder on the Retraction Date all but not less than all of such Exchangeable Shares on payment by Molycorp or Callco, as the case may be, of an amount per share (the "**Retraction Call Right Purchase Price**") equal to the Exchangeable Share Price on the last business day prior to the Retraction Date, which price shall be satisfied in full by Molycorp or Callco delivering or causing to be delivered to the holder of such Exchangeable Shares the Exchangeable Share Consideration representing the Retraction Call Right Purchase Price less any amounts withheld on account of taxes. Upon the exercise of the Retraction Call Right by Molycorp or Callco (provided that the applicable Retraction Request has not been revoked in the manner described below), the holder of the applicable Exchangeable Shares shall be obligated to sell all of such Exchangeable Shares to Molycorp or Callco, as the case may be, on the Retraction Date on payment by Molycorp or Callco, as the case may be, of the total Retraction Call Right Purchase Price in respect of such shares less any amounts withheld on account of taxes.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*



A holder of Exchangeable Shares who has made a Retraction Request may, by notice in writing given by the holder to Exchangeco before the close of business on the business day immediately preceding the Retraction Date, withdraw such Retraction Request, in which event such Retraction Request will be null and void and the revocable offer constituted by the Retraction Request to sell such Shares to Molycorp or Calco pursuant to the exercise of the Retraction Call Right will be deemed to have been revoked.

#### *Redemption of Exchangeable Shares and Associated Call Right*

Subject to applicable law and the due exercise by Molycorp or Calco of the Redemption Call Right (as defined below), Exchangeco will, on the Redemption Date (as defined below), redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per share (the "**Redemption Price**") equal to the Exchangeable Share Price on the last business day prior to the Redemption Date, which price shall be satisfied in full by Exchangeco delivering or causing to be delivered to each holder of Exchangeable Shares the Exchangeable Share Consideration for each Exchangeable Share held by such holder.

The "**Redemption Date**" is the date, if any, established by the board of directors of Exchangeco for the redemption by Exchangeco of all but not less than all of the outstanding Exchangeable Shares, which date shall be no earlier than the sixth anniversary of the Effective Date, unless:

- (a) the aggregate number of Exchangeable Shares issued and outstanding (other than Exchangeable Shares held by Molycorp and its subsidiaries) is less than 5% of the number of Exchangeable Shares issued on the Effective Date (as such number of shares may be adjusted as deemed appropriate by the board of directors of Exchangeco in certain circumstances set forth in the Exchangeable Share Provisions), in which case the board of directors of Exchangeco may accelerate such redemption date to such date as it may determine, upon at least 30 days' prior written notice to the registered holders of the Exchangeable Shares;
- (b) a Molycorp Control Transaction is proposed, in which case, provided that the board of directors of Exchangeco determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such Molycorp Control Transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such Molycorp Control Transaction in accordance with its terms, the board of directors of Exchangeco may accelerate such redemption date to such date as it may determine, upon such number of days' prior written notice to the holders of the Exchangeable Shares and the Voting and Exchange Trustee as the board of directors of Exchangeco may determine to be reasonably practicable in such circumstances;
- (c) an Exchangeable Share Voting Event is proposed and (A) the board of directors of Exchangeco has determined, in good faith and in its sole discretion, that it is not reasonably practicable to accomplish the business purpose (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of the Redemption Date) intended by the Exchangeable Share Voting Event in a commercially reasonable manner that does not result in an Exchangeable Share Voting Event and (B) the holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exchangeable Share Voting Event, in which case the Redemption Date shall be the business day following the later of the day on which the board of directors of Exchangeco makes such a determination or the holders of the Exchangeable Shares fail to take such action; or
- (d) an Exempt Exchangeable Share Voting Event is proposed and holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event, in which case the Redemption Date shall be the business day following the day on which the holders of the Exchangeable Shares failed to take such action.

Molycorp and Callco shall have the overriding right (the "**Redemption Call Right**"), in the event of and notwithstanding the proposed redemption of the Exchangeable Shares by Exchangeco, to purchase from all but not less than all of the holders of Exchangeable Shares (other than Molycorp or an affiliate of Molycorp) on the Redemption Date all but not less than all of the Exchangeable Shares held by each such holder on payment by Molycorp or Callco, as the case may be, of an amount per share (the "**Redemption Call Purchase Price**") equal to the Exchangeable Share Price on the last business day prior to the Redemption Date, which price shall be satisfied in full by Molycorp or Callco depositing or causing to be deposited with the Transfer Agent, on or before the Redemption Date, the Exchangeable Share Consideration representing the total Redemption Call Purchase Price less any amounts withheld on account of taxes. In the event of the exercise of the Redemption Call Right by Molycorp or Callco, each holder shall be obligated to sell all of the Exchangeable Shares held by the holder to Molycorp or Callco, as the case may be, on the Redemption Date on payment by Molycorp or Callco, as the case may be, to the holder of the Redemption Call Purchase Price for each such share, and Exchangeco shall have no obligation to pay any Redemption Price in respect of the shares so purchased.

To exercise the Redemption Call Right, Molycorp or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Exchangeco of its intention to exercise such right (i) in the case of a redemption occurring as a result of a Molycorp Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, on or before the Redemption Date and (ii) in any other case, at least 30 days before the Redemption Date. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not Molycorp or Callco has exercised the Redemption Call Right forthwith after the expiry of the period during which the same may be exercised by Molycorp or Callco. If Molycorp or Callco exercises the Redemption Call Right, Molycorp or Callco will purchase, and the holders of the Exchangeable Shares will sell, on the Redemption Date, all of the Exchangeable Shares then outstanding for a price per share equal to the Redemption Call Purchase Price.

#### *Change of Law Call Right*

Molycorp and Callco shall have the overriding right (the "**Change of Law Call Right**"), in the event of a Change of Law, to purchase from all but not less than all of the holders of Exchangeable Shares (other than Molycorp or an affiliate of Molycorp) all but not less than all of the Exchangeable Shares held by each such holder on payment by Molycorp or Callco, as the case may be, of an amount per share (the "**Change of Law Call Purchase Price**") equal to the Exchangeable Share Price applicable on the last business day prior to the date on which Molycorp or Exchangeco acquires the Exchangeable Shares pursuant to the exercise of the Change of Law Call Right (the "**Change of Law Call Date**"), which shall be satisfied in full by Molycorp or Callco depositing or causing to be deposited with the Transfer Agent, on or before the Change of Law Call Date, the Exchangeable Share Consideration representing the total Change of Law Call Purchase Price less any amounts withheld on account of taxes.

To exercise the Change of Law Call Right, Molycorp or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and Exchangeco of its intention to exercise such right at least 30 days before the Change of Law Call Date. The Transfer Agent will notify the holders of Exchangeable Shares that Molycorp or Callco has exercised the Change of Law Call Right forthwith after receiving notice of such exercise. If Molycorp or Callco exercises the Change of Law Call Right, Molycorp or Callco will purchase, and the holders of the Exchangeable Shares will sell, on the Change of Law Call Date, all of the Exchangeable Shares then outstanding for a price per share equal to the Change of Law Call Purchase Price.

#### *Voting Rights*

Except as required by applicable law and in respect of certain matters as further described in the Exchangeable Share Provisions, the holders of the Exchangeable Shares will not be entitled as such to receive notice of or to attend any meeting of the shareholders of Exchangeco or to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Exchangeable Shares will not have class votes except as required by applicable law.

### *Amendment and Approval*

Any approval required to be given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable law will be deemed to have been sufficiently given if it has been given in accordance with applicable law, subject to a minimum requirement that such approval be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares are present in person or represented by proxy.

### **Voting and Exchange Trust Agreement**

**The following is a summary description of certain material provisions of the Voting and Exchange Trust Agreement, is not comprehensive and is qualified in its entirety by reference to the complete text of the Voting and Exchange Trust Agreement, which is attached as Schedule E to the Arrangement Agreement, which can be accessed online under NEM's SEDAR profile at [www.sedar.com](http://www.sedar.com)**

The purpose of the Voting and Exchange Trust Agreement is to create a trust for the benefit of the registered holders from time to time of Exchangeable Shares (other than Molycorp or affiliates of Molycorp). The Voting and Exchange Trustee will hold the Special Voting Share in order to enable the Voting and Exchange Trustee to exercise the voting rights attached thereto and will hold the Exchange Right and the Automatic Exchange Right (as such terms are defined in the Voting and Exchange Trust Agreement) in order to enable the Voting and Exchange Trustee to exercise such rights, in each case as trustee for and on behalf of such registered holders.

### *Voting Rights*

Pursuant to the Voting and Exchange Trust Agreement, Molycorp will issue to the Voting and Exchange Trustee the Special Voting Share to be held of record by the Voting and Exchange Trustee as trustee for and on behalf of, and for the use and benefit of, the registered holders from time to time of Exchangeable Shares (other than Molycorp or affiliates of Molycorp) and in accordance with the provisions of the Voting and Exchange Trust Agreement.

Under the Voting and Exchange Trust Agreement, the Voting and Exchange Trustee will be entitled to all of the voting rights, including the right to vote in person or by proxy, attaching to the Special Voting Share on any matters that may properly come before the shareholders of Molycorp at a meeting of shareholders.

With respect to all meetings of shareholders of Molycorp at which holders of Molycorp Shares are entitled to vote and with respect to all written consents sought from shareholders of Molycorp, each registered holder of Exchangeable Shares shall be entitled to instruct the Trustee to cast and exercise, in the manner instructed, for each Exchangeable Share owned of record by such holder on the record date established by Molycorp in respect of each matter to be voted at such meeting (or consented to in writing), a pro rata number of voting rights attached to the Special Voting Share to be determined by reference to the total number of outstanding Exchangeable Shares not owned by Molycorp and its affiliates on such record date. The aggregate voting rights attached to the Special Voting Share at a Molycorp meeting at which shareholders of Molycorp are entitled to vote shall consist of a number of votes equal to one vote per outstanding Exchangeable Share from time to time not owned by Molycorp and its affiliates on the record date established by Molycorp, and for which the Trustee shall have received voting instructions from the holder of the Exchangeable Share.

The Voting and Exchange Trustee will exercise each vote attached to the Special Voting Share only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, the Voting and Exchange Trustee will not have voting rights with respect to such Exchangeable Share. A holder may, upon instructing the Voting and Exchange Trustee, obtain a proxy from the Voting and Exchange Trustee entitling the holder to vote directly at the relevant meeting the votes attached to the Special Voting Share to which the holder is entitled.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*

The Voting and Exchange Trustee will send to the holders of the Exchangeable Shares the notice of each meeting at which the Molycorp shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Voting and Exchange Trustee to exercise the votes attaching to the Special Voting Share, at the same time as Molycorp sends such notice and materials to the Molycorp shareholders. The Voting and Exchange Trustee will also send to the holders of Exchangeable Shares copies of all information statements, interim and annual financial statements, reports and other materials sent by Molycorp to the Molycorp shareholders at the same time as such materials are sent to the Molycorp shareholders. To the extent such materials are provided to the Voting and Exchange Trustee by Molycorp, the Voting and Exchange Trustee will also send to the holders all materials sent by third parties to Molycorp shareholders generally, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after such materials are first sent to Molycorp shareholders.

All rights of a holder of Exchangeable Shares to exercise votes attached to the Special Voting Share will cease upon the exchange of such holder's Exchangeable Shares for Molycorp Shares.

#### *Exchangeco Insolvency Event – Exchange Right*

Upon the occurrence and during the continuance of an Exchangeco Insolvency Event, the Voting and Exchange Trustee shall have the right (the "**Exchange Right**") to require Molycorp or Callco to purchase all or any part of the Exchangeable Shares from each or any holder, provided that the Voting and Exchange Trustee may exercise such right only on the basis of instructions received from each such holder. The purchase price payable by Molycorp or Callco, as the case may be, for each Exchangeable Share purchased pursuant to the exercise of the Exchangeco Right will be the Exchangeable Share Price on the last business day prior to the closing of the purchase and sale of such Exchangeable Share, which price will be satisfied in full by Molycorp or Callco delivering the Exchangeable Share Consideration representing such Exchangeable Share Price to the Voting and Exchange Trustee.

As soon as practicable following the occurrence of an Exchangeco Insolvency Event or any event that with the passage of time or the giving of notice or both would be an Exchangeco Insolvency Event, Molycorp and Exchangeco will give written notice thereof to the Voting and Exchange Trustee. As soon as practicable after receiving such notice, or upon the Voting and Exchange Trustee otherwise becoming aware of an Exchangeco Insolvency Event, the Voting and Exchange Trustee will give notice to each holder of Exchangeable Shares of such event and will advise the holder of its rights with respect to the Exchange Right.

#### *Molycorp Liquidation Event – Automatic Exchange Right*

Immediately prior to the effective date of a Molycorp Liquidation Event, each Exchangeable Share shall be automatically exchanged for one Molycorp Share. To effect such automatic exchange, Molycorp shall purchase all of the Exchangeable Shares outstanding immediately prior to the effective date of the Molycorp Liquidation Event. The purchase price payable by Molycorp for each Exchangeable Share purchased pursuant to such exchange will be the Exchangeable Share Price on the last business day prior to the effective date of the Molycorp Liquidation Event, which price will be satisfied in full by Molycorp delivering the Exchangeable Share Consideration representing such Exchangeable Share Price to the holder thereof.

### **Support Agreement**

**The following is a summary description of certain material provisions of the Support Agreement, is not comprehensive and is qualified in its entirety by reference to the complete text of the Support Agreement, which is attached as Schedule D to the Arrangement Agreement, which can be accessed online under NEM's SEDAR profile at [www.sedar.com](http://www.sedar.com).**

Pursuant to the Support Agreement, Molycorp has agreed that, so long as any Exchangeable Shares not owned by Molycorp or its affiliates are outstanding, Molycorp will, among other things:

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdala shareholder.com](mailto:contactus@kingsdala shareholder.com)*

- (a) not declare or pay any dividend or make any other distribution on the Molycorp Shares unless (i) Exchangeco on the same day, declares or pays, as the case may be, an equivalent dividend or distribution on the Exchangeable Shares and has sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law and the Exchangeable Share Provisions, of such equivalent dividend, or (ii) if the dividend is a stock dividend or distribution of stock, Exchangeco effects a corresponding, contemporaneous and economically equivalent subdivision of the Exchangeable Shares and has sufficient authorized but unissued shares to enable such subdivision;
- (b) advise Exchangeco sufficiently in advance of the declaration of any dividend or other distribution on the Molycorp Shares and take all such other actions as are reasonably necessary or desirable to ensure that (i) the declaration date, record date and payment date for equivalent dividends on the Exchangeable Shares are the same as those for any corresponding dividends on the Molycorp Shares or (ii) the record date and effective date for an equivalent subdivision of the Exchangeable Shares shall be the same as the record date and payment date for the corresponding stock dividend or distribution of stock;
- (c) ensure that the record date for any dividend or other distribution declared on the Molycorp Shares is not less than ten business days after the declaration date of such dividend or distribution (or such shorter period as may be permitted under applicable requirements of any stock exchange on which the Exchangeable Shares may then be listed);
- (d) take all actions and do all things as are reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to pay the Liquidation Amount, the Retraction Price or the Redemption Price to the holders of the Exchangeable Shares in the event of a liquidation, dissolution or winding-up of Exchangeco, the delivery of a Retraction Request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Exchangeco;
- (e) take all actions and do all things as are reasonably necessary or desirable to enable and permit Molycorp or Calco, as the case may be, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right, the Change of Law Call Right or the Redemption Call Right; and
- (f) not exercise its vote as a shareholder of Exchangeco to initiate the voluntary liquidation, dissolution or winding up of Exchangeco or any other distribution of the assets of Exchangeco for the purpose of winding up its affairs, nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for purpose of winding up its affairs.

In order to protect the economic equivalence of the Exchangeable Shares, the Support Agreement provides that, so long as any Exchangeable Shares not owned by Molycorp or its affiliates are outstanding:

- (a) Molycorp will not without the prior approval of Exchangeco and the prior approval of the holders of the Exchangeable Shares given in accordance with the Exchangeable Share Provisions:
  - (i) issue or distribute Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) to the holders of all or substantially all of the then outstanding Molycorp Shares by way of stock dividend or other distribution, other than an issue of Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) to holders of Molycorp Shares (A) who exercise an option to receive dividends in Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) in lieu of receiving cash dividends, or (B) pursuant to any dividend reinvestment plan or similar arrangement; or

- (ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Molycorp Shares entitling them to subscribe for or to purchase Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares); or
- (iii) issue or distribute to the holders of all or substantially all of the then outstanding Molycorp Shares (A) shares or securities of Molycorp of any class (other than Molycorp Shares or securities convertible into or exchangeable for or carrying rights to acquire Molycorp Shares), (B) rights, options, warrants or other assets other than those referred to in clause (a)(ii) above, (C) evidence of indebtedness of Molycorp or (D) assets of Molycorp,

unless, in each case, the economic equivalent on a per share basis of such rights, options, warrants, securities, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Shares.

- (b) Molycorp will not without the prior approval of Exchangeco and the prior approval of the holders of the Exchangeable Shares given in accordance with the Exchangeable Share Provisions:
  - (i) subdivide, redivide or change the then outstanding Molycorp Shares into a greater number of Molycorp Shares; or
  - (ii) reduce, combine, consolidate or change the then outstanding Molycorp Shares into a lesser number of Molycorp Shares; or
  - (iii) reclassify or otherwise change Molycorp Shares or effect an amalgamation, merger, arrangement, reorganization or other transaction affecting Molycorp Shares;

unless, in each case, the same or an economically equivalent change is simultaneously made to, or in the rights of the holders of, the Exchangeable Shares.

- (c) Molycorp will ensure that the record date for any event referred to in paragraphs (a) or (b) above, or, if no record date is applicable for such event, the effective date for any such event, is not less than ten business days after the date on which such event is declared or announced by Molycorp (with contemporaneous notification thereof by Molycorp to Exchangeco).
- (d) The board of directors of Exchangeco will determine, in good faith and in its sole discretion, "economic equivalence" for the purposes of any event referred to in paragraphs (a) or (b) above and each such determination will be conclusive and binding on Molycorp.
- (e) Exchangeco agrees that, to the extent required, upon due notice from Molycorp, Exchangeco will use its best efforts to take or cause to be taken such steps as may be necessary for the purposes of ensuring that appropriate dividends are paid or other distributions are made by Exchangeco, or subdivisions, redivisions or changes are made to the Exchangeable Shares, in order to implement the required economic equivalence with respect to the Molycorp Shares and Exchangeable Shares as provided for in paragraphs (a) and (b) above.

The Support Agreement provides that in the event that a tender offer, share exchange offer, issuer bid, takeover bid or similar transaction with respect to Molycorp Shares is proposed by Molycorp or is proposed to Molycorp or its shareholders and is recommended by the board of directors of Molycorp, or is otherwise effected or to be effected with the consent or approval of the board of directors of Molycorp, and the Exchangeable Shares are not redeemed by Exchangeco or purchased by Molycorp or Calco pursuant to the Redemption Call Right, Molycorp and Exchangeco will use reasonable best efforts to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Exchangeable Shares (other than Molycorp and its affiliates) to participate in such offer to the same extent and on an economically equivalent basis as the holders of Molycorp Shares, without discrimination. Without limiting the generality of the foregoing, Molycorp and Exchangeco will use reasonable best

efforts expeditiously and in good faith to ensure that all holders of Exchangeable Shares may participate in such offer without being required to retract Exchangeable Shares as against Exchangeco (or, if so required, to ensure that any such retraction, shall be effective only upon, and shall be conditional upon, the closing of such offer and only to the extent necessary to tender or deposit to the offer).

The Support Agreement also provides that, as long as any outstanding Exchangeable Shares are owned by any person or entity other than Molycorp or any of its affiliates, Molycorp will, unless approval to do otherwise is obtained from the holders of the Exchangeable Shares in accordance with the Exchangeable Share Provisions, remain the direct or indirect beneficial owner of all issued and outstanding voting shares of Exchangeco and Calco.

With the exception of changes for the purpose of (i) adding to the covenants of any or all of the parties, (ii) making such amendments or modifications not inconsistent with the Support Agreement as may be necessary or desirable with respect to matters or questions arising thereunder or (iii) curing or correcting any ambiguities or defect or inconsistent provision or clerical omission or mistake or manifest errors (provided, in each case, that the board of directors of each of Molycorp, Exchangeco and Calco are of the opinion that such amendments are not prejudicial in any material respect to the rights or interests of the holders of the Exchangeable Shares), the Support Agreement may not be amended except by agreement in writing executed by Molycorp, Calco and Exchangeco and approved by the holders of the Exchangeable Shares.

Under the Support Agreement, each of Molycorp and Calco will not, and will cause its affiliates not to, exercise any voting rights which may be exercisable by holders of Exchangeable Shares from time to time with respect to any Exchangeable Shares owned by Molycorp or its affiliates on any matter considered at meetings of holders of Exchangeable Shares (including any approval sought from such holders in respect of matters arising under the Support Agreement).

## THE ARRANGEMENT AGREEMENT

**The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following summary description of certain material provisions of the Arrangement Agreement is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which can be accessed under NEM's profile on SEDAR at [www.sedar.com](http://www.sedar.com).**

### Representations and Warranties

The Arrangement Agreement contains customary representations and warranties made by each of NEM, on the one hand, and Molycorp and Exchangeco, on the other hand. Those representations and warranties were made solely for the purposes of the Arrangement Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, some of the representations and warranties contained in the Arrangement Agreement are qualified by knowledge or by reference to a contractual standard of materiality (including a Material Adverse Effect) that is different from that generally applicable to public disclosure to NEM Shareholders, or those standards used for the purpose of allocating risk between parties to an agreement. For the foregoing reasons, readers should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise. NEM Shareholders may not directly enforce or rely upon the terms and conditions of the Arrangement Agreement.

The representations and warranties provided by NEM in favour of Molycorp and Exchangeco relate to, among other things: (a) organization and corporate capacity; (b) authority relative to the Arrangement Agreement; (c) required approvals; (d) no violation of applicable Laws, constating documents or certain agreements; (e) authorized and outstanding capital and other securities of NEM; (f) outstanding securities, ownership and organization of the NEM Entities; (g) reporting issuer status and securities law matters; (h) financial statements; (i) internal controls and disclosure controls; (j) absence of undisclosed liabilities; (k) absence of certain changes; (l) compliance with Laws; (m) permits; (n) status of litigation; (o) that NEM is not insolvent; (p) real and leased property and assets; (q) operational matters; (r) taxes; (s) status of material contracts; (t) employment agreements and collective bargaining agreements and employment and labour law matters; (u) health and safety issues; (v) pension and employee benefits; (x) intellectual property; (y) environmental law matters; (z) insurance; (aa)

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*

relationship with customers; (bb) books and records; (cc) non-arm's length transactions; (dd) related party matters; (ee) export controls matters; (ff) financial advisors and fairness opinions; (gg) Special Committee and NEM Board approvals; (hh) shareholder rights plan matters; and (ii) NEM's public disclosure record.

The representations and warranties provided by Molycorp and Exchangeco in favour of NEM relate to, among other things: (a) organization and corporate capacity; (b) authority relative to the Arrangement Agreement; (c) required approvals; (d) no violation of applicable Laws, constating documents or certain agreements; (e) capitalization of Molycorp; (f) material subsidiaries of Molycorp; (g) consideration shares; (h) public disclosure record of Molycorp and listing compliance; (i) financial statements of Molycorp; (j) internal controls; (k) absence of undisclosed liabilities; (l) absence of certain changes; (m) compliance with Laws; (n) status of litigation; (o) that Molycorp is not insolvent; (p) taxes; (q) mining and mineral rights; (r) environmental law matters; (s) non-arm's length transactions; (t) competition law matters; (u) commitment letter and sufficiency of funds; and (v) Molycorp's public disclosure record.

The representations and warranties of the parties contained in the Arrangement Agreement will not survive the completion of the Arrangement and will expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

### **Conditions Precedent**

#### *Mutual Conditions Precedent*

The Arrangement Agreement provides that completion of the Arrangement is subject to the satisfaction or waiver of a number of conditions precedent, which may only be waived by mutual consent of the parties, including:

- (a) approval of the Arrangement Resolution by NEM Shareholders at the Meeting in accordance with the Interim Order and applicable Laws;
- (b) the Interim Order and the Final Order each having been obtained in form and substance satisfactory to each of NEM and Molycorp, each acting reasonably, and not having been set aside or modified in a manner unacceptable to either NEM or Molycorp, each acting reasonably, on appeal or otherwise;
- (c) the required regulatory approvals will have been obtained or concluded or, in the case of waiting or suspensory periods, expired or been terminated;
- (d) no applicable Law having been enacted, which continues to be in effect through the Outside Date, that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins NEM or Molycorp from consummating the Arrangement; and
- (e) the Arrangement Agreement not having been terminated in accordance with its terms.

#### *Conditions Precedent in Favour of NEM*

The Arrangement Agreement provides that NEM's obligation to complete the Arrangement is also subject to the satisfaction or waiver of a number of additional conditions, each of which may only be waived by NEM, including:

- (a) each of Exchangeco and Molycorp having complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date;
- (b) the representations and warranties of Exchangeco and Molycorp in the Arrangement Agreement being true and correct (disregarding for this purpose all materiality or Material Adverse Effect qualifications contained therein) as of the Effective Date as if made on and as of such date (except

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*



for such representations and warranties which refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct as of that date) and except (i) as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Arrangement Agreement or (ii) for breaches of representations and warranties which have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Molycorp;

- (c) between the date of Arrangement Agreement and the Effective Time, there will not have occurred a Material Adverse Effect on Molycorp or any event, occurrence, circumstance or development that would reasonably be expected to have a Material Adverse Effect on Molycorp;
- (d) NEM will have received a certificate of Molycorp signed by a senior officer of Molycorp for and on behalf of Molycorp and without personal liability and dated the Effective Date certifying that the certain conditions set out in the Arrangement Agreement have been satisfied, which certificate will cease to have any force and effect after the Effective Time;
- (e) NEM will have received certified copies of resolutions duly passed by the board of directors of Molycorp (acting for itself and on behalf of Exchangeco) approving the Arrangement Agreement and the completion of the transactions contemplated thereby;
- (f) Exchangeco or Molycorp will have deposited, or caused to be deposited with the Depository, sufficient funds to effect payment in full of the aggregate cash consideration payable by Exchangeco and NEM under the Plan of Arrangement;
- (g) the Registration Statement shall have been declared effective under the 1933 Act;
- (h) Exchangeco and Molycorp shall have obtained the Exemptive Relief on terms satisfactory to NEM, acting reasonably;
- (i) the Support Agreement and the Voting and Exchange Trust Agreement shall have each been executed and delivered by each of the parties thereto; and
- (j) the Exchangeable Shares to be issued pursuant to the Plan of Arrangement shall have been approved for listing on the TSX and the Molycorp Shares to be issued pursuant to the Plan of Arrangement, or on exchange of the Exchangeable Shares in accordance with their terms shall have been approved for listing on the NYSE, subject only to the satisfaction of the customary listing conditions of the TSX or NYSE, as the case may be.

*Conditions Precedent in Favour of Molycorp and Exchangeco*

The Arrangement Agreement provides that the obligations of Molycorp and Exchangeco to complete the Arrangement are also subject to the satisfaction or waiver of a number of additional conditions, each of which may only be waived by Exchangeco, including:

- (a) NEM will have complied in all material respects with its obligations, covenants and agreements in the Arrangement Agreement to be performed and complied with on or before the Effective Date;
- (b) the representations and warranties of NEM in the Arrangement Agreement being true and correct (disregarding for this purpose all materiality or Material Adverse Effect qualifications contained therein) as of the Effective Date as if made on and as of such date (except for such representations and warranties which refer to or are made as of another specified date, in which case such representations and warranties will have been true and correct as of that date) except (i) as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Arrangement Agreement or (ii) for breaches of representations and warranties which have not had

and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on NEM;

- (c) the aggregate number of NEM Common Shares held, directly or indirectly, by the NEM Shareholders who have properly exercised Dissent Rights in connection with the Arrangement shall not exceed 10% of the outstanding NEM Common Shares;
- (d) between the date of the Arrangement Agreement and the Effective Time, there will not have occurred a Material Adverse Effect on NEM or any event, occurrence, circumstance or development that would reasonably be expected to have a Material Adverse Effect on NEM;
- (e) Exchangeco will have received a certificate of NEM signed by a senior officer of NEM for and on behalf of NEM and without personal liability and dated the Effective Date certifying that the certain conditions set out in the Arrangement Agreement have been satisfied, which certificate will cease to have any force and effect after the Effective Time;
- (f) Exchangeco will have received certified copies of resolutions duly passed by the NEM Board approving the Arrangement Agreement and the completion of the transactions contemplated hereby;
- (g) each of NEM and the NEM Entities shall have obtained all waivers, consents, permits, approvals, releases, licences or authorizations required to be obtained from any lender or other third party in connection with or in order for NEM to complete the Arrangement, except for waivers, consents, permits, approvals, releases, licences or authorizations the failure of which to obtain would not have a Material Adverse Effect on NEM;
- (h) the Plan of Arrangement shall not have been modified or amended in a manner adverse to Exchangeco or Molycorp without Molycorp's consent, which consent shall not be unreasonably withheld or delayed;
- (i) there shall not be pending or threatened in writing any proceeding involving any Governmental Authority that is reasonably likely to result in any:
  - (i) prohibition or restriction on the acquisition by Exchangeco or Molycorp of any NEM Common Shares or the completion of the Arrangement or any person obtaining from any of the parties any material damages directly in connection with the Arrangement;
  - (ii) prohibition or material limit on the ownership by Exchangeco or Molycorp of NEM or any of the NEM Entities or any material portion of their respective businesses; or
  - (iii) imposition of limitations on the ability of Exchangeco or Molycorp to acquire or hold, or exercise full rights of ownership of, any NEM Common Shares, including the right to vote such NEM Common Shares; and
- (j) executed mutual releases in a form acceptable to Exchangeco and NEM, acting reasonably, will have been received by Exchangeco on or prior to the Effective Date from (i) each director and officer of NEM and each of the NEM Entities who will cease to act as a director or officer of such entity as of the Effective Date and (ii) any other person who will receive a severance, change of control or termination payment at or before the Effective Time.

## **Covenants**

Each of NEM and Molycorp has agreed to certain covenants under the Arrangement Agreement, including customary negative and affirmative covenants relating to the operation of their respective businesses during the

period prior to the Effective Date, and using commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement.

### **Financing Commitment**

Concurrently with the execution and delivery of the Arrangement Agreement, Molycorp delivered to NEM a copy of the executed Commitment Letter, evidencing the commitment of Morgan Stanley Senior Funding, Inc., Credit Suisse Securities (USA) LLC and Credit Suisse AG to provide Molycorp and Exchangeco with the Debt Financing, subject to the terms and conditions set forth therein. Molycorp has represented in the Arrangement Agreement that the Debt Financing, when funded in accordance with the Commitment Letter, together with cash on hand at Molycorp and NEM, will provide Molycorp and Exchangeco with cash proceeds at the Effective Time sufficient to consummate the Arrangement on the terms contemplated by the Arrangement Agreement.

Molycorp has agreed under the Arrangement Agreement to use commercially reasonable efforts to complete definitive documentation with respect to the Debt Financing. If Molycorp is unable to complete definitive documentation with respect to either the Debt Financing or alternative financing, Molycorp has agreed to use commercially reasonable efforts to arrange the Debt Financing or obtain alternative financing as promptly as practicable and in any event prior to the Outside Date, which Debt Financing or alternative financing shall be on terms acceptable to Molycorp and NEM, acting reasonably.

If the Debt Financing or any alternative financing is not obtained, Molycorp and Exchangeco will continue to be obligated to consummate the Arrangement on the terms contemplated by the Arrangement Agreement and the failure to obtain the Debt Financing or any alternative financing is not a condition to the obligations of Molycorp or Exchangeco under the Arrangement Agreement, including their obligations to complete the Arrangement.

### **Acquisition Proposals**

#### *Non-Solicitation*

Except as expressly contemplated by the Arrangement Agreement or to the extent that Exchangeco has otherwise consented in writing, until the earlier of the Effective Time or the date, if any, on which the Arrangement Agreement is terminated, neither the NEM Board nor NEM shall, and NEM shall cause the NEM Entities and each of its and their respective Representatives to not, directly or indirectly through any other person, to:

- (a) initiate, solicit, knowingly facilitate or knowingly encourage (including by way of furnishing or affording access to information), or take any other action that knowingly promotes or facilitates, directly or indirectly, any inquiries or the making of any proposal or offer with respect to an Acquisition Proposal or potential Acquisition Proposal;
- (b) participate or engage in any discussions or negotiations regarding, or provide any information with respect to, or otherwise co-operate in any way with, or assist or participate in, encourage or otherwise facilitate, any effort or attempt by any other person (other than Exchangeco and its affiliates) to make or complete an Acquisition Proposal;
- (c) withdraw, modify, change or qualify, or publicly propose to withdraw, modify, change or qualify, in a manner adverse to Exchangeco or Molycorp, the approval of the NEM Board of the transactions contemplated by the Arrangement Agreement and the recommendation of the NEM Board that the NEM Shareholders vote in favour of the Arrangement Resolution;
- (d) approve, recommend or remain neutral with respect to, or publicly propose to approve, recommend or remain neutral with respect to, any Acquisition Proposal; or
- (e) accept or enter into, or publicly propose to accept or enter into, any letter of intent, memorandum of understanding, agreement in principle, agreement, arrangement or undertaking related to an Acquisition Proposal (an "**Acquisition Agreement**").

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

In addition, NEM has agreed to:

- (a) immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with or involving any person (other than Exchangeco and its affiliates) with respect to any Acquisition Proposal or which could reasonably be expected to lead to an Acquisition Proposal; and
- (b) not, directly or indirectly, waive or vary any terms of conditions of any confidentiality or standstill agreement that it has entered into with any person considering any Acquisition Proposal and to promptly request the return (or the deletion from retrieval systems and data bases or the destruction) of all information, in each case subject to the terms and conditions of such agreement.

*Right to Match*

Notwithstanding anything in the Arrangement Agreement, if NEM or a NEM Entity receives a written Acquisition Proposal that was not solicited, NEM and its Representatives may:

- (a) contact the person making such Acquisition Proposal and its Representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal and the likelihood of its consummation so as to determine whether such Acquisition Proposal is, or could reasonably be expected to lead to, a Superior Proposal; and
- (b) if the NEM Board determines in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal is, or could reasonably be expected to lead to, a Superior Proposal and that the failure to take the relevant action would conflict with its fiduciary duties:
  - A. furnish information with respect to NEM and the NEM Entities to the person making such Acquisition Proposal and its Representatives provided that NEM first enters into a confidentiality agreement with such person that is no less favourable to NEM than the Non-Disclosure Agreement; and
  - B. engage in discussions and negotiations with respect to the Acquisition Proposal with the person making such Acquisition Proposal and its Representatives.

Notwithstanding any provision in the Arrangement Agreement to the contrary, NEM may, at any time prior to the Meeting, terminate the Arrangement Agreement and accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of an Acquisition Proposal if and only if:

- (a) such Acquisition Proposal did not result from a breach of the non-solicitation provisions of the Arrangement Agreement and NEM has complied with the other terms of the Arrangement Agreement pertaining to the Right to Match described below;
- (b) the NEM Board has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal constitutes or could reasonably be expected to constitute a Superior Proposal and that the failure to take the relevant action would conflict with its fiduciary duties;
- (c) NEM has (A) given written notice to Exchangeco of the determination of the NEM Board that such Acquisition Proposal constitutes a Superior Proposal and that the NEM Board intends to withdraw, modify, qualify or change in a manner adverse to Exchangeco or Molycorp its approval or recommendation of the Arrangement (including the recommendation that the Shareholders vote in favour of the Arrangement Resolution) (the "**Superior Proposal Notice**") and (B) provided Exchangeco with a copy of the document containing such Acquisition Proposal;

- (d) a period of least five full Business Days (such five Business Day Period, the "**Right to Match Period**") shall have elapsed from the later of the date on which Exchangeco received the Superior Proposal Notice and the date on which Exchangeco received a copy of the documents referred to in subparagraph (c) above;
- (e) if Exchangeco and Molycorp have offered to amend the terms of the Arrangement Agreement and the Arrangement during the Right to Match Period, the NEM Board has determined, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to be a Superior Proposal when assessed against the Arrangement Agreement and the Arrangement as they are proposed to be amended as at the termination of the Right to Match Period; and
- (f) NEM terminates the Arrangement Agreement pursuant to provisions described below under the heading "Termination" and pays the Termination Fee.

During the Right to Match Period, Exchangeco and Molycorp will have the opportunity, but not the obligation, to offer to amend the terms of the Arrangement Agreement and the Arrangement. NEM has agreed that, if requested by Exchangeco, it will negotiate with Exchangeco and Molycorp in good faith to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable it to proceed with the transactions contemplated thereby on such amended terms. The NEM Board will review in good faith any such offer made by Exchangeco and Molycorp to amend the terms of the Arrangement Agreement and the Arrangement in order to determine, as part of exercising its fiduciary duties, and in consultation with its financial advisors and outside legal counsel, whether such offer to amend the terms of the Arrangement Agreement and the Arrangement would, upon its acceptance, result in the applicable Acquisition Proposal ceasing to be a Superior Proposal when assessed against the Arrangement Agreement and the Arrangement as they are proposed to be amended as at the termination of the Right to Match Period. If the NEM Board determines that the applicable Acquisition Proposal would cease to be a Superior Proposal when assessed against the Arrangement Agreement and the Arrangement as they are proposed to be amended as at the termination of the Right to Match Period, NEM has agreed to advise Exchangeco and will promptly thereafter accept the offer by Exchangeco and Molycorp to amend the terms of the Arrangement Agreement and the Arrangement and the parties have agreed to take such actions and execute such documents as are necessary to give effect to the foregoing.

Nothing contained in the Arrangement Agreement shall prohibit the NEM Board from making a change in recommendation or from making any disclosure to any NEM Shareholders or holders of NEM Convertible Debentures prior to the Effective Time, including for greater certainty disclosure of a change in recommendation, if, in the good faith judgment of the NEM Board, after consultation with outside legal counsel, failure to take such action or make such disclosure would conflict with the Board of Director's exercise of its fiduciary duties or such action or disclosure is otherwise required under Law (including without limitation by responding to an Acquisition Proposal under a directors' circular or otherwise as required under applicable Law).

## **Termination**

The Arrangement Agreement (other than certain specified terms which survive) may be terminated at any time before the Effective Time:

- (a) by mutual agreement in writing executed by NEM and Exchangeco;
- (b) by either NEM or Exchangeco if:
  - (i) the Effective Time does not occur on or before the Outside Date, except that the right to terminate the Arrangement Agreement under this subparagraph (b)(i) shall not be available to a party if the failure of that party or its affiliate to fulfill any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been a principal cause of, or resulted in, the failure of the Effective Time to occur by such date;

- (ii) the Meeting is held and the Arrangement Resolution is not approved by the NEM Shareholders in accordance with applicable Laws and the Interim Order; or
  - (iii) any Law makes the completion of the Arrangement or the transactions contemplated by the Arrangement Agreement illegal or otherwise prohibited, and such Law has become final and non-appealable.
- (c) by Exchangeco if:
- (i) (A) the NEM Board fails to publicly make a recommendation that the NEM Shareholders vote in favour of the Arrangement Resolution or withdraws, modifies, changes or qualifies in a manner adverse to Exchangeco or Molycorp its approval or recommendation of the Arrangement, (B) Exchangeco requests that the NEM Board reaffirm its recommendation that the NEM Shareholders vote in favour of the Arrangement Resolution and the NEM Board shall not have done so within six Business Days following receipt of such request, (C) the NEM Board accepts, approves, endorses or recommends any Acquisition Proposal, (D) NEM enters into an Acquisition Agreement in respect of any Acquisition Proposal (with the exception of a confidentiality and standstill agreement) or (E) NEM or the NEM Board publicly proposes or announces its intention to do any of the foregoing (each of the foregoing, a "**Change of Recommendation**");
  - (ii) NEM breaches the non-solicitation provision of the Arrangement Agreement described under the section entitled "Acquisition Proposals – Non-Solicitation" above or to solicit proxies of NEM Shareholders pursuant to the provisions of the Arrangement Agreement; or
  - (iii) subject to compliance with the Arrangement Agreement, NEM breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breach would cause any of the conditions set forth in precedent in favour of Exchangeco not to be satisfied, *provided, however*, that Exchangeco is not then in breach of the Arrangement Agreement so as to cause any of the conditions precedent in favour of NEM not to be satisfied.
- (d) By NEM:
- (i) subject to NEM complying with the terms of the Arrangement Agreement regarding Acquisition Proposals and paying the Termination Fee in accordance with the Arrangement Agreement and provided that the NEM Board has determined in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal, if the NEM Board approves, and authorizes NEM to enter into, an Acquisition Agreement with respect to an Acquisition Proposal prior to the Meeting;
  - (ii) subject to compliance with certain notice and cure provisions set forth in the Arrangement Agreement, if Exchangeco or Molycorp breaches any of its representations, warranties, covenants or agreements contained in the Arrangement Agreement, which breach would cause any of the conditions precedent in favour of NEM not to be satisfied, *provided, however*, that NEM is not then in breach of the Arrangement Agreement so as to cause any of the conditions precedent in favour of Exchangeco not to be satisfied; or
  - (iii) if Exchangeco has been unable to obtain the Exemptive Relief, if any is required, or the approval of the Exchangeable Shares to be issued pursuant to Section 3.1(c) of the Plan of Arrangement for listing on the TSX or Molycorp has been unable to obtain approval of the Molycorp Shares to be issued pursuant to Section 3.1(d) of the Plan of Arrangement,

or on exchange of the Exchangeable Shares in accordance with their terms, for listing on the NYSE, subject in each case to the satisfaction of the customary listing conditions of the TSX or NYSE, as the case may be, by the Outside Date or has advised NEM in writing that it will not be able to obtain such approval on or before the Outside Date.

### **Termination Fee**

Provided that neither Molycorp nor Exchangeco is in breach of or has failed to perform any of its representations, warranties, covenants or agreements set forth in the Arrangement Agreement, where such breach or failure would render Molycorp and Exchangeco incapable of consummating the transactions contemplated by the Arrangement Agreement, NEM must pay the Termination Fee to Molycorp if:

- (a) either NEM or Exchangeco terminates the Arrangement Agreement because the Meeting is held and the Arrangement Resolution is not approved by the NEM Shareholders in accordance with applicable Laws and the Interim Order and if (A) an Acquisition Proposal shall have been made public or proposed publicly to NEM or the NEM Shareholders prior to the Meeting and (B) NEM or NEM Entities shall have (x) completed any Acquisition Proposal within one year after the Arrangement Agreement is terminated or (y) entered into an Acquisition Agreement in respect of any Acquisition Proposal within one year after the Arrangement Agreement is terminated;
- (b) Exchangeco terminates the Arrangement Agreement as a result of
  - (i) the NEM Board making a Change in Recommendation;
  - (ii) NEM breaches the provisions described under the heading "Acquisition Proposal – Non-Solicitation" above or fails to solicit proxies of NEM Shareholders in respect of the Meeting pursuant to the provisions of the Arrangement Agreement; or
  - (iii) NEM breaches any of its representations, warranties covenants or agreements contained in the Arrangement Agreement, which breach would cause any of the conditions precedent in favour of Exchangeco not to be satisfied; or
- (c) NEM terminates the Arrangement Agreement as a result of the NEM Board approving and authorizing NEM to enter into an Acquisition Agreement with respect to an Acquisition Proposal prior to the Meeting; provided that, the NEM Board has determined in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal.

### **Amendment**

Subject to certain limitations contained therein, the Arrangement Agreement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by written agreement of the parties without, subject to applicable laws, further notice to or authorization on the part of the NEM Shareholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties;
- (b) waive any inaccuracies or modify any representation, warranty, term or provision contained in the Arrangement Agreement or in any document delivered pursuant thereto; or
- (c) waive compliance with or modify any of the conditions precedent therein contained or any of the covenants therein or waive or modify performance of any of the obligations of the parties.

## **Waiver**

Any party may: (i) waive, in whole or in part, any inaccuracy of, or consent to the modification of, any representation or warranty made to it in the Arrangement Agreement or in any document to be delivered pursuant to the Arrangement Agreement; (ii) extend the time for the performance of any of the obligations or acts of the other party; (iii) waive or consent to the modification of any of the covenants in the Arrangement Agreement for its benefit or waive or consent to the modification of any of the obligations of the other party; or (iv) waive the fulfilment of any condition of its own obligations contained in the Arrangement Agreement.

## **REGULATORY MATTERS**

The consummation of the Arrangement is, or may be, conditional upon certain filings with, notices to and consents, approvals and actions of, various Governmental Authorities with respect to the transactions contemplated by the Arrangement Agreement being made and received prior to the Effective Time. These approvals are summarized below.

### **Canadian Securities Law Matters**

#### *Resale of Exchangeable Shares and Molycorp Shares*

The Exchangeable Shares and Molycorp Shares to be issued to NEM Shareholders pursuant to the Arrangement, including the Molycorp Shares issuable on the exchange of the Exchangeable Shares, will be issued pursuant to an exemption from the prospectus and registration requirements of applicable securities laws of the provinces and territories of Canada under Sections 2.11 of NI 45-106 and will generally not be subject to any resale restrictions under such securities Laws; provided that (i) the issuer of such shares is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (pursuant to Section 2.9 of NI 45-102, upon completion of the Arrangement, Exchangeco will be deemed to have been a reporting issuer from the time that NEM became a reporting issuer); (ii) the trade is not a control distribution; (iii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and (v) if the selling security holder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation. NEM Shareholders should consult their own financial and legal advisors with respect to any restrictions on the resale of Exchangeable Shares and Molycorp Shares received on completion of the Arrangement and Molycorp Shares issuable upon exchange of Exchangeable Shares.

#### *Ongoing Canadian Reporting Obligations of Molycorp and Exchangeco*

Upon completion of the Arrangement, Molycorp and Exchangeco will each become a reporting issuer in all of the provinces of Canada by virtue of the completion of the Arrangement with NEM.

Pursuant to Section 13.3 of NI 51-102, Exchangeco will be exempt from Canadian statutory financial and other continuous and timely reporting requirements, including the requirement for insiders of Exchangeco to file reports with respect to trades of Exchangeco securities, so long as the conditions prescribed by Section 13.3 of NI 51-102 are satisfied, including that Exchangeco concurrently sends to holders of Exchangeable Shares all financial and other continuous and timely disclosure documents that Molycorp sends to holders of Molycorp Shares in the manner and at the time required by NI 71-102. In the event Exchangeco is not able to rely on Section 13.3 of NI 51-102, management of NEM expects that Exchangeco will apply to the applicable Canadian securities regulatory authorities for exemptive relief from the continuous disclosure obligations imposed by NI 51-102 similar to that provided by Section 13.3 of NI 51-102.



## United States Securities Law Matters

### *Exemption from U.S. Registration*

The Molycorp Shares and Exchangeable Shares issuable in connection with the Arrangement will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act and exemptions provided under the securities laws of each state of the United States in which NEM Shareholders reside. Section 3(a)(10) of the 1933 Act exempts from registration a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. The Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the Molycorp Shares and Exchangeable Shares issued in connection with the Arrangement. Prior to the hearing of the Final Order, the Court will be advised that the Molycorp Shares and Exchangeable Shares will be issued in reliance upon the Section 3(a)(10) exemption.

### *Resale of Molycorp Shares and Exchangeable Shares in the United States*

NEM Shareholders who are not "affiliates" of Molycorp, and have not been affiliates of Molycorp within 90 days of the date of the proposed resale, may resell Molycorp Shares and Exchangeable Shares issued to them upon closing of the Arrangement in the United States without restriction under the 1933 Act. As defined in Rule 144 under the 1933 Act, an "affiliate" of an issuer is a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer. Typically, persons who are officers, directors or 10% or greater shareholders of an issuer are considered to be its "affiliates".

NEM Shareholders who are affiliates of Molycorp after the Arrangement may be deemed "underwriters" under the 1933 Act and would not be able to resell their Molycorp Shares or Exchangeable Shares that they receive in connection with the Arrangement in the absence of registration under the 1933 Act. However, Rule 144 under the 1933 Act provides a safe harbour such that any affiliates that sell Molycorp Shares or Exchangeable Shares in compliance with Rule 144 would not be deemed "underwriters" and would therefore not need to register such sales.

### *Registration of Molycorp Shares Issued Upon Exchange of the Exchangeable Shares*

The Molycorp Shares to be issued upon exchange of the Exchangeable Shares are not covered by the Section 3(a)(10) exemption from registration referenced above and are subject to the registration requirements of the 1933 Act. Pursuant to the Arrangement Agreement, Molycorp has agreed to file a registration statement on Form S-3 in order to register under the 1933 Act the Molycorp Shares issued upon exchange of the Exchangeable Shares from time to time after the Effective Time, to use its commercially reasonable efforts to cause such registration statement to become effective at or prior to the Effective Time and to maintain the effectiveness of such registration for the period that the Exchangeable Shares remain outstanding.

**The foregoing discussion is only a general overview of the requirements of the U.S. securities laws that may be applicable to the resale of Molycorp Shares or Exchangeable Shares received pursuant to the Arrangement. Recipients of Molycorp Shares and Exchangeable Shares are urged to obtain legal advice to ensure that their resale of such securities complies with applicable U.S. securities laws. Further information applicable to U.S. NEM Shareholders is disclosed in this Circular under the heading "Notice to U.S. NEM Shareholders".**

## Stock Exchange Approval

Molycorp or Exchangeco, as applicable, will apply to list: (i) the Molycorp Shares issuable by Molycorp under the Arrangement (including upon the exchange of the Exchangeable Shares for Molycorp Shares) on the NYSE and (ii) the Exchangeable Shares issuable by Exchangeco under the Arrangement on the TSX. It is a condition of closing that Molycorp shall have obtained approval for listing of the Molycorp Shares issuable to NEM

Shareholders under the Arrangement (including those Molycorp Shares issuable upon exchange of the Exchangeable Shares) on the NYSE and conditional approval for listing of the Exchangeable Shares on the TSX.

### **Other Regulatory Matters**

#### *Investment Canada Act*

Under the Investment Canada Act, the acquisition by a non-Canadian of control of a Canadian business the value of which exceeds certain monetary thresholds is reviewable and subject to approval by the federal Minister responsible for the Investment Canada Act (the "**Minister**"). Approval of the Arrangement is to be granted where the Minister is satisfied that the acquisition is likely to be of net benefit to Canada. The Arrangement is an acquisition by a non-Canadian of control of NEM and is subject to review under the Investment Canada Act. As such, the Arrangement cannot be completed until the Minister has approved the Arrangement. On April 4, 2012, Molycorp filed an application for review of the Arrangement under the Investment Canada Act. The Minister has 45 days from the date of receipt by the Investment Review Division of a completed application to decide whether the Arrangement is likely to be of net benefit to Canada. The 45-day period may be extended by the Minister for a further 30 days, or may be extended for such longer period as may be agreed upon between the applicant, in this case Molycorp, and the Minister. If no notice is sent by the Minister to the applicant within the 45-day period or the extended period, as the case may be, that the Minister is satisfied the investment is likely to be of net benefit to Canada, then the Arrangement is deemed to be approved. It is a condition of closing that the Minister has approved the Arrangement.

#### *Hart-Scott-Rodino Act*

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), the Arrangement may not be completed until the required notifications have been filed with the Antitrust Division of the U.S. Department of Justice ("**DOJ**") and the U.S. Federal Trade Commission ("**FTC**"), and the required waiting period has expired. The initial waiting period is thirty days after both parties have filed notification forms, but this period may be shortened if the reviewing agencies grant "early termination" of the waiting period, or it may be lengthened if the reviewing agency determines that an in-depth investigation is required and issues a formal request for additional information and documentary material (referred to as a "**Second Request**"), in which case the waiting period will expire thirty days after both parties have substantially complied with the Second Request. On March 27, 2012, both NEM and Molycorp filed Notification and Report Forms under the HSR Act with the DOJ and the FTC, and on April 26, 2012, the waiting period under the HSR Act expired. The expiration of the waiting period pursuant to the HSR Act satisfies one of the conditions of closing to the Arrangement.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations relating to the Arrangement under the ITA that generally apply to NEM Shareholders who, for purposes of the ITA, and at all relevant times, hold their NEM Common Shares, and will hold their Molycorp Shares and Exchangeable Shares, as capital property and deal at arm's length with, and are not affiliated with, NEM, Molycorp, Callco or Exchangeco.

This summary does not apply to: (i) a NEM Shareholder with respect to whom Molycorp is or will be a "foreign affiliate" within the meaning of the ITA, (ii) a NEM Shareholder that is a "financial institution" for the purposes of the mark-to-market rules in the ITA, (iii) a NEM Shareholder an interest in which is a "tax shelter investment" as defined in the ITA, (iv) a NEM Shareholder that is a "specified financial institution" as defined in the ITA, (v) a NEM Shareholder who has made a "functional currency" election under section 261 of the ITA, (vi) a NEM Shareholder who received NEM Common Shares upon exercise of a stock option, or (vii) a NEM Shareholder who, alone or together with persons with whom the holder does not deal at arm's length for purposes of the ITA or any partnership or trust of which such holder or such person is a member or beneficiary, will hold more than 10% of the issued and outstanding Exchangeable Shares at any time following the Arrangement. Any such NEM Shareholder should consult its own tax advisor with respect to the Arrangement.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

NEM Common Shares, Molycorp Shares, and Exchangeable Shares will generally be considered to be capital property unless such securities are held in the course of carrying on a business of trading or dealing in securities, or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain NEM Shareholders who are residents of Canada for purposes of the ITA and whose NEM Common Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the ITA to have their NEM Common Shares, and every "Canadian security" (as defined in the ITA) owned by such NEM Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Where a NEM Shareholder makes an election with Exchangeco under section 85 of the ITA in respect of their NEM Common Shares as described below, the Exchangeable Shares received under the Arrangement in exchange for such NEM Common Shares will not be Canadian securities to such holder for this purpose and therefore will not be deemed to be capital property under subsection 39(4) of the ITA. In addition, Molycorp Shares will not constitute Canadian securities for the purposes of this election. NEM Shareholders who do not hold their NEM Common Shares as capital property or who will not hold their Molycorp Shares and/or Exchangeable Shares as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is based on the facts set out in this document, the current provisions of the ITA and the regulations thereunder and NEM's understanding of the published administrative policies and assessing practices of the CRA publicly available prior to the date of this document. This summary takes into account all proposed amendments to the ITA and the regulations thereunder that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Proposed Amendments**") and assumes that such Proposed Amendments will be enacted substantially as proposed. However, no assurance can be given that such Proposed Amendments will be enacted in the form proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Arrangement and/or the holding of Molycorp Shares or Exchangeable Shares. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular NEM Shareholder. NEM Shareholders should consult their own tax advisors as to the tax consequences to them of the Arrangement and the holding of Molycorp Shares and/or Exchangeable Shares.**

For purposes of the ITA, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in U.S. dollars must be converted into Canadian dollars generally based on the Bank of Canada noon spot exchange rate on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

## **NEM Shareholders Resident in Canada**

The following section of the summary is generally applicable to a NEM Shareholder who, for purposes of the ITA and any applicable income tax treaty, is or is deemed to be a resident of Canada at all relevant times (a "**Resident Holder**").

### *Receipt of Ancillary Rights*

A Resident Holder who receives Exchangeable Shares under the Arrangement will also receive the Ancillary Rights. A Resident Holder will be required to account for these Ancillary Rights in determining the proceeds of disposition of such holder's NEM Common Shares and the cost of Exchangeable Shares received in consideration therefor. NEM is of the view that the Ancillary Rights have a nominal fair market value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

### *Grant of Call Rights*

A Resident Holder who receives Exchangeable Shares and the Ancillary Rights under the Arrangement will grant the Call Rights to Calco and Molycorp. NEM is of the view that the Call Rights have only a nominal fair market value and accordingly no amount should be allocated to the Call Rights. Provided that this view with respect to the value of such Call Rights is correct, the granting of the Call Rights should not result in any material adverse income tax consequences to a Resident Holder who acquires Exchangeable Shares. This summary assumes that the Call Rights have nominal value.

This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Should the CRA challenge this view and ultimately succeed in establishing that the Call Rights have a fair market value in excess of a nominal amount and that a Resident Holder received such amount for the grant of the Call Rights, such Resident Holder who acquires Exchangeable Shares under the Arrangement will realize a capital gain in an amount equal to the fair market value of the Call Rights. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

### *Exchange of NEM Common Shares for Cash Consideration or Molycorp Shares or a Combination of Cash Consideration and Molycorp Shares*

A Resident Holder who exchanges some or all of its NEM Common Shares with Exchangeco under the Arrangement for Cash Consideration or Molycorp Shares or any combination of Cash Consideration and Molycorp Shares will be considered to have disposed of such NEM Common Shares for proceeds of disposition equal to the sum of (i) any Cash Consideration received by such Resident Holder on the exchange (including cash received in lieu of fractional shares) and (ii) the fair market value at the Effective Time of any Molycorp Shares acquired by such Resident Holder on the exchange. As a result, the Resident Holder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of such NEM Common Shares.

For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

The cost to a Resident Holder of Molycorp Shares acquired on the exchange will be equal to the fair market value of the Molycorp Shares at the Effective Time, and will generally be averaged with the adjusted cost base of any other Molycorp Shares held at that time by the Resident Holder as capital property for the purposes of determining the holder's adjusted cost base of such Molycorp Shares.

### *Exchange of NEM Common Shares for Cash Consideration or Exchangeable Shares and Ancillary Rights or a Combination of Cash Consideration, Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction*

A Resident Holder who exchanges some or all of its NEM Common Shares with Exchangeco under the Arrangement for Cash Consideration or Exchangeable Shares and Ancillary Rights or any combination of Cash Consideration and Exchangeable Shares and Ancillary Rights will, unless such Resident Holder makes a valid joint election under subsection 85(1) or 85(2) of the ITA as discussed below, be considered to have disposed of such NEM Common Shares for proceeds of disposition equal to the sum of (i) any Cash Consideration received by such Resident Holder on the exchange (including cash received in lieu of fractional shares), (ii) the fair market value at the Effective Time of any Exchangeable Shares received by the Resident Holder on the exchange, and (iii) the fair market value at the Effective Time of any Ancillary Rights received by such Resident Holder on the exchange.

As a result, the Resident Holder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the NEM Common Shares.

For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

In such circumstances, the cost to a Resident Holder of Exchangeable Shares and Ancillary Rights acquired on the exchange will be equal to the fair market value of such shares and rights at the Effective Time.

*Exchange of NEM Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Section 85 Rollover Transaction*

A Resident Holder who is an Eligible Holder and who elects to exchange and does exchange some or all of its NEM Common Shares (i.e. Eligible Shares) with Exchangeco under the Arrangement for Eligible Share Consideration or a combination of Eligible Share Consideration and Cash Consideration may make a valid joint election with Exchangeco pursuant to subsection 85(1) of the ITA (or, in the case of an Eligible Holder that is a Canadian partnership, pursuant to subsection 85(2) of the ITA) (a "**Joint Tax Election**") in respect of such Eligible Shares and thereby obtain a full or partial tax deferral of a capital gain otherwise arising on the exchange of such Eligible Shares as described above under "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Exchange of NEM Common Shares for Cash Consideration or Exchangeable Shares and Ancillary Rights or a Combination of Cash Consideration, Exchangeable Shares and Ancillary Rights — Non-Rollover Transaction", depending on the Elected Amount (as defined below) and the adjusted cost base to the holder of such Eligible Shares at the time of the exchange.

Exchangeco will only make a Joint Tax Election with an Eligible Holder. Eligible Holders who wish to make a Joint Tax Election with Exchangeco should give their immediate attention to this matter following the Effective Time. For further information respecting the Joint Tax Elections, see Interpretation Bulletin IT-291R3 "Transfer of Property to a Corporation under Subsection 85(1)" (January 12, 2004) and Information Circular IC 76-19R3 "Transfer of Property to a Corporation under Section 85" (June 17, 1996) issued by the CRA.

The comments made herein with respect to the Joint Tax Elections are provided for general information only. The law in this area is complex and contains numerous technical requirements. Eligible Holders wishing to make a Joint Tax Election should consult their own tax advisors.

Elected Amount

An Eligible Holder may elect an amount which, subject to certain limitations contained in the ITA, will be treated as the proceeds of disposition of such Eligible Holder's Eligible Shares (the "**Elected Amount**"). The limitations imposed by the ITA in respect of the Elected Amount are that the Elected Amount may not:

- (a) be less than the sum of (i) any Cash Consideration (including cash received in lieu of fractional shares) received on the exchange of the Eligible Shares and (ii) the fair market value at the Effective Time of the Ancillary Rights acquired on the exchange;
- (b) be less than the lesser of (i) the adjusted cost base to the Eligible Holder of its Eligible Shares at the Effective Time, and (ii) the fair market value of the Eligible Shares at that time; and
- (c) exceed the fair market value of the Eligible Shares at the Effective Time.

As discussed above under "The Arrangement — Election Procedure and Pro-ration" in the event that the aggregate number of Molycorp Shares and Exchangeable Shares to be issued under the Arrangement would exceed the Maximum Aggregate Number of Shares, an Eligible Holder would receive fewer Exchangeable Shares and correspondingly more Cash Consideration. In such circumstances, since the Elected Amount cannot be less than the Cash Consideration received on the exchange of the Eligible Shares (plus other amounts noted in (a) above), the Eligible Holder will be required, if the Cash Consideration exceeds the adjusted cost base to the Eligible Holder of the Eligible Shares, to select an Elected Amount greater than the Eligible Holder would otherwise select, which will result in the Eligible Holder realizing a capital gain or a larger capital gain than desired.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

### Tax Treatment to Eligible Holders

Where an Eligible Holder and Exchangeco make a valid Joint Tax Election in respect of the Eligible Holder's Eligible Shares, the tax treatment to such holder will generally be as follows:

- (a) the Eligible Holder will be deemed to have disposed of the Eligible Shares for proceeds of disposition equal to the Elected Amount;
- (b) the Eligible Holder will not realize a capital gain (or a capital loss), provided that the Elected Amount is equal to the sum of (i) the aggregate adjusted cost base to the Eligible Holder of the Eligible Shares immediately before the Effective Time and (ii) any reasonable costs of disposition;
- (c) the Eligible Holder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the sum of (i) the aggregate adjusted cost base to the Eligible Holder of its Eligible Shares immediately before the Effective Time and (ii) any reasonable costs of disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below;
- (d) the cost to the Eligible Holder of the Ancillary Rights received on the exchange will be equal to the fair market value thereof at the Effective Time; and
- (e) the cost to the Eligible Holder of the Exchangeable Shares received on the exchange will be equal to the amount by which the Elected Amount exceeds the aggregate of (i) the amount of any Cash Consideration (including any cash received in lieu of fractional shares) received on the exchange of the Eligible Shares and (ii) the fair market value at the Effective Time of the Ancillary Rights received on the exchange.

### Procedure for Making an Election

To make a Joint Tax Election, the Eligible Holder must provide two signed copies of the applicable tax election forms to Exchangeco within 90 days following the Effective Date, duly completed and including (i) the required information concerning the Eligible Holder, (ii) the details of the number of Eligible Shares transferred in respect of which the Eligible Holder is making a Joint Tax Election, and (iii) the applicable Elected Amounts for such Eligible Shares. An Eligible Holder interested in making a Joint Tax Election in respect of the Exchangeable Shares it receives on the Arrangement should so indicate on the Letter of Transmittal and Election Form. A tax election package, consisting of the relevant federal tax election forms and a letter of instructions, may be sent by mail to such holder. A tax election package may also be obtained by mail from the Depository or via the internet on NEM's website at [www.neomaterials.com](http://www.neomaterials.com). The relevant federal tax election form is form T2057 (or, in the event that the NEM Common Shares are held by an Eligible Holder that is a "Canadian partnership" within the meaning of the ITA, form T2058).

### Joint Ownership

Where the Eligible Shares are held in joint ownership and two or more of the co-owners wish to make a Joint Tax Election, a co-owner designated for such purpose should file a copy of the federal election form T2057 (and any other relevant provincial or territorial forms) for each co-owner. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners, along with a letter signed by each of the co-owners authorizing the designated co-owner to complete, sign and file the forms.

### Partnerships

Where the Eligible Shares are held by an Eligible Holder that is a "Canadian partnership" within the meaning of the ITA and the partnership wishes to make a Joint Tax Election, a partner designated by the partnership

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

must file a copy of the federal election form T2058 (and any other relevant provincial or territorial forms) on behalf of all members of the partnership. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the partners, along with a letter signed by each partner authorizing the designated partner to complete, sign and file the forms.

#### Additional Provincial or Territorial Election Forms

Certain provinces or territories may require that a separate joint tax election be filed for provincial or territorial income tax purposes. Exchangeco will also make a joint tax election with an Eligible Holder under the provisions of any relevant provincial or territorial income tax law having similar effect to section 85 of the ITA, subject to the same limitations as described herein. Eligible Holders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate election form. It will be the sole responsibility of each Eligible Holder who wishes to make such an election to obtain the appropriate provincial or territorial election forms and to duly complete and submit such forms to Exchangeco for its execution at the same time as the federal election forms.

#### Execution by Exchangeco of Election Form

Subject to the election forms complying with the provisions of the applicable income tax law and the Arrangement, Exchangeco will sign the tax election forms received from an Eligible Holder within 90 days following the Effective Date that appear correct and complete, and return them to the Eligible Holder within 90 days of receipt thereof by Exchangeco. Exchangeco, in its sole discretion, may choose to sign and return an election form even if such form is received more than 90 days following the Effective Date, but Exchangeco will have no obligation to do so. With the exception of signing and returning completed election forms it receives, Exchangeco, Molycorp and NEM assume no responsibility for making any tax election, and compliance with the requirements for a valid Joint Tax Election and the tax implications thereof will be the sole responsibility of the Eligible Holder making the Joint Tax Election. Exchangeco, Molycorp and NEM will not be responsible for the proper completion or filing of any election form.

None of Exchangeco, Molycorp or NEM will be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by an Eligible Holder to properly complete or file an election form in the form and manner and within the time prescribed by the ITA (or the corresponding provisions of any applicable provincial or territorial tax legislation).

#### Filing of Election Forms

For the CRA to accept a tax election form without a late filing penalty being paid by an Eligible Holder, the election form, duly completed and executed by both the Eligible Holder and Exchangeco, must be received by the CRA on or before the earliest due date for the filing of either Exchangeco's or the Eligible Holder's income tax return for the taxation year in which the exchange takes place.

In the absence of a transaction subsequent to the Effective Date but prior to December 31, 2012 that results in a taxation year end for Exchangeco, the taxation year of Exchangeco is expected to end on December 31, 2012. In such circumstances, the Joint Tax Election generally must, in the case of an Eligible Holder who is an individual (other than a trust), be received by the CRA by April 30, 2013 (being generally the deadline when such individual will be required to file a tax return for his or her 2012 taxation year).

Information concerning the filing deadline will be included in the tax election package that will be available on NEM's website at [www.neomaterials.com](http://www.neomaterials.com) and may be mailed to Eligible Holders.

Eligible Holders are strongly advised to consult their own tax advisors as soon as possible respecting the deadlines applicable to their own particular circumstances, including any similar deadlines required under any provincial or territorial tax legislation for provincial or territorial tax elections. However, regardless of such deadlines, properly completed tax election forms must be received by Exchangeco at the address set out in the tax election package (which may be obtained by mail from NEM or the Depositary and will also be available via the

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

internet on NEM's website at [www.neomaterials.com](http://www.neomaterials.com)) within 90 days following the Effective Date of the Arrangement. Any Eligible Holder who does not ensure that Exchangeco has received the properly completed tax election forms within 90 days following the Effective Date of the Arrangement may not be able to benefit from the rollover provisions of the ITA and any applicable provincial or territorial tax legislation.

### Ancillary Rights

The Joint Tax Elections will be executed by Exchangeco on the basis that the fair market value of the Ancillary Rights is a nominal amount per Exchangeable Share issued on the exchange. This amount will be provided to NEM Shareholders in the letter of instructions included in the tax election package.

### *Redemption, Exchange and Disposition of Exchangeable Shares*

A Resident Holder will be considered to have disposed of Exchangeable Shares:

- (i) on a redemption (including pursuant to a Retraction Request) of such Exchangeable Shares by Exchangeco; and
- (ii) on an acquisition of such Exchangeable Shares by Molycorp or Calco.

However, as discussed below, the Canadian federal income tax consequences of the disposition for the Resident Holder will be different depending on whether the event giving rise to the disposition is a redemption or retraction by Exchangeco or an acquisition by Molycorp or Calco.

**A Resident Holder who exercises the right to require the redemption of an Exchangeable Share by giving a Retraction Request cannot control whether the Exchangeable Share will be acquired by Molycorp or Calco under the Retraction Call Right or redeemed by Exchangeco.**

### *Redemption or Retraction of Exchangeable Shares*

On a redemption (including a retraction) of an Exchangeable Share by Exchangeco, the Resident Holder of that Exchangeable Share will be deemed to have received a dividend equal to the amount, if any, by which the fair market value of the proceeds received on the redemption exceeds the paid-up capital (for purposes of the ITA) of the Exchangeable Share at the time of redemption. Such paid-up capital will be determined by reference to the aggregate Elected Amount under any applicable Joint Tax Elections and therefore cannot be determined in advance of the Effective Date. See "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Dividends on Exchangeable Shares" below. On the redemption, the Resident Holder of an Exchangeable Share will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the "redemption proceeds" less the amount of such deemed dividend. The Resident Holder will in general realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to such holder of the Exchangeable Shares. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

### *Dividends on Exchangeable Shares*

In the case of a Resident Holder who is an individual, dividends received or deemed to be received on the Exchangeable Shares will be included in computing the Resident Holder's income and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations. Provided that appropriate designations are made by Exchangeco, such dividend will be treated as an "eligible dividend" for the purposes of the ITA and a holder who is an individual resident in Canada will be entitled to an enhanced dividend tax credit in respect of such dividend. There are limitations on the ability of a corporation to designate dividends and deemed dividends as eligible dividends.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*



In the case of a Resident Holder that is a corporation, dividends received or deemed to be received on the Exchangeable Shares will be required to be included in computing the corporation's income for the taxation year in which such dividends are received and will generally be deductible in computing the corporation's taxable income. If the Exchangeable Shares were not listed on a designated stock exchange for purposes of the ITA, dividends received or deemed to be received on Exchangeable Shares by a Resident Holder that is a corporation may not be deductible in computing the corporation's taxable income. Such holders should consult their own tax advisors concerning this possibility. In the case of a holder of Exchangeable Shares that is a corporation, in some circumstances the amount of any deemed dividend arising on the redemption of Exchangeable Shares may be treated as proceeds of disposition and not as a dividend in accordance with specific rules in the ITA.

**Corporate shareholders should consult their own tax advisors for advice with respect to the potential application of these provisions.**

A Resident Holder that is a "private corporation" (as defined in the ITA) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the ITA to pay a refundable tax of 33 $\frac{1}{3}$ % on dividends received or deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the ITA), including any dividends that are not deductible in computing taxable income.

The Exchangeable Shares will be taxable preferred shares and short-term preferred shares for the purposes of the ITA. A Resident Holder of Exchangeable Shares that is a corporation which receives or is deemed to receive dividends on such shares may be subject to the 10% tax under Part IV.1 of the ITA.

*Exchange of Exchangeable Shares with Molycorp or Callco*

On the exchange of an Exchangeable Share by the Resident Holder with Molycorp or Callco for Molycorp Shares, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of the Exchangeable Share. For these purposes, the proceeds of disposition will be the fair market value of the Molycorp Shares received upon exchange plus an amount equal to declared and unpaid dividends on the Exchangeable Share. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below. The acquisition by Molycorp or Callco of an Exchangeable Share from the Resident Holder thereof will not result in a deemed dividend to the holder.

*Disposition of Exchangeable Shares other than on Redemption, Retraction or Exchange*

A disposition or deemed disposition of Exchangeable Shares by a Resident Holder, other than on the redemption, retraction or exchange of the shares, will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those Exchangeable Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

*Dividends on Molycorp Shares*

A Resident Holder will be required to include in computing such Resident Holder's income for a taxation year the amount of dividends, if any, received on Molycorp Shares. Dividends received on Molycorp Shares by a Resident Holder who is an individual will not be subject to the gross-up and dividend tax credit rules in the ITA normally applicable to taxable dividends received from taxable Canadian corporations. A Resident Holder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the ITA), including any dividends that are not deductible in computing taxable income.

#### *Acquisition and Disposition of Molycorp Shares*

The cost of Molycorp Shares received on the retraction, redemption or exchange of an Exchangeable Share will be equal to the fair market value of such Molycorp Shares at the time of such event and will generally be averaged with the adjusted cost base of any other Molycorp Shares held at that time by the Resident Holder as capital property for the purpose of determining the holder's adjusted cost base of such Molycorp Shares.

A disposition or deemed disposition of Molycorp Shares by a Resident Holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Molycorp Shares immediately before the disposition. For a description of the tax treatment of capital gains and losses, see "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Taxation of Capital Gains or Capital Losses" below.

#### *Taxation of Capital Gains or Capital Losses*

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "allowable capital loss") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the holder in that year (subject to and in accordance with rules contained in the ITA). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the ITA.

A Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the ITA), including any taxable capital gains.

If the Resident Holder of a NEM Common Share or an Exchangeable Share is a corporation, the amount of any capital loss realized on a disposition or deemed disposition of such share may be reduced by the amount of dividends received or deemed to have been received by it on such share (and in certain circumstances a share exchanged for such share) to the extent and under circumstances prescribed by the ITA. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such shares.

Holders to whom these rules may be relevant should consult their own tax advisors.

#### *Foreign Property Information Reporting*

A Resident Holder that is a "specified Canadian entity" (as defined in the ITA) for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (as such terms are defined in the ITA), including Molycorp Shares, at any time in the year or fiscal period exceeds C\$100,000 will be required to file an information return for the year or period disclosing prescribed information. Subject to certain exceptions, a Resident Holder generally will be a specified Canadian entity. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Minister of Finance (Canada) proposed that the existing reporting requirements with respect to "specified foreign property" be expanded to require more detailed information. Revised legislation reflecting such proposal has not yet been released. Resident Holders should consult their own tax advisors regarding these rules, including any expansion thereof pursuant to the 2010 Federal Budget proposal.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

### *Offshore Investment Fund Property*

The ITA contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". These rules could apply to a Resident Holder in respect of a Molycorp Share if two conditions are both satisfied.

The first condition for such rules to apply is that the value of the Molycorp Share may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing ("**Investment Assets**").

The second condition for such rules to apply to a Resident Holder is that it must be reasonable to conclude that one of the main reasons for the Resident Holder acquiring or holding a Molycorp Share was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the ITA had the income, profits and gains been earned directly by the Resident Holder.

If applicable, these rules would generally require a Resident Holder to include in income for each taxation year in which the Resident Holder owns a Molycorp Share (i) an imputed return for the taxation year computed on a monthly basis and determined by multiplying the Resident Holder's "designated cost" (as defined in the ITA) of the Molycorp Share at the end of the month by 1/12th of the applicable prescribed rate for the period that includes such month, less (ii) the Resident Holder's income for the year (other than a capital gain) from the Molycorp Share determined without reference to these rules. Any amount required to be included in computing a Resident Holder's income under these provisions will be added to the adjusted cost base to the Resident Holder of its Molycorp Share.

The application of these rules depends, in part, on the reasons for a Resident Holder acquiring or holding Molycorp Shares. Resident Holders are urged to consult their own tax advisors regarding the application and consequences of these rules, in their own particular circumstances.

### *Eligibility for Investment*

Provided that the Molycorp Shares are listed on a "designated stock exchange" within the meaning of the ITA (which includes the NYSE) at a particular time, the Molycorp Shares will be qualified investments under the ITA for trusts governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), registered education savings plan, deferred profit sharing plan, registered disability savings plan and a tax-free savings account ("**TFSA**") all as defined in the ITA.

Notwithstanding that the Molycorp Shares may be qualified investments for trusts governed by a TFSA, an RRSP or a RRIF, the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, may be subject to a penalty tax under the ITA if such shares are a "prohibited investment" within the meaning of the ITA for the particular TFSA, RRSP or RRIF. The Molycorp Shares will generally not be a prohibited investment for a TFSA, an RRSP or RRIF provided that the holder of the TFSA, or the annuitant of the RRSP or RRIF, as applicable, deals at arm's length with Molycorp within the meaning of the ITA and does not have a "significant interest" within the meaning of the ITA in Molycorp or in a corporation, partnership or trust with which Molycorp does not deal at arm's length for the purposes of the ITA. **Holders should consult their own tax advisors to ensure that the Molycorp Shares will not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF in their particular circumstances.**

### *Dissenting Resident Holders*

A Resident Holder that is a Dissenting NEM Shareholder (a "**Dissenting Resident Holder**") will be deemed to have transferred its NEM Common Shares to Exchangeco as of the Effective Time and will receive a cash payment from Exchangeco in respect of the fair value of the Dissenting Resident Holder's NEM Common

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

Shares. Such a Dissenting Resident Holder will be considered to have disposed of the NEM Common Shares for proceeds of disposition equal to the amount received by the Dissenting Resident Holder (less any interest awarded by a court). As a result, such Dissenting Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition received exceed (or is less than) the aggregate of (i) the adjusted cost base to the Dissenting Resident Holder of the NEM Common Shares; and (ii) any reasonable costs of disposition.

Interest awarded to a Dissenting Resident Holder by a court will be included in the Dissenting Resident Holder's income for the purposes of the ITA. In addition, a Dissenting Resident Holder that, throughout the relevant taxation year, is a "Canadian-controlled private corporation" (as defined in the ITA) may be liable to pay a refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the ITA), including interest income.

A Resident Holder that exercises its Dissent Rights but is not ultimately determined to be entitled to be paid fair value for the NEM Common Shares held by such Resident Holder will be deemed to have participated in the Arrangement and will receive Cash Consideration and Molycorp Shares. Such a Resident Holder will be considered to have disposed of its NEM Common Shares for proceeds of disposition equal to the aggregate of the Cash Consideration and the fair market value of the Molycorp Shares so received. As a result, such Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition received exceed (or is less than) the aggregate of (i) the adjusted cost base to the Resident Holder of the NEM Common Shares; and (ii) any reasonable costs of disposition.

### **NEM Shareholders Not Resident in Canada**

The following section of the summary is generally applicable to a holder of NEM Common Shares who, (i) for the purposes of the ITA and any applicable income tax treaty and at all relevant times, is not, and is not deemed to be, a resident of Canada (ii) does not, and is not deemed to, use or hold NEM Common Shares and Molycorp Shares received pursuant to the Arrangement in or in the course of, carrying on a business in Canada, and (iii) is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere. (in this section, a "**Non-Resident Holder**").

#### *Exchange of NEM Common Shares for Cash Consideration or Molycorp Shares or a Combination of Cash Consideration and Molycorp Shares*

Non-Resident Holders who exchange their NEM Common Shares under the Arrangement for Cash Consideration, Molycorp Shares or a combination of Cash Consideration and Molycorp Shares should not be subject to tax under Part I of the ITA in respect of any capital gain realized on the exchange unless (a) the NEM Common Shares constitute "taxable Canadian property" (as defined in the ITA, as discussed below) of the Non-Resident Holder at the time of the exchange, and (b) the NEM Common Shares are not "treaty-protected property" (as defined for the purposes of the ITA) of the Non-Resident Holder at the time of the exchange.

Generally, NEM Common Shares will not constitute "taxable Canadian property" to a Non-Resident Holder at a particular time provided that (i) such shares are listed on a designated stock exchange (which currently includes the TSX) at that time and at no time during the sixty (60) month period immediately preceding the disposition of such shares did the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length for purposes of the ITA, or the Non-Resident Holder together with all such persons, own or have an interest in, or right or option to acquire, 25% or more of the issued shares of any class or series of shares in the capital stock of NEM, and more than 50% of the fair market value of the NEM Common Shares was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the ITA), timber resource properties (as defined in the ITA), and options in respect of, or interests in, or for civil law rights in, any of the foregoing properties (whether or not such property exists); and (ii) such NEM Common Shares are not otherwise deemed to be "taxable Canadian property". A share may be deemed to be "taxable Canadian property" where the Non-Resident Holder acquired or held the share in certain circumstances, including acquiring the share in consideration of the disposition of other taxable Canadian property to the issuer of such share.

In the event that the NEM Common Shares constitute taxable Canadian property to a particular Non-Resident Holder on the disposition thereof pursuant to the Arrangement, and a capital gain realized on the

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

disposition of such taxable Canadian property is not exempt from tax under the ITA pursuant to the terms of an applicable income tax treaty or convention, such Non-Resident Holder will realize a capital gain (or capital loss) generally in the circumstances and computed in the manner described above under "NEM Shareholders Resident in Canada".

#### *Dissenting Non-Resident Holders*

A Non-Resident Holder that is a Dissenting NEM Shareholder (a "**Dissenting Non-Resident Holder**") will be deemed to have transferred its NEM Common Shares to Exchangeco as of the Exchange Time and will be entitled to receive a cash payment from Exchangeco in respect of the fair value of the Dissenting Non-Resident Holder's NEM Common Shares. Such a Dissenting Non-Resident Holder will be considered to have disposed of the NEM Common Shares for proceeds of disposition equal to the amount received by the Dissenting Non-Resident Holder (less any interest awarded by a court) and will be treated in the same manner as described above under "NEM Shareholders Not Resident in Canada - Exchange of NEM Common Shares for Cash Consideration or Molycorp Shares or a Combination of Cash Consideration and Molycorp Shares". A Dissenting Non-Resident Holder will not be subject to Canadian tax on any amount received on account of interest.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

**Notice Pursuant To Treasury Department Circular 230: Anything contained in this summary concerning any U.S. federal tax issue is not intended or written to be used, and cannot be used by a NEM Shareholder, for the purpose of avoiding federal tax penalties under the Internal Revenue Code of 1986, as amended (the "Code"). This summary was written to support the promotion or marketing of the transactions or matters addressed herein. Each NEM Shareholder should seek U.S. federal tax advice, based on the NEM Shareholder's particular circumstances, from an independent tax advisor.**

The following is a summary of certain U.S. federal income tax consequences relating to the Arrangement that generally apply to NEM Shareholders who, at all relevant times, hold their NEM Common Shares, and will hold their Molycorp Shares and/or Exchangeable Shares, if any, as capital assets within the meaning of Section 1221 of the Code. This summary assumes that NEM is not, and has not been, a controlled foreign corporation for U.S. federal income tax purposes and that NEM has never been treated as a U.S. domestic corporation pursuant to Section 897(i) of the Code. If NEM is a controlled foreign corporation or was a controlled foreign corporation during the period that U.S. Holders have held their NEM Common Shares, special U.S. tax rules not discussed herein may substantially affect the tax consequences of the Arrangement to U.S. Holders. If NEM is treated as a U.S. domestic corporation pursuant to Section 897(i) of the Code, the U.S. tax consequences of the Arrangement to non-U.S. Holders may differ from those described below. This summary is not a complete analysis or listing of all of the possible tax consequences of the Arrangement or of holding or disposing of Exchangeable Shares and Molycorp Shares

This summary is based on provisions of the Code, Treasury Regulations promulgated thereunder (whether final, temporary, or proposed), judicial authority and administrative interpretations as of the date hereof, all of which are subject to change, possibly with retroactive effect or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

This summary does not comment on all aspects of U.S. federal income taxation which may be important to particular NEM Shareholders in light of their individual circumstances, such as NEM Shareholders that are subject to special provisions under the Code, including: (i) tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (ii) financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (iii) dealers in securities or currencies or traders in securities that elect to apply a mark-to-market accounting method; (iv) shareholders with a "functional currency" other than the U.S. dollar; (v) shareholders who own NEM Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (vi) shareholders that acquired their NEM Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (vii) U.S. expatriates or former long-term residents of the U.S.; (viii) shareholders that own, directly, indirectly, or by attribution, 10% or more, by voting power or value, of the outstanding shares of NEM; or (ix) an S corporation, an entity taxable as a partnership for U.S. federal income tax purposes or other pass-

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

through entity or an owner thereof. If a partnership (including an entity classified as a partnership for U.S. federal income tax purposes) holds NEM Common Shares, the U.S. federal income tax consequences relating to the Arrangement generally will depend on the activities of the partnership and the status of the partners. NEM Shareholders that are partnerships for U.S. federal income tax purposes, and partners in any such partnership, should consult their own tax advisors concerning the U.S. federal tax consequences relating to the Arrangement.

This summary does not discuss any U.S. state or local, estate or alternative minimum tax consequences relating to the Arrangement. Each NEM Shareholder should consult its own tax advisor regarding the U.S. federal, state, local and non-U.S. tax consequences relating to the Arrangement.

The tax rates on dividends and capital gains applicable to U.S. holders set forth herein are currently set to expire at the end of 2012. Absent further legislative action, the capital gains tax rates will increase to a maximum of 20% and dividend tax rates will increase to a maximum of 39.6%. Additional federal taxes and limitations on certain deductions may effectively increase these rates for certain taxpayers. Other rates specified herein may also be subject to change.

### **Tax Consequences to U.S. Holders Relating to the Arrangement**

For purposes of this summary, a "U.S. Holder" is a beneficial owner of NEM Common Shares that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the U.S., (ii) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either has a valid election in effect to be treated as a U.S. person or is subject to the supervision of a court within the U.S. and which has one or more U.S. persons with authority to control all of its substantial decisions. For purposes of this summary, U.S. Holders do not include residents of Canada. Further, this summary does not address the tax consequences to a U.S. Holder who receives Exchangeable Shares.

#### *In General*

The exchange of NEM Common Shares for cash and/or Molycorp Shares pursuant to the Arrangement will be a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. Holder will recognize gain or loss equal to the difference, if any, between (i) the amount of cash plus the fair market value of Molycorp Shares (determined as of the Effective Date) received and (ii) the U.S. Holder's tax basis in its NEM Common Shares surrendered in the Arrangement. A U.S. Holder's tax basis in the Molycorp Shares received, if any, will equal their fair market value on the Effective Date. A U.S. Holder's holding period for the Molycorp Shares received, if any, will begin on the day after the Effective Date.

Any gain or loss recognized in the exchange of NEM Common Shares for cash and/or Molycorp Shares generally will be capital gain or loss, which will be long-term capital gain or loss if the NEM Common Shares were held for more than one year. In the case of a non-corporate U.S. Holder, long-term capital gain will generally be taxed at a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limitations.

#### *Tax Consequences Relating to Holding Molycorp Shares*

Distributions, if any, received with respect to the Molycorp Shares out of Molycorp's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be taxable as dividend income to U.S. holders. In the case of non-corporate U.S. Holders, dividend income currently is subject to tax at the same preferential rates (maximum rate of 15%) as net capital gains if certain requirements are satisfied. To the extent that the amount of any distribution exceeds Molycorp's current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital to the extent of the U.S. Holder's tax basis, and any excess will be treated as capital gain.

Generally, a U.S. holder will recognize gain or loss on any sale, exchange or other disposition of the Molycorp Shares equal to the difference between the U.S. Holder's adjusted tax basis in the Molycorp Shares and

the amount realized from the sale, exchange or other disposition. Gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period is more than one year. Long term capital gains on individuals and other non-corporate taxpayers are generally eligible for reduced rates of taxation. The deductibility of capital losses may be subject to limitations.

#### *Additional Medicare tax on net investment income*

For taxable years beginning after December 31, 2012, a U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% Medicare tax on the lesser of (1) the U.S. Holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. Holder's modified gross income for the taxable year over a certain threshold. A U.S. Holder's net investment income will generally include, among other things, dividends on and capital gains from the sale or other disposition of stock, subject to certain exceptions. A U.S. Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of the Molycorp Shares.

#### **Tax Consequences to Non-U.S. Holders Relating to the Arrangement**

For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of NEM Common Shares other than a U.S. Holder. The U.S. federal income tax consequences to Non-U.S. Holders depend in significant part on the provisions of the specific treaty, if any, in place from time to time between the United States and the particular jurisdiction to which the Non-U.S. Holder is subject. Non-U.S. Holders are urged to consult a tax advisor who has knowledge of the particular treaty provisions applicable to the Non-U.S. Holder in order to accurately determine the specific tax treatment applicable to them. The following is therefore a very general discussion of such treatment without specific reference to any particular treaty.

#### *Tax Consequences Arising from the Exchange of NEM Common Shares*

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax on the gain (if any) realized on the exchange of NEM Common Shares for cash and/or Molycorp Shares or Exchangeable Shares and Ancillary Rights unless

- (i) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business, or, if required by an applicable tax treaty, attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States or
- (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise.

If a Non-U.S. Holder falls under clause (i) above, the Non-U.S. Holder generally will be subject to the rules discussed above in the discussion titled "Certain United States Federal Income Tax Considerations — Tax Consequences to U.S. Holders relating to the Arrangement — In General." If an individual Non-U.S. Holder falls under clause (ii) above, the individual generally will be subject to a flat 30% (or lower applicable treaty rate) tax on the gain derived from a sale, which may be offset by certain United States capital losses. Individual Non-U.S. Holders who have spent (or expect to spend) 183 days or more in the United States in the taxable year in which the Arrangement is consummated are urged to consult their tax advisors as to the tax consequences of the Arrangement. In addition, if a corporate Non-U.S. Holder falls under clause (i) above, it may be subject to an additional branch profits tax on effectively connected income at a 30% rate (or lower applicable treaty rate).

#### *Tax Consequences Arising from Holding Molycorp Shares or Exchangeable Shares*

#### Receipt of Distributions on Molycorp Shares

Dividends received by a Non-U.S. Holder with respect to Molycorp Shares will be subject to U.S. withholding tax at a rate of 30% (or lower applicable treaty rate). In addition, a Non-U.S. Holder will be taxed in the same manner as a U.S. Holder on dividends received that are effectively connected with the Non-U.S. Holder's

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

conduct of a trade or business or, if required by an applicable treaty attributable to a permanent establishment by the Non-U.S. Holder, in the United States.

In addition, a corporate Non-U.S. Holder may also be subject to an additional branch profits tax at a 30% rate (or lower applicable treaty rate) on dividend income that is effectively connected with a U.S. trade or business.

#### Receipt of Distributions on Exchangeable Shares

There is no direct authority addressing the proper characterization and treatment of instruments with characteristics similar to the Exchangeable Shares and the Ancillary Rights for U.S. federal income tax purposes. NEM, Exchangeco and Molycorp intend to take the position that the Exchangeable Shares constitute stock of Exchangeco and not as Molycorp Shares for U.S. federal income tax purposes. However, our determination as to the characterization of the Exchangeable Shares is not binding upon the IRS or the courts and there is no assurance that the Exchangeable Shares would not be treated as Molycorp Shares rather than as stock of Exchangeco. NEM, Exchangeco, and Molycorp have not requested, nor do they intend to request, an opinion from United States legal counsel or a ruling from the IRS regarding the U.S. federal income tax classification of the Exchangeable Shares.

Assuming that the Exchangeable Shares are treated as shares of Exchangeco for U.S. federal income tax purposes, rather than Molycorp Shares, and that dividends paid on Exchangeco shares do not constitute U.S. source income, dividends received by a Non-U.S. Holder with respect to the Exchangeable Shares should not be subject to U.S. withholding tax. Based on these assumptions, neither Exchangeco nor Molycorp intends to withhold any U.S. tax from any dividends paid with respect to the Exchangeable Shares. However, a Non-U.S. Holder will be taxed in the United States on the receipt of dividends in the same manner as a U.S. Holder if the Non-U.S. Holder has an office or other fixed place of business within the United States to which the dividend is attributable and the dividend is derived in the active conduct of a banking, financing or similar business within the United States or is received by a corporation the principal business of which is trading stock or securities for its account (unless otherwise provided in an applicable treaty).

#### Dispositions of Molycorp Shares or Exchangeable Shares

Subject to the rules discussed below, a Non-U.S. Holder will not be subject to U.S. federal income tax on the gain (if any) realized on the sale or exchange of Molycorp Shares or Exchangeable Shares, unless (i) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business, or, if required by an applicable treaty, attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States, (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, unless an applicable income tax treaty provides otherwise or (iii) Molycorp is or has been a "U.S. real property holding corporation," or "USRPHC," as defined for United States federal income tax purposes. Generally, a U.S. corporation is a USRPHC if at least 50% of the fair market value of all of its interests in real property and all of its other assets used or held for use in a trade or business (as defined in applicable Treasury Regulations) consists of "U.S. real property interests." Because Molycorp owns substantial royalty interests in natural resources assets in the United States, it is possible that it is, or may become, a USRPHC. Notwithstanding the foregoing, so long as the common stock of Molycorp is regularly traded on an established securities market, under applicable Treasury regulations, Non-U.S. Holders who have never beneficially owned more than 5% of the common stock of Molycorp generally will not be subject to U.S. federal income tax on any gain realized on the sale, exchange or redemption of common stock solely because Molycorp is or has been a USRPHC.

If a Non-U.S. Holder falls under clause (i) or (iii) above, the Non-U.S. Holder generally will be subject to the rules discussed above in the discussion titled "Certain United States Federal Income Tax Considerations — Tax Consequences to U.S. Holders relating to the Arrangement — In General" and, in the case of (iii) above, generally will be subject to a 10% withholding tax applied to the gross proceeds received. Any amount withheld may be applied as a credit against the Non-U.S. Holder's United States federal income tax liability. If an individual Non-U.S. Holder falls under clause (ii) above, the individual generally will be subject to a flat 30% (or lower applicable treaty rate) tax on the gain derived from a sale, which may be offset by certain United States capital losses. Individual Non-U.S. Holders who have spent (or expect to spend) 183 days or more in the United States in the taxable year in which they contemplate a sale of Molycorp Shares are urged to consult their tax advisors as to the tax



consequences of the sale. In addition, if a corporate Non-U.S. Holder falls under clause (i) above, it may be subject to an additional branch profits tax on effectively connected income at a 30% rate (or lower applicable treaty rate).

#### Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the Molycorp Shares or Exchangeable Shares and the proceeds from a sale or other disposition of shares. Holders of shares of Molycorp Shares or Exchangeable Shares may be subject to U.S. backup withholding tax on these payments (at the current rate of 28%) if they fail to provide their taxpayer identification numbers to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

#### HIRE Act

On March 18, 2010, the Hiring Incentives to Restore Employment Act (the "**HIRE Act**") was signed into law. Under certain circumstances, the HIRE Act will impose a withholding tax of 30% on payments made after December 31, 2012 of U.S. source dividends and on certain gross proceeds from a disposition of property that can produce U.S. source dividends to (a) foreign financial institutions (as defined in Section 1471(d)(4) of the Code) unless they agree to collect and disclose to the Secretary of the Treasury information regarding their direct and indirect U.S. account holders and (b) certain other foreign entities unless they certify certain information regarding their direct and indirect U.S. owners. Under some circumstances, a foreign owner may be eligible for refunds or credits of such taxes.

Although this legislation currently applies to applicable payments made after December 31, 2012, the IRS has indicated in recent guidance and in proposed Treasury Regulations that the withholding provisions described above will apply to payments of U.S. source dividends made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of such stock on or after January 1, 2015. Holders are urged to consult their own tax advisors regarding the possible implications of the HIRE ACT and the proposed Treasury Regulations on an investment in Molycorp Shares.

**THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT LEGAL OR TAX ADVICE. EACH SHAREHOLDER IS ENCOURAGED TO CONSULT ITS OWN TAX ADVISOR AS TO PARTICULAR TAX CONSEQUENCES RELATING TO THE ARRANGEMENT, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.**

#### **RISK FACTORS RELATING TO THE ARRANGEMENT**

The following risk factors should be considered by NEM Shareholders in evaluating whether to approve the Arrangement Resolution. These risk factors should be considered in conjunction with the other information contained in or incorporated by reference into this Circular. These risk factors relate to the Arrangement. For information on risks and uncertainties relating to the business of Molycorp, the Molycorp Shares and Exchangeable Shares, see "Risk Factors" in Appendix C — "Information Relating to Molycorp and Exchangeco".

*Because the market price of Molycorp Shares and NEM Common Shares will fluctuate and the exchange ratio is fixed, NEM Shareholders cannot be certain of the market value of the Molycorp Shares and/or Exchangeable Shares they will receive for their NEM Common Shares under the Arrangement.*

The exchange ratio is fixed and will not increase or decrease due to fluctuations in the market price of Molycorp Shares or NEM Common Shares. The market price of Molycorp Shares or NEM Common Shares could each fluctuate significantly prior to the Effective Date in response to various factors and events, including, without limitation, as a result of the differences between Molycorp's and NEM's actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*

economic or market conditions, and broad market fluctuations. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Molycorp Shares and/or Exchangeable Shares that holders of NEM Common Shares may receive on the Effective Date. There can be no assurance that the market value of the Molycorp Shares and/or Exchangeable Shares that the holders of NEM Common Shares may receive on the Effective Date will equal or exceed the market value of the NEM Common Shares held by such NEM Shareholders prior to the Effective Date. Similarly, there can be no assurance that the trading price of Molycorp Shares will not decline following the completion of the Arrangement.

*Failure to complete the Arrangement could negatively impact the market price of the NEM Common Shares.*

The Arrangement is subject to certain conditions that may be outside the control of NEM, including, without limitation, the receipt of the Final Order and certain regulatory approvals. There can be no certainty that these conditions will be satisfied or, if satisfied, when they will be satisfied. In addition, Molycorp has the right in certain circumstances to terminate the Arrangement Agreement, including in the event of a change having a Material Adverse Effect on NEM. See "The Arrangement Agreement — Termination". If the Arrangement is not completed and the NEM Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay consideration for the NEM Common Shares that is equivalent to, or more attractive than, the consideration payable pursuant to the Arrangement.

*Molycorp and NEM may not integrate successfully.*

The Arrangement will involve the integration of companies that previously operated independently. As a result, the combination will present challenges to management, including the integration of management (including the sufficiency of management capacity), operations, systems and personnel of the two companies, and special risks, including possible unanticipated liabilities, unanticipated costs, diversion of management's attention and the loss of key employees or customers.

The difficulties Molycorp's management encounters in the transition and integration processes could have an adverse effect on the revenues, level of expenses and operating results of the combined company. As a result of these factors, it is possible that any anticipated benefits from the combination will not be realized.

*Uncertainty surrounding the Arrangement and the combined entity could adversely affect NEM's retention of strategic partners and key personnel and could negatively impact NEM's future business and operations.*

Because the Arrangement is dependent upon satisfaction of certain conditions, its completion is subject to uncertainty. In response to this uncertainty, NEM's strategic partners may delay or defer decisions concerning NEM or adversely affect the relationship going forward. Any delay or deferral of those decisions by strategic partners could have a material adverse effect on the business and operations of NEM, regardless of whether the Arrangement is ultimately completed. Similarly, current and prospective employees of NEM may experience uncertainty about their future roles with Molycorp until Molycorp's strategies with respect to NEM are announced and executed. This may adversely affect NEM's ability to attract or retain key management in the period until the Arrangement is completed.

*The Termination Fee provided under the Arrangement Agreement may discourage other parties from attempting to acquire NEM.*

Under the Arrangement Agreement, NEM would be required to pay a Termination Fee of C\$30 million in the event the Arrangement Agreement is terminated in certain circumstances. This Termination Fee may discourage other parties from attempting to acquire NEM, even if those parties would otherwise be willing to offer greater value to NEM Shareholders than that offered by Molycorp under the Arrangement.

*NEM and Molycorp will incur significant transaction-related costs in connection with the Arrangement*

Both NEM and Molycorp expect to incur non-recurring costs associated with negotiating and completing the Arrangement and subsequently combining the operations of the two companies, including facilities and systems

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

consolidation costs and employment-related costs as well as transaction costs relating to the Arrangement. Molycorp will also incur transaction fees and costs related to formulating and implementing integration plans.

*The pro forma financial statements are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the Arrangement*

The pro forma financial statements contained in this Circular are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the Arrangement for several reasons. For example, the pro forma financial statements have been derived from the historical financial statements of Molycorp and NEM and certain adjustments and assumptions have been made regarding the combined company after giving effect to the Arrangement. The information upon which these adjustments and assumptions have been made is preliminary, and these types of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by the combined company in connection with the Arrangement. For example, the impact of any incremental costs incurred in integrating Molycorp and NEM is not reflected in the pro forma financial statements. As a result, the actual financial condition and results of operations of the combined company following the Arrangement may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the Arrangement. Any potential decline in the combined company's financial condition or results of operations may cause a significant decrease in the stock price of the combined company.

*The issuance and future sale of Molycorp Shares could affect the market price*

The consummation of the Arrangement will result in the issuance of up to approximately 14 million additional Molycorp Shares and Exchangeable Shares in the aggregate, assuming there is no conversion of NEM Convertible Debentures prior to the Effective Date. The issuance of these shares, and the sale of Molycorp Shares in the public market from time to time, could depress the market price for Molycorp Shares.

## **NEM CONVERTIBLE DEBENTURES**

The NEM Indenture sets forth the mechanism for dealing with the NEM Convertible Debentures in the event of a change of control transaction such as the Arrangement. In the Arrangement Agreement, both Molycorp and Exchangeco have agreed to abide by the terms of the NEM Indenture in respect of the treatment of the holders NEM Convertible Debenture. Holders of NEM Convertible Debentures will receive a notice from NEM informing them of the Arrangement.

## **INFORMATION RELATING TO NEM**

### **General**

NEM was incorporated as Quesada Resources Limited under the *Business Corporations Act* (Alberta) on September 11, 1986, then changed its name to Advanced Material Resources Limited on January 5, 1993. On August 8, 1994, NEM was continued under the CBCA and on July 28, 1995, changed the location of its registered office to Toronto, Ontario. Articles of Amendment were issued on December 10, 1996 to consolidate the then issued and outstanding common shares of NEM. The name of NEM was changed from Advanced Material Resources Limited to AMR Technologies Inc. on June 10, 1998 and from AMR Technologies Inc. to Neo Material Technologies Inc. on April 21, 2006. NEM's head office and registered office are located at the Standard Life Centre, Suite 1740, 121 King Street West, Toronto, Ontario, M5H 3T9, telephone (416) 367-8588, fax (416) 367-5471.

NEM is a producer, processor and developer of neodymium-iron-boron magnetic powders, rare earths and zirconium based engineered materials and applications, and other rare metals and their compounds through its Magnequench and Performance Materials business divisions. These innovative products are essential in many of today's high technology products. Magnequench's Neo powders are used to produce bonded magnets, generally used

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

in micro motors, precision motors, sensors and other applications requiring high levels of magnetic strength, flexibility, small size and reduced weight. Rare earth and zirconium applications include catalytic converters, computers, television display panels, optical lenses, mobile phones and electronic chips. NEM's rare metals products are primarily used in the wireless, LED, flat panel, turbine, solar and catalyst industries.

### **Description of Capital Structure**

NEM's capital structure consists of an unlimited number of NEM Common Shares and an unlimited number of preferred shares issuable in series. The holders of the NEM Common Shares are entitled to dividends, if, as and when declared by the NEM Board, to one vote per share at meetings of the NEM Shareholders, and, upon liquidation, to receive such assets of NEM as are distributable to the holders of the NEM Common Shares. As at the date of this Circular, there are approximately 115.1 million NEM Common Shares outstanding. NEM has never declared nor paid any dividends on the NEM Common Shares. In the Arrangement Agreement, NEM has agreed not to declare dividends on the NEM Common Shares prior to the Effective Time. However, if the Arrangement is not completed, it is uncertain whether NEM will pay dividends in the future. No preferred shares are currently outstanding.

### **NEM Rights Plan**

NEM has established the NEM Rights Plan to ensure, to the extent possible, that all shareholders will be treated equally and fairly in connection with any take-over bid for NEM. The NEM Rights Plan is designed to prevent the use of coercive and/or abusive takeover techniques and to encourage a potential acquiror to negotiate directly with the NEM Board for the benefit of all shareholders. In addition, the NEM Rights Plan is intended to provide increased assurance that a potential acquiror would pay an appropriate control premium in connection with any acquisition of NEM.

The NEM Rights Plan is triggered when a person acquires beneficial ownership of 20% or more of the outstanding NEM Common Shares, other than under certain conditions. The purpose of the NEM Rights Plan is to provide the NEM Board with time to review any unsolicited take-over bid that may be made and to take action, if appropriate, to enhance shareholder value. The NEM Rights Plan is intended to protect shareholders by requiring all potential bidders to comply with the conditions specified in the NEM Rights Plan, failing which such bidders are subject to the dilutive features of the NEM Rights Plan. By creating the potential for substantial dilution of a bidder's position, the NEM Rights Plan encourages an offeror to proceed by way of the permitted bid mechanism set forth in the NEM Rights Plan or to approach the NEM Board with a view to a negotiation. Under the Arrangement, the NEM Rights Plan will be deemed to have been terminated (and all rights thereunder shall expire) at the Effective Time, at which time the NEM Rights Plan will no longer be necessary to protect the interests of NEM Shareholders.

### **Prior Sales**

The following table summarizes the issuance of NEM Common Shares within the 12 months prior to the date hereof.

<b>Date</b>	<b>Price per Security</b>	<b>Description of Transaction</b>	<b>Number of Securities</b>
March 16, 2012	C\$1.63	Exercise of NEM Options	25,000
December 9, 2011	C\$1.63	Exercise of NEM Options	25,000
December 8, 2011	C\$1.63	Exercise of NEM Options	8,334
December 5, 2011	C\$1.63	Exercise of NEM Options	33,334
November 23, 2011	C\$1.63	Exercise of NEM Options	25,000

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

Date	Price per Security	Description of Transaction	Number of Securities
November 21, 2011	C\$1.63	Exercise of NEM Options	16,666
November 17, 2011	C\$1.63	Exercise of NEM Options	25,000
June 16, 2011	C\$1.70	Exercise of NEM Options	5,000

### Documents Incorporated by Reference

The following documents listed below and filed by NEM with the Canadian securities regulatory authorities are specifically incorporated by reference into, and form an integral part of, this Circular:

- (a) the Annual Information Form of NEM dated March 30, 2012 for the year ended December 31, 2011 (the "NEM AIF");
- (b) the audited consolidated financial statements of NEM for the years ended December 31, 2011 and 2010 together with the auditors' report thereon and the notes thereto;
- (c) the management's discussion and analysis of results of operations and financial condition and results of operations of NEM for the fiscal year ended December 31, 2011;
- (d) the management information circular of NEM dated May 11, 2011 distributed in connection with the annual general meeting of shareholders held on June 13, 2011; and
- (e) the material change report of NEM dated March 12, 2012.

Copies of the NEM documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of NEM at 121 King Street West, Toronto, Ontario, M5H 3T9, (Telephone: (416) 367-8588). These documents are also available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com). For the purposes of the Province of Québec, this Circular contains information to be completed by consulting the permanent information records for NEM. A copy of the NEM permanent information record may be obtained without charge from the Corporate Secretary of NEM at the above mentioned address and telephone number.

Any documents of the types referred to above filed by NEM with the Canadian securities authorities after the date of this Circular and before the Meeting and any other documents required to be incorporated by reference pursuant to Item 11.2 of Form 44-101F1 – *Short Form Prospectus Offerings*, will be deemed to be incorporated by reference into this Circular.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Making such a modifying or superseding statement shall not be deemed to be an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, untrue statement of a material fact, nor an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.**

## MARKET PRICE AND TRADING VOLUME OF NEM SECURITIES

### Trading Price and Volume of NEM Common Shares and NEM Convertible Debentures

#### *NEM Common Shares*

The NEM Common Shares are listed and posted for trading on the TSX under the symbol "NEM". The following table sets forth, for the periods indicated, the high and low trading price and the aggregate trading volume of the NEM Common Shares on the TSX for the previous 12 months.

Month	High (C\$)	Low (C\$)	Volume (#)
<b>2012</b>			
April 1 - 27	11.43	10.81	15,363,691
March	11.32	7.64	60,605,421
February	8.94	8.23	10,878,759
January	8.65	7.37	8,127,972
<b>2011</b>			
December	8.41	6.89	10,738,930
November	8.80	7.07	10,811,801
October	8.14	5.46	17,845,684
September	9.07	6.03	18,253,087
August	9.60	7.01	20,843,721
July	9.60	8.45	7,836,433
June	10.08	7.62	19,356,086
May	10.27	8.16	20,188,846
April	10.67	9.36	13,952,840

The closing price of the NEM Shares on the TSX on March 8, 2012, the last trading day immediately before the announcement of the Arrangement, was C\$7.97. The closing price of the NEM Shares on the TSX on April 27, 2012 was C\$10.88.

#### *NEM Convertible Debentures*

The NEM Convertible Debentures are listed and posted for trading on the TSX under the symbol "NEM.DB.U". The following table sets forth, for the periods indicated, the high and low trading price and the aggregate trading volume of the NEM Convertible Debentures on the TSX since the commencement of trading of the NEM Convertible Debentures.

Month	High (C\$)	Low (C\$)	Volume (C\$)
<b>2012</b>			
April 1 - 27	105.50	103.50	537,470
March	105.00	94.60	1,009,880
February	98.50	96.50	124,740
January	97.00	91.25	93,080

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

Month	High (C\$)	Low (C\$)	Volume (C\$)
<b>2011</b>			
December	95.00	83.50	53,600
November	95.00	89.16	28,940
October	94.49	78.00	176,010
September	100.00	81.00	165,310
August	100.50	89.79	132,040
July	103.00	96.90	171,160
June 2 – 30	104.75	95.00	1,077,370

The closing price of the NEM Convertible Debentures on the TSX on March 8, 2012, the last trading day immediately before the announcement of the Arrangement, was C\$95.80. The closing price of the NEM Convertible Debentures on April 27, 2012 was C\$103.50.

### EFFECT OF THE ARRANGEMENT ON MARKETS AND LISTINGS

If the Arrangement is completed, the NEM Common Shares and the NEM Convertible Debentures will be de-listed from the TSX. NEM will apply to cease to be a reporting issuer (or the equivalent) in all jurisdictions in Canada in which it is a reporting issuer (or the equivalent) and, as a consequence, will terminate its reporting obligations in Canada.

Molycorp will apply to list the Molycorp Shares issuable by Molycorp under the Arrangement (including upon the exchange of the Exchangeable Shares) on the NYSE and the Exchangeable Shares issuable by Exchangeco under the Arrangement on the TSX. It is also a condition of closing that Molycorp shall have obtained approval for listing of the Molycorp Shares issuable to NEM Shareholders pursuant to the Arrangement (including those shares issuable upon exchange of the Exchangeable Shares) on the NYSE and conditional approval for listing of the Exchangeable Shares issuable to NEM Shareholders pursuant to the Arrangement on the TSX.

### RIGHTS OF DISSENTING NEM SHAREHOLDERS

The Interim Order expressly provides registered holders of NEM Common Shares with the right to dissent with respect to the Arrangement. As a result, any Dissenting NEM Shareholder is entitled to be paid the fair value (determined as of the Effective Time) of all, but not less than all, of the shares of the same class beneficially held by it in accordance with Section 190 of the CBCA, if the shareholder dissents with respect to the Arrangement and the Arrangement becomes effective. **It is a condition to completion of the Arrangement in favour of Molycorp and Exchangeco that there shall not have been delivered and not withdrawn notices of dissent with respect to the Arrangement in respect of more than 10% of the NEM Common Shares.**

The following is a summary of Section 190 of the CBCA and the requirements of the Interim Order relating to the rights of Dissenting NEM Shareholders. These provisions are technical and complex and registered holders of NEM Common Shares who wish to exercise Dissent Rights should consult a legal advisor.

Section 190 of the CBCA provides that a shareholder may only make a claim under that section with respect to all of the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a registered NEM Shareholder may only exercise the Dissent Rights under Section 190 of the CBCA (as modified by the Plan of Arrangement and the Interim Order) in respect of NEM Common Shares that are registered in that NEM Shareholder's name.

In many cases, NEM Common Shares beneficially owned by a holder (a "**Beneficial Holder**") are registered either (a) in the name of an intermediary ("**Intermediary**") that the Beneficial Holder deals with in

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

respect of such shares, such as, among others, banks, trust companies, securities brokers, trustees and other similar entities, or (b) in the name of a depository, such as CDS, of which the Intermediary is a participant. Accordingly, a Non-Registered Holder will not be entitled to exercise his or her Dissent Rights directly (unless the shares are re-registered in the Beneficial Holder's name). A Beneficial Holder who wishes to exercise Dissent Rights should immediately contact the Intermediary with whom the Beneficial Holder deals in respect of its NEM Common Shares and either (i) instruct the Intermediary to exercise the Dissent Rights on the Beneficial Holder's behalf (which, if the NEM Common Shares are registered in the name of CDS or any other clearing agency, may require that such NEM Common Shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register such NEM Common Shares in the name of the Beneficial Holder, in which case the Beneficial Holder would have to exercise the Dissent Rights directly.

The execution or exercise of a proxy does not constitute a written objection for purposes of the Dissent Rights.

The following summary does not purport to be comprehensive with respect to the procedures to be followed by a NEM Shareholder seeking to exercise Dissent Rights with respect to the Arrangement Resolutions as provided in the Interim Order and is qualified in its entirety by reference to the full text of the Interim Order, Article 4 of the Plan of Arrangement and Section 190 of the CBCA, which are set forth in Appendices E, F and I to this Circular, respectively.

The Interim Order and the CBCA require strict adherence to the procedures established therein and failure to adhere to such procedures may result in the loss of all Dissent Rights with respect to the Arrangement Resolution. Accordingly, each NEM Shareholder who desires to exercise rights of dissent should carefully consider and comply with the provisions of Section 190 of the CBCA (as modified by the Interim Order) and consult its legal advisors.

**Notwithstanding subsection 190(5) of the CBCA (pursuant to which a written objection may be provided at or prior to the Meeting), a Dissenting NEM Shareholder who seeks payment of the fair value of its NEM Common Shares is required to deliver a written objection to the Arrangement Resolution to NEM by 4:00 p.m. (Toronto time) on the second Business Day preceding the Meeting (or, if the Meeting is postponed or adjourned, the second Business Day preceding the date of the reconvened or postponed Meeting).** NEM's address for such purpose is Standard Life Centre, Suite 1740, 121 King Street West, Toronto, Ontario, M5H 3T9. A vote against the Arrangement Resolution or a withholding of votes does not constitute a written objection. Within 10 days after the Arrangement Resolution is approved by the NEM Shareholders, NEM must so notify the Dissenting NEM Shareholder (unless such shareholder voted for the Arrangement Resolution or has withdrawn its objection) who is then required, within 20 days after receipt of such notice (or, if such NEM Shareholder does not receive such notice, within 20 days after learning of the approval of the Arrangement Resolution), to send to NEM a written notice containing its name and address, the number and class of shares in respect of which the NEM Shareholder dissents and a demand for payment of the fair value of such shares and, within 30 days after sending such written notice, to send to NEM or its transfer agent the appropriate share certificate or certificates.

A Dissenting NEM Shareholder who fails to send to NEM, within the appropriate time frame, a written objection, demand for payment and certificates representing the NEM Common Shares in respect of which the NEM Shareholder dissents forfeits the right to make a claim under Section 190 of the CBCA as modified by the Interim Order. The transfer agent of NEM will endorse on the share certificates received from a Dissenting NEM Shareholder a notice that the holder is a Dissenting NEM Shareholder and will forthwith return the certificates to the Dissenting NEM Shareholder.

On sending a demand for payment to NEM, a Dissenting NEM Shareholder ceases to have any rights as a NEM Shareholder other than the right to be paid the fair value of such holder's NEM Common Shares, notwithstanding anything to the contrary contained in Section 190 of the CBCA, which fair value shall be determined as of the Effective Time, except where:

- (a) the Dissenting NEM Shareholder withdraws the demand for payment before NEM makes an offer to the Dissenting NEM Shareholder pursuant to the CBCA,

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*



- (b) NEM fails to make an offer as hereinafter described and the Dissenting NEM Shareholder withdraws the demand for payment, or
- (c) the proposal contemplated in the Arrangement Resolution does not proceed,

in which case the rights as a NEM Shareholder will be reinstated as of the date the Dissenting NEM Shareholder sent the demand for payment.

NEM Shareholders who duly exercise their Dissent Rights and who:

- (a) ultimately are determined to be entitled to be paid fair value for their NEM Common Shares, which fair value, notwithstanding anything to the contrary contained in Section 190 of the CBCA, shall be determined as of the Effective Time, shall be deemed to have transferred those NEM Common Shares as of the Effective Time at the fair value of the NEM Common Shares determined as of the Effective Time, without any further act or formality and free and clear of all liens and claims, to Exchangeco; or
- (b) ultimately are determined not to be entitled, for any reason, to be paid fair value for their NEM Common Shares, shall be deemed to have participated in the Arrangement on the same basis as a holder of NEM Common Shares who has not exercised Dissent Rights and shall be deemed to have elected to receive, and shall receive, the consideration provided in the Plan of Arrangement,

but, for greater certainty, in no case shall NEM, Exchangeco, Molycorp or the Depositary be required to recognize Dissenting NEM Shareholders as NEM Shareholders at and after the Effective Time, and the names of Dissenting NEM Shareholders shall be deleted from the register of NEM Shareholders as of the Effective Time.

If the Plan of Arrangement becomes effective, NEM will be required to send, not later than the seventh day after the later of (i) the Effective Date or (ii) the day the demand for payment is received, to each Dissenting NEM Shareholder whose demand for payment has been received, a written offer to pay for such Dissenting NEM Shareholder's shares such amount as the NEM Board considers fair value thereof accompanied by a statement showing how the fair value was determined.

NEM must pay for the NEM Common Shares of a Dissenting NEM Shareholder within ten days after an offer made as described above has been accepted by a Dissenting NEM Shareholder, but any such offer lapses if NEM does not receive an acceptance thereof within 30 days after such offer has been made.

If such offer is not made or accepted, NEM may, within 50 days after the Effective Date or within such further period as a court may allow, apply to the Court to fix the fair value of such shares. There is no obligation of NEM to apply to the Court. If NEM fails to make such an application, a Dissenting NEM Shareholder has the right to so apply within a further 20 days. A Dissenting NEM Shareholder is not required to give security for costs in such an application.

Upon an application to the Court, all Dissenting NEM Shareholders whose NEM Common Shares have not been purchased by NEM will be joined as parties and be bound by the decision of the Court, and NEM will be required to notify each Dissenting NEM Shareholder of the date, place and consequences of the application and of the right to appear and be heard in person or by counsel. Upon any such application to a court, the court may determine whether any person is a Dissenting NEM Shareholder who should be joined as a party, and the court will then fix a fair value for the shares of all Dissenting NEM Shareholders who have not accepted an offer to pay. The final order of the Court will be rendered against NEM in favour of each Dissenting NEM Shareholder and for the amount of the Dissenting NEM Shareholder's shares as fixed by the Court. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each such Dissenting NEM Shareholder from the Effective Date until the date of payment.

**Registered NEM Shareholders who are considering exercising Dissent Rights should be aware that there can be no assurance that the fair value of their NEM Common Shares as determined under the**

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

applicable provisions of the CBCA (as modified by the Plan of Arrangement and the Interim Order) will be more than or equal to the consideration offered under the Arrangement. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting NEM Shareholder of consideration for such shareholder's NEM Common Shares.

Under the CBCA, the Court may make any order in respect of the Arrangement it thinks fit, including a Final Order that amends the Dissent Rights as provided for in the Plan of Arrangement and the Interim Order. In any case, it is not anticipated that additional NEM Shareholder approval would be sought for any such variation.

The foregoing summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting NEM Shareholder who seeks payment of fair value of the Dissenting NEM Shareholder's NEM Common Shares. Section 190 of the CBCA (as modified by the Plan of Arrangement and the Interim Order) requires strict adherence to the procedures established therein and failure to do so may result in a loss of a Dissenting NEM Shareholder's Dissent Rights. Accordingly, each Dissenting NEM Shareholder who desires to exercise Dissent Rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix I to this Circular, as modified by the Plan of Arrangement and the Interim Order, or should consult with such Dissenting NEM Shareholder's legal advisor.

## LEGAL MATTERS

Legal matters in relation to the Arrangement will be reviewed and passed upon by Fogler, Rubinoff LLP on behalf of NEM and by McCarthy Tétrault LLP on behalf of Molycorp. As at the date of this Circular, partners and associates of Fogler, Rubinoff LLP own beneficially, directly or indirectly, less than 1% of the outstanding securities of NEM, Molycorp and their respective associates and affiliates. As at the date of this Circular, partners and associates of McCarthy Tétrault LLP own beneficially, directly or indirectly, less than 1% of the outstanding securities of NEM, Molycorp and their respective associates and affiliates. U.S. legal matters in relation to the Arrangement will be reviewed and passed upon by McDonald Hopkins LLC on behalf of NEM and by Jones Day on behalf of Molycorp.

## ANNUAL BUSINESS OF THE MEETING

### Matters to be Acted Upon

#### 1. Re-Appointment of Auditors

The management of NEM recommends the re-appointment of KPMG LLP Chartered Accountants, as auditors of NEM. KPMG LLP have been the auditors for NEM since July 11, 2006. Unless such authority is withheld, the NEM Shares represented by the accompanying form of proxy will be voted in favour of the re-appointment of KPMG LLP Chartered Accountants as auditors of NEM to hold office until the next annual meeting of shareholders and authorizing the directors of NEM to fix their remuneration.

In order to be approved, this resolution requires the approval of a simple majority of the votes cast at the Meeting in person or by proxy.

**In the absence of instructions to the contrary, the NEM Shares represented by a properly executed form of proxy in favour of the persons designated by management of NEM will be voted FOR the re-appointment of KPMG LLP Chartered Accountants as auditors of NEM.**

#### 2. Election of Directors

At the Meeting, it is proposed that eight persons be elected as directors of NEM to hold office until the earlier of when the Arrangement becomes effective, or the next annual meeting of NEM Shareholders. In the event the Arrangement is completed, it is intended that each of the directors of NEM will resign in connection with the closing of the Arrangement to be replaced with nominees of Molycorp.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

Each of the directors will be elected on an individual basis.

**In the absence of instructions to the contrary, the NEM Common Shares represented by a properly executed form of proxy in favour of the persons designated by management of NEM will be voted FOR the election as directors of the nominees whose names are set forth below.**

The following information is submitted with respect to the nominees for directors:

Name and Municipality of Residence and Date First Become a Director	Principal Occupations within the last five years	NEM Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(1)</sup> at the date of this Circular	Percentage of Total Outstanding NEM Common Shares at the date of this Circular
GARY E. GERMAN <sup>(4)</sup> Toronto, Ontario, Canada December 1, 2009	Self-employed advisor to international resources companies since July 2001; and Chairman of Jaguar Mining Inc (TSX-NYSE) since 2003; also President, Old Saw Mill (OSM) Investments Inc. since January 2008.	74,577	0.07%
HO SOO CHING Singapore December 2, 1997	Retired Executive since January 2012. Previously, he was Chief Executive Officer of Manhattan Resources Limited, a Singapore listed company since September 2006.	130,000	0.11%
JAMES J. JACKSON <sup>(2)(3)</sup> Pinehurst, North Carolina USA November 9, 2005	Vice-Chairman since August 5, 2009. Previously, Chairman since April 28, 2008. Retired executive since November 2005. Director, Lead Independent Director and Audit Committee Chairman of Duluth Metals Limited since March 2007.	25,000	0.02%
CONSTANTINE E. KARAYANNOPOULOS Toronto, Ontario, Canada August 31, 2005	President and Chief Executive Officer since August 31, 2005.	193,774	0.17 %
CLAIRE M.C. KENNEDY <sup>(2)(3)</sup> Toronto, Ontario, Canada February 1, 2010	Tax Partner in the Toronto office of Bennett Jones LLP since 2009. Previously, a Partner at Davies, Ward, Phillips & Vineberg LLP since 1999.	Nil	Nil
WILLIAM E. MACFARLANE <sup>(2)(4)</sup> Midland, Ontario, Canada July 16, 2005	Retired Executive since 2003.	Nil	Nil
PETER E. O'CONNOR <sup>(3)</sup> London, United Kingdom December 22, 1993	Chairman since August 5, 2009; Deputy Chairman, FundQuest UK Limited (formerly IMS Manager Selection Ltd.) from 1998 – 2008; Chairman, Advance Developing Markets Fund plc since 1997 and Chairman of Peter O'Connor & Associates since 1991.	305,000 <sup>(5)</sup>	0.27%
JOHN E. PEARSON <sup>(4)</sup> Ann Arbor, Michigan, USA August 31, 2005	President and CEO of Ervin Industries since 1988.	5,000	0.004%

Notes:

- (1) The information as to NEM Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of NEM, has been furnished by the respective parties.
- (2) Member of the Audit Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Member of the Compensation Committee.
- (5) 5,000 Shares are owned by Mr. O'Connor directly. 300,000 NEM Common Shares are owned by Avonmore Holdings Group Limited, the shares of which are held by the trustee of two family trusts of equal interests (which includes the previous holdings of Emerson Holdings Guernsey, UK), which were set up by Peter O'Connor and his spouse.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

- (6) As at the date hereof, the directors and executive officers of NEM as a group owned beneficially, directly or indirectly, controlled or exercised direction over, 1,025,925 NEM Common Shares representing approximately 0.89% of the outstanding NEM Common Shares.

The following are brief profiles of the directors of NEM, including a brief description of each individual's principal occupation within the past five years.

*Gary E. German — Director*

Gary German, a resident of Canada, joined the NEM Board on December 1, 2009. He was previously Chairman of Recapture Metals Limited, which NEM acquired on August 31, 2009. Mr. German is a professional engineer with over forty years of senior executive experience in the building of companies, projects, operating teams, and financing of global resource(s) developments. His career was formed in the Noranda Group, culminating as Senior Vice President, followed by 20 years of executive and board positions on international resource companies and not-for-profit organizations. He holds a Bachelor of Applied Science degree in Industrial Engineering from the University of Toronto and a post-graduate diploma from the University of Western Ontario in International Management.

*Ho Soo Ching — Director*

Ho Soo Ching is a resident of Singapore and has been a member of the NEM Board since December 1997. He has worked in the finance, infrastructure and other business sectors in Asia. He is a retired executive since January 2012 and was previously the Chief Executive Officer of Manhattan Resources Limited, a Singapore listed company which provides support and logistic services to the Indonesian mining sector.

*Constantine E. Karayannopoulos — Director, President and Chief Executive Officer*

Constantine Karayannopoulos, a Professional Engineer, is a resident of Canada and has been the President and Chief Executive Officer of NEM since August 31, 2005. Prior thereto, Mr. Karayannopoulos was the Executive Vice President and Chief Operating Officer. Prior to that, he was Vice President and General Manager of the rare earths business unit and Vice-President, Sales of NEM. Before joining NEM as Manager, Business Development in May 1994, he was managing Praxair Canada Inc.'s new business acquisition efforts in Eastern Canada, as well as their commercial development activities in the Chemical, Petrochemical and Refining industries across Canada. From 1986 to 1994 he was in the Linde Division of Union Carbide Canada (now, Praxair Canada Inc.) as a Market Development Specialist, assuming successively more senior roles. Mr. Karayannopoulos is a director of the Canada China Business Council, a member of the Advisory Board at the University of Toronto's Department of Chemical Engineering and Applied Chemistry and a director of Lithium Americas Corp. He holds Bachelor and Master of Applied Science degrees in Chemical Engineering from the University of Toronto.

*James J. (J.J.) Jackson – Director*

James J. Jackson was appointed Vice-Chairman of the NEM Board and Chairman of NEM's Audit Committee on August 5, 2009. He is a resident of the USA and joined the NEM Board on November 9, 2005, serving as its Chairman from April 28, 2008 until August 5, 2009. Mr. Jackson was previously Senior Vice President and Chief Financial Officer of MobiFon S.A., a leading cellular telephone provider in Romania and a wholly-owned subsidiary of Vodafone Group plc. On May 31, 2005, Vodafone Group plc purchased MobiFon from Telesystem Wireless International Inc. As an employee of Telesystem Wireless International Inc., Mr. Jackson served in numerous senior financial roles from 1997 onwards, including since July 2004 as Senior Vice President Corporate Affairs while he continued to act as MobiFon's Senior Vice President and Chief Financial Officer. From 1995 to 1997, Mr. Jackson was Vice Chairman, Finance, for Quadrant Amroq Bottling Co. Ltd., a venture capital firm holding the franchise for Pepsi-Cola in Romania. Prior to that, he worked for fifteen years at Alcan Aluminium Ltd. Mr. Jackson is a member of the Supervisory Council of Bite Lietuva, a mobile telephone company based in Lithuania, serving Lithuania and Latvia. He is also a board member, chair of the audit committee and lead independent director of Duluth Metals Limited. Mr. Jackson is a member of the Institute of Chartered Accountants of Ontario, a registered Certified Public Accountant in the United States and a certified director as a graduate of the

Institute of Corporate Directors. Mr. Jackson is also a director of Miocene Metals Limited (a mineral exploration company).

*Claire M.C. Kennedy – Director*

Claire Kennedy, a resident of Canada, joined the NEM Board on February 1, 2010 and was appointed to the Audit Committee on February 11, 2011. She is a tax partner in the Toronto office of Bennett Jones LLP, representing domestic and international clients and providing tax advice regarding acquisitions, financings, reorganizations, restructurings and the establishment of private equity and debt funds. Ms. Kennedy is also a Professional Engineer and holds a Bachelor of Laws degree from Queen's University and a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto. In addition to her practice, Claire is a member of the Dean's Council at Queen's Law and has been extensively involved at University of Toronto's Faculty of Engineering as a member of the Dean's Strategic Development Council and Campaign Cabinet Executive, member and past Chair of the Advisory Board at the Department of Chemical Engineering & Applied Chemistry, immediate past President of the Engineering Alumni Association and founder and Chair of its Biz Skule™ committee. She received her ICD.D designation from the Institute of Corporate Directors and she has completed the Making Corporate Boards More Effective program at Harvard Business School and the Financial Literacy Program for Directors and Executives at Rotman.

*William E. Macfarlane — Director*

Mr. Macfarlane, a resident of Canada, and a retired executive since 2003, was previously Chairman of the Electrical Carbon Division of The Morgan Crucible Company plc in 1998, at its head office in Windsor, United Kingdom. During this period, he also served on the board of directors of the Morgan Group until his retirement in 2003. In 1999, he was appointed to Chairman, Carbon Division, responsible for the businesses of the Magnetics, Engineered and Electrical Carbon Groups, which represented approximately 54% of the Group's £1 billion turnover. During his 22 years with the Morgan Group, Mr. Macfarlane held positions of President and Chief Executive Officer of Canadian Operations and President of Electrical Carbon North and South American Operations. Mr. Macfarlane has over 35 years of operations and engineering experience with 28 years of senior management positions as well as extensive international experience while overseeing the 57 Morgan manufacturing operations located in 29 countries throughout the world.

*Peter E. O'Connor — Director*

Peter O'Connor was appointed Chairman of the NEM Board on August 5, 2009. He is a resident of the U.K. and has been a member of the NEM Board since December 1993. He brings a far-ranging understanding of developed and developing markets from his long career in international investment management. He was Deputy Chairman of FundQuest UK Limited (formerly IMS Manager Selection Limited); a leading research and multi-manager group based in London from 1998 to 2008. Mr. O'Connor is Chairman of Advance Developing Markets Fund plc and a director of a number of other investment funds focused in the Asia Pacific region.

*John E. Pearson — Director*

John Pearson, a resident of the USA, joined the NEM Board on August 31, 2005. Mr. Pearson graduated from the University of Arizona in 1973 with a Bachelor of Science degree in Business Administration. Following graduation, he began working for Ervin Industries in international and USA positions. He became President and CEO in 1988.

***Corporate Cease Trade Orders, Penalties and Bankruptcies***

To the best of NEM's knowledge, no existing or proposed director is, or within the 10 years prior to the date hereof has been, a director or chief executive officer or chief financial officer of any company that, while that person was acting in that capacity,

- (a) was subject to an order that was issued while the proposed director was acting in the capacity of director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

### ***Bankruptcies***

To NEM's knowledge, no existing or proposed director of NEM is or has been, within the 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To NEM's knowledge, no existing or proposed director of NEM has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

### ***Conflicts of Interest***

The directors are required by law to act honestly and in good faith with a view to the best interests of NEM and to disclose any interests that they may have in any project or opportunity of NEM. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of NEM's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among NEM, its promoters, directors and officers or other members of management of NEM or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to NEM and their duties as a director or officer of such other companies.

## **STATEMENT OF EXECUTIVE COMPENSATION**

Securities laws require that a "Statement of Executive Compensation" in accordance with Form 51-102F6 be included in this Circular. Form 51-102F6 prescribes the disclosure requirements in respect of the compensation of executive officers and directors of reporting issuers. Form 51-102F6 provides that compensation disclosure must be provided for the Chief Executive Officer and the Chief Financial Officer of an issuer and each of the issuer's three mostly highly compensated executive officers whose total compensation exceeds Cdn\$150,000. Based on these requirements, the executive officers of NEM for whom disclosure is required under Form 51-102F6 are Mr. Constantine Karayannopoulos (Chief Executive Officer and President), Mr. Michael Doolan (Chief Financial Officer), Mr. Geoffrey Bedford, Ms. Shannon Song and Mr. Jeffrey Hogan who are collectively referred to as the "**Named Executive Officers**".

### ***Compensation Discussion and Analysis***

#### ***Compensation Philosophy and Objectives***

The compensation philosophy of NEM is to provide market competitive pay to employees and reward them for their contribution to the operating and financial performance of NEM and the success in implementing NEM's short-term and long-term strategies.

The objectives of the compensation program are: (i) to attract and retain individuals critical to the success of NEM; (ii) to reward performance of individuals by recognizing their contribution to NEM; (iii) to align the

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalaresholder.com](mailto:contactus@kingsdalaresholder.com)*

interests of the Named Executive Officers and the broader management group with shareholder interests and the execution of NEM's strategic plan; and (iv) to compensate individuals based on their performance and, to the extent applicable, on similar compensation for companies at a comparable stage of development.

The Compensation Committee of the NEM Board has not specifically considered the implications of the risks associated with its compensation policies and practices. There are a number of practices in place to mitigate risk as it relates to compensation, including:

- a balanced compensation of fixed and variable pay (being both short term and long term incentives);
- the NEM Board having final approval for executive and senior management short term and long term incentive payments;
- long term incentive grants take place outside of blackout periods;
- NEM Options and SARs have a maximum term of five years and new grants have a three year vesting period;
- Performance Units granted under the LTIP have a life cycle of three years, and are forfeited if an employee leaves NEM;
- severance payments have a limit of twice base salary and bonus;
- NEM has normally scheduled blackout periods relating to the release of its financial information and controls through its third party stock option service provider the periods during which employees can exercise stock options.

#### *Compensation Committee*

The members of the Compensation Committee of the NEM Board are John E. Pearson (Chairman), Gary E. German and William E. Macfarlane. None of the committee members is an officer, employee or former officer or employee of NEM. The Compensation Committee is responsible for: (i) reviewing and approving the compensation of the Chief Executive Officer; (ii) recommending to the NEM Board other executive compensation, incentive-based plans and equity-based plans; (iii) approving and monitoring trading by insiders and share ownership policies; and (iv) reviewing compensation disclosure in public documents.

Each member of the Compensation Committee has experience in compensation practices of companies with operations globally. Mr. Pearson has been responsible for the executive compensation programs of his employer and its subsidiaries with operations in the U.S., U.K. and Germany for more than 20 years. Mr. German has been a chair or director member of compensation committees for five public companies over the past 10 years. Mr. Macfarlane, as chair or co-chair of several public and private companies under the Morgan Group of companies worldwide, was responsible for establishing both the short and long-term incentives for senior management and establishing the appropriate compensation levels in concert with the social-economic and locally legislated social policies with respect to social costs, pensions and health benefits.

The Charter of the Compensation Committee states that outside advisors may be retained by the Compensation Committee. During 2011, the Compensation Committee engaged Roger Gurr & Associates for a review of executive and director compensation at a cost of C\$45,300. Roger Gurr & Associates mandate was to: (i) develop a justifiable compensation strategy in terms of base salary, bonus and equity based compensation; (ii) review the current compensation levels in the marketplace of the Named Executive Officers; (iii) develop compensation proposals for each of the Named Executive Officers that recognize job impact, performance and the needs of NEM; (iv) prepare compensation proposals for the non-executive members of the NEM Board. Roger Gurr & Associates interviewed four of the five Named Executive Officers, each member of the Compensation Committee and the Chairman and Vice-Chairman of the NEM Board.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

NEM, working with the compensation consultant, identified 15 North American companies for its comparator group. The main criteria for this selection was that companies needed to be less than twice and more than 0.5 times the size of NEM in terms of annual revenues and market capitalization. However, given the uniqueness of the comparator group, it was necessary to select some companies outside this range. For the purposes of this determination, projected annual revenues for 2011 and market capitalization of C\$500 million and C\$1 billion, respectively, were used for NEM. The comparator group includes:

- Amcol International Corp
- Ceradyne Inc
- HB Fuller Inc.
- Kemet Corp
- OM Group Inc
- AXT Inc
- Globe Specialty Metals Inc
- Hexcel Corp
- Materion Corporation
- RTI International Inc
- Carpenter Technology Corp
- Haynes International Inc
- Ii Vi Inc
- Minerals Technologies Inc
- 5N Plus Inc

Among the comparator group, NEM is close to median (P50) in market capitalization and midway between P50 and P25 in projected 2011 annual revenues.

In addition to receiving input from outside compensation advisors, the Compensation Committee involves the Chief Executive Officer and other senior management in the compensation review process. The Chief Executive Officer may be invited to attend meetings of the Compensation Committee to provide input on recommended levels of compensation for not only the Named Executive Officers but a broader management group. The Chief Executive Officer, however, is not a member of the Compensation Committee and is not entitled to vote on matters before the Compensation Committee. Other senior management may be asked by the Compensation Committee to prepare compensation information (such as current and historical compensation data). While the Compensation Committee delegates to the Chief Executive Officer decisions on compensation levels for the other Named Executive Officers, it ensures that total compensation paid to all Named Executive Officers is fair, reasonable and consistent with the compensation philosophy of NEM.

Following a review of the findings by the compensation consultants, the Compensation Committee made a recommendation to the NEM Board, which was adopted: (i) to increase the target bonus for Mr. Karayannopoulos to 120% of base salary; (ii) to increase the target bonus of the other four Named Executive Officers to 100% of base salary; (iii) to increase base salary of Mr. Karayannopoulos to C\$625,000; and (iv) to accept the recommendations of Mr. Karayannopoulos on base salary of the other four Named Executive Officers. While the recommendation of the compensation consultant was to increase the base salary for Mr. Karayannopoulos towards the midpoint, being C\$700,000, Mr. Karayannopoulos asked the Compensation Committee to limit his base salary increase to an amount that was between the minimum and midpoint recommendation of the compensation consultant.

The Compensation Committee makes recommendations to the NEM Board with respect to fixed compensation for the Named Executive Officers and performance based compensation for the Named Executive Officers and a broader management group, described below.

### ***Total Compensation***

Total compensation for Named Executive Officers is based on the following components: (i) fixed compensation, which includes base salary and benefits; (ii) performance based compensation, which includes annual and long-term incentives; and (iii) other compensation.



### *Fixed Compensation*

Fixed Compensation includes:

#### 1. Base Salary

Base salary is determined through formal job evaluation, salary survey data and market comparators. Positions within NEM are categorized in 14 different job grades and the Named Executive Officers are categorized into the first three grades. Salary ranges are reviewed annually. Base salaries for all employees are typically increased on an annual basis by a cost of living factor specific to the country in which they are paid, such factors being sourced from publicly available salary survey data.

#### 2. Benefits

Each of the Named Executive Officers is enrolled in a benefits plan offering medical, dental, life and long-term disability benefits. All of the Named Executive Officers participate in a company-paid defined contribution retirement savings program.

### *Performance Based Compensation*

Performance based compensation includes annual and long-term incentives.

#### 1. Annual Incentives

The annual incentive for a Named Executive Officer is calculated by multiplying base salary by a target incentive percentage ranging from 100% - 120% of base salary. The target incentive percentage for all Named Executive Officers was increased in 2011 to its current levels. The Chief Executive Officer's annual incentive is approved by the Compensation Committee and is dependent upon corporate and individual performance, measured against the strategic plan approved by the NEM Board. The annual incentive pay for other Named Executive Officers is recommended to the Compensation Committee by the Chief Executive Officer and is dependent upon corporate, divisional and individual performance and measured against the strategic plan. In 2011, due to the exceptional financial performance of NEM, the Compensation Committee was in agreement to pay the Named Executive Officers an annual incentive that was twice their target incentive. With the agreement of his three Executive Vice Presidents, Mr. Karayannopoulos asked the Compensation Committee to reduce their annual incentive, and his, by an aggregate amount of approximately US\$215,000 to be distributed as an additional annual incentive to certain other employees who on the recommendation of their managers had made a significant contribution to NEM during 2011.

#### 2. Long-Term Incentives

##### 2.1. Stock Option Plan

The NEM Stock Option Plan was adopted to provide NEM with a share ownership incentive program to attract, retain and motivate qualified directors, officers, full-time employees and consultants of NEM and its subsidiaries and affiliates (collectively, "**Service Providers**"), to reward those Service Providers for their contributions toward the long term goals of NEM and enable and encourage such Service Providers to acquire NEM Common Shares as long term investments.

The NEM Stock Option Plan is administered by the NEM Board, and at its option, the Compensation Committee. Subject to the provisions of the NEM Stock Option Plan, the NEM Board is authorized in its sole discretion to make decisions regarding the administration of the NEM Stock Option Plan.

The total number of NEM Common Shares under option cannot exceed 8,563,685 NEM Common Shares (representing 7.4% of the current number of issued and outstanding NEM Common Shares). As at December 31, 2011:

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

1. options to purchase an aggregate of 3,447,439 NEM Common Shares are outstanding (representing 3.0% of the current number of issued and outstanding NEM Common Shares);
2. an aggregate of 2,157,997 NEM Common Shares remain reserved and available for the grant of options under the NEM Stock Option Plan (representing 1.9% of the current number of issued and outstanding NEM Common Shares);
3. an aggregate of 2,958,249 (408,934 since January 1, 2011) NEM Common Shares have been issued upon the exercise of NEM Options.

As of the date of this Circular,

1. options to purchase an aggregate of 3,422,439 NEM Common Shares are outstanding (representing 3.0% of the current number of issued and outstanding NEM Common Shares);
2. an aggregate of 2,157,997 NEM Common Shares remain reserved and available for the grant of options under the NEM Stock Option Plan (representing 1.9% of the current number of issued and outstanding NEM Common Shares);
3. an aggregate of 2,983,249 (433,934 since January 1, 2011) NEM Common Shares have been issued upon the exercise of options.

The NEM Stock Option Plan has the following principal terms:

#### *Grant of NEM Options*

Subject to the terms of the NEM Stock Option Plan and after reviewing any recommendations from the Compensation Committee, the NEM Board selects the Service Providers to whom options will be granted, the number of NEM Common Shares to be optioned to each of them, the date or dates on which such options will be granted and the terms and conditions attaching to such options. The aggregate number of NEM Common Shares reserved for issuance pursuant to all options granted to any one optionee shall not exceed 5% of the number of NEM Common Shares outstanding on a non-diluted basis at the time of such grant. In addition, the issuance of NEM Common Shares on the exercise of options to insiders (as such term is defined by the *Securities Act* (Ontario)) pursuant to the NEM Stock Option Plan and all other share compensation plans, within any one-year period shall not exceed 10% of the issued and outstanding shares; and the number of NEM Common Shares issuable on exercise of NEM Options held by insiders, at any time, pursuant to the NEM Stock Option Plan and all other share compensation plans, shall not exceed 10% of the issued and outstanding shares.

#### *Exercise Price*

The NEM Board shall fix the exercise price of an option which may not be lower than the closing price on the TSX of the NEM Common Shares on the day prior to the date of the grant of such options.

#### *Term and Vesting Period of Options*

In April 2009, the NEM Board modified the NEM Stock Option Plan such that the maximum term of a NEM Option would not exceed five years from the date such option was granted. The terms of NEM Options granted prior to April 2009 are exercisable for periods of five to ten years from the date the option was granted. Subject to the terms of the NEM Stock Option Plan, the NEM Board shall specify at the time of grant of options, the vesting period which is the maximum number of NEM Common Shares that may be exercisable by such optionee in each year or other period during the term of the options. Vesting periods specified at the time of the grant are typically three years.

### *Lapse of Options*

In the event of the discharge of an optionee from NEM or a subsidiary for a wilful and substantial breach of such optionee's duties, all options granted to such optionee under the NEM Stock Option Plan shall immediately cease and terminate. In the event of the resignation or termination of an optionee (other than for a wilful and substantial breach of such optionee's duties), such optionee may exercise each option then held by such optionee to the extent that such optionee was entitled to do so at the time of such resignation for a period of 90 days following the effective date of such resignation (or such later day as the NEM Board in its sole discretion may determine) or the expiry date of such options, whichever is earlier. In the event of the death of an optionee while a Service Provider, all options held by such optionee at the time of death which were exercisable at the time of death may be exercised by the optionee's legal representatives at any time until first anniversary of the date of death. In the event of a take-over, arrangement (such as a merger, amalgamation or other similar form of business combination transaction), change in control or the sale of substantially all of the assets of NEM, options may be exercised within certain fixed time limits.

### *Adjustments*

Appropriate adjustments in the number of NEM Common Shares and in the exercise price of the options, shall be made to give effect to adjustments in the number of NEM Common Shares resulting from any subdivisions, consolidations or reclassifications of the NEM Common Shares, the payment of stock dividends by NEM or other relevant changes in the capital structure of NEM.

### *Non-Assignability of NEM Options*

Each NEM Option granted under the NEM Stock Option Plan is non-assignable by the Optionee.

### *Amendments to NEM Stock Option Plan*

The Board may amend, vary or discontinue the NEM Stock Option Plan at any time subject to certain regulatory restrictions. Any such amendment, variance or discontinuance of the NEM Stock Option Plan is subject to the approval thereof by any stock exchanges on which the NEM Common Shares are listed and posted for trading. In addition, certain types of amendments such as, increases in the number of NEM Common Shares issuable under the NEM Stock Option Plan, reductions in the exercise price of outstanding options held by insiders (except in certain cases), extensions of the term of an option held by an insider (except in limited circumstances), and increases in the limit on the number of securities issued or issuable to insiders pursuant to equity compensation plans, also require shareholder approval.

The NEM Stock Option Plan was amended by the NEM Board in November 2010 to address: (i) new tax withholding/remittance requirements beginning on January 1, 2011; (ii) the administration of the option plan by any service provider retained by NEM and; (iii) the removal of the 90 day restriction on the cashless exercise in the absence of a service provider for administration of the option plan.

### *Cashless Exercise Feature*

The cashless exercise feature previously entitled a beneficiary who was not a resident of Canada or the U.S. ("non-resident beneficiary") to receive a cash settlement instead of NEM Common Shares upon the exercise of a NEM Option. This feature was only available in the event the non-resident beneficiary chose to exercise his/her NEM Option no earlier than 90 days prior to the expiry date. On March 7, 2011, the cashless exercise feature was no longer available due to the engagement of a service provider that gives NEM Optionholders the ability to exercise their NEM Options through a secure online portal.

## 2.2. LTIP

The purpose of the LTIP is to align a portion of each participant's compensation with the longer-term performance objectives that support the interests of NEM Shareholders and other stakeholders. These

performance objectives play a key role in NEM's strategy for growth and sustainability. Participants in this plan include all officers, directors, employees, contractors, suppliers and consultants of NEM and its affiliates, who are in the opinion of the NEM Board able to make contributions to the growth, management, protection and success of NEM and its affiliates. Under the LTIP, participants are eligible to receive a grant of SARs and/or Performance Units. Grants are made once a year.

### 2.2.1. Performance Units

Since 2006, the Compensation Committee has approved grants of performance units once a year to the Named Executive Officers and a broader management group. The participant receives a provisional grant of performance units which is calculated by multiplying the Canadian dollar equivalent base salary by a long term incentive percentage (ranging from 10 – 45%) divided by the closing price of the NEM Common Shares on the day before the grant date. Vesting of the grant is subject to the attainment of specific business performance objectives set by the Compensation Committee at the time of the grant. Throughout the three year term of the grant, the NEM Board has the discretion to determine the effect to certain extraordinary events and non-recurring transactions or events.

At the end of the grant term, actual results are compared against the performance objectives and participant unit totals are adjusted based on this assessment. The resulting total vested units are then paid out based on the value of the units on the vesting date of a NEM Common Share. Participants receive a cash payment, less statutory withholdings, for their total settlement value.

The initial grant of units occurred in 2006. In subsequent years, participants received annual grants of units that were based on the closing price for the NEM Common Shares on the TSX for the trading day prior to the grant date. The specific business performance objective for these grants was return on capital employed ("ROCE") in two categories – Corporate and Divisional.

The Compensation Committee established objectives for threshold, target and superior performance levels, the achievement of which will adjust payment amounts as follows:

<b>Performance Level</b>	<b>Unit Total Adjustment</b>
Below threshold	= zero units vest, no payment is made
At threshold	= 50% of units vest for payment
At target	= 100% of units vest for payment
At or above superior	= 125% of units vest for payment

The Compensation Committee establishes performance criteria that cover a full range of performance outcomes including the potential for a zero payout. There are no pre-established weightings applied to these measures nor are there formulaic calculations used to create the performance achievement for the plan. The Compensation Committee uses its judgement and discretion to assess overall performance in light of the stated criteria and business circumstances surrounding the performance achieved.

If the actual performance achievement is determined by the Compensation Committee to align at a point between threshold and target or between target and superior, the Compensation Committee will determine the number of units that vest on a pro rata basis.

The Named Executive Officers received provisional grants in the aggregate of 66,345 Performance Units representing 41% of the total Performance Units granted in 2011.

Performance Units granted in 2009 vested fully in 2011. ROCE targets for the 2009 grant were set at 10%, 45% and 22% for the Performance Materials Division, Magnequench Division and Corporate, respectively. ROCE, averaged over the previous three years that included 2011 was 59%, 77% and 59% for the Performance Materials Division, Magnequench Division and Corporate, respectively. As a result, the corresponding payouts as a percentage of target for the Performance Materials Division, Magnequench

Division and Corporate were all 125%. The volume weighted closing price of NEM Common Shares for the 10 days prior to December 15, 2011 was calculated to be C\$7.72 (compared to C\$7.37 in 2010 and C\$4.40 in 2009). The aggregate payout in respect of the performance unit grants made in 2009 which fully vested in 2011 was C\$7.6 million (compared to C\$1.92 million in 2010 and C\$1.12 million in 2009). Cash payouts for the Named Executive Officers were made in March 2012 and represented 51% of the aggregate payout.

### 2.2.2. SARs

SARs are stock appreciation rights granted in tandem with NEM Options granted under the NEM Stock Option Plan. SARs may also be granted on a stand-alone basis. The Compensation Committee will make the determination as to the number and terms of SARs granted to eligible participants. In the case of SARs paired with NEM Options, the exercise of a SAR will result in the cancellation of the corresponding NEM Option, and vice versa. SARs are exercisable for cash, which NEM is obligated to pay the holders on demand. The provisions applicable to the vesting, base price of SARs, effect of termination of employment and death are substantially similar to those contained in the NEM Stock Option Plan.

The participant receives a grant of SARs which is calculated by multiplying base salary by a long term incentive percentage (ranging from 30 – 45%) divided by the Black-Scholes value of the closing price of the NEM Common Shares on the day before the grant date.

Four of the five Named Executive Officers were granted an aggregate of 125,445 SARs which represented 100% of the total SARs granted in 2011.

For the purposes of calculating annual and long-term incentives, multiples of base salary were initially established in 2006 for the Named Executive Officers based on report on a salary and incentive compensation recommendations prepared by the Hay Group (the external compensation consultant engaged by NEM in 2006). The target incentive percentages were increased in 2011 to the targets set out below:

	<b>Target Incentive Percentage</b>	<b>Long Term Incentive Percentage</b>
Constantine E. Karayannopoulos	120%	45%
Geoffrey R. Bedford	100%	35%
Michael F. Doolan	100%	35%
Shannon Y. Song	100%	35%
Jeffrey R. Hogan	100%	30%

In addition to the annual grants of SARs to four of the five Named Executive Officers using a formula described above, the Compensation Committee considers the recommendations of the Chairman and/or the Chief Executive Officer in respect of any other NEM Options to be granted under the NEM Stock Option Plan. The Compensation Committee also considers the number of NEM Options previously granted to an individual and his or her contribution to NEM when making recommendations to the NEM Board for further grants. In 2011, an aggregate of 1,125,000 NEM Options were granted to certain employees of NEM in the executive and senior management job grades, 49% of which were granted to the Named Executive Officers. The aggregate number of NEM Options (including the option component of a SAR) granted to the Named Executive Officers in 2011 was 675,445 representing 54% of all NEM Options (including the option component of a SAR) granted in 2011.

### *Other Compensation*

Each of the Named Executive Officers has the use of an automobile.

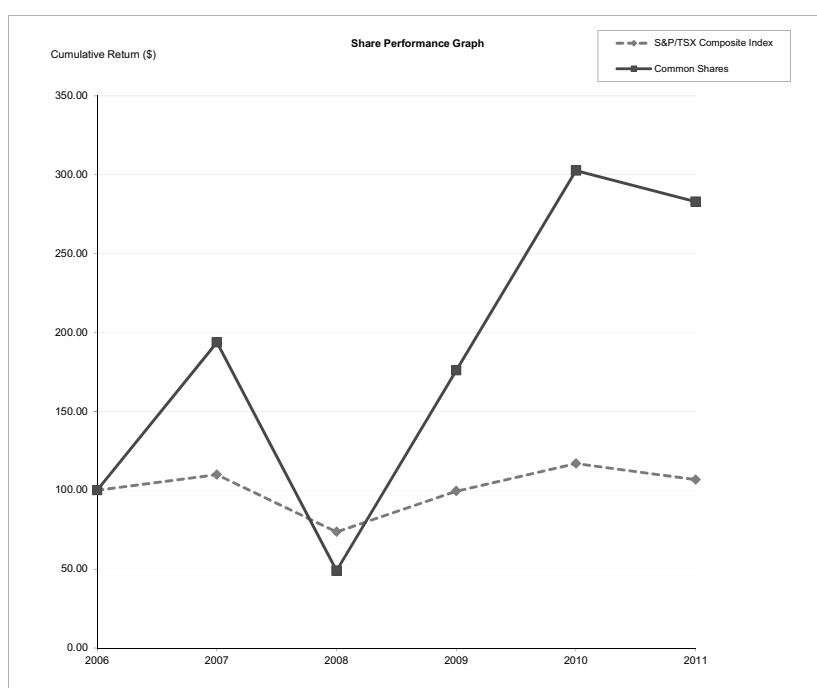
Ms. Song's employment agreement includes a foreign service assignment component, in respect of her working in China, which includes the payment of allowances for housing, goods and services tax and exchange rate differentials as well as tax counselling and assistance.

**Performance graph**

The following graph compares NEM's five year cumulative shareholder return (based on the closing price of the NEM Common Shares on the TSX at the end of each financial year and using an initial investment of C\$100 on December 31, 2006) to the S&P/TSX Composite Index.

The total shareholder return for C\$100 invested in NEM Common Shares on the TSX over the five year period ending on December 31, 2011 was C\$283.01.

**Five Year Cumulative Return on Cdn\$100 Investment  
Assuming Reinvestment of Distributions  
December 31, 2006 to December 31, 2011**



	Dec. 31/06 = 100	Dec. 31/07	Dec. 31/08	Dec. 31/09	Dec. 31/10	Dec. 31/11
S&P/TSX Composite Index		109.83	73.58	99.38	116.87	106.69
NEM Common Shares		193.82	49.03	176.06	302.7	283.01

Prior to 2008, total compensation was based on NEM's financial performance and not linked to share price. Therefore, no comparison can be done in respect of how the trend in the graph shown above compares to the trend in company compensation for the Named Executive Officers. Commencing in 2008, total compensation for the Named Executive Officers included a long-term incentive that is linked to share price. This long term incentive was Performance Units, with the payouts which occur in the third year following the grant date include share price as a variable. Payouts were made for the 2008, 2009, 2010 and 2011 years. While the volume weighted closing price ("VWCP") used to calculate performance unit payouts in 2010 and 2011 was relatively flat from 2010 to 2011, as is the trend shown in the above graph, the VWCP for the 2011 payout was 564% of the share price used in 2009 to

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

make these grants. The 2010 and 2009 payouts followed the same upward trends that share prices did over the respective years. The 2008 payout followed the same downward trend in the latter half of 2008 that the share price did and the result was a long term incentive payout to Named Executive Officers that was more than 70% less than what would have been realized if the performance units had vested in 2007.

### Summary Compensation Table

The following table discloses compensation paid to or awarded to the Named Executive Officers. Securities legislation provides that the Named Executive Officers are determined on the basis of total compensation earned in the 2011 fiscal year. All dollar amounts outlined in the table below are in U.S. dollars.

Name and principal position	Year	Salary	Option-based awards <sup>(3)</sup>	Non-equity incentive plan compensation		Pension value <sup>(8)</sup>	All other compensation <sup>(4)</sup>	Total compensation <sup>(1)</sup>
				Annual incentive plans	Long-term incentive plans <sup>(2)</sup>			
Constantine E. Karayannopoulos President and CEO	2011	530,053	884,517	877,591	1,427,813	11,349	22,483	3,753,805
	2010	399,650	122,818	298,330	409,457	10,681	22,541	1,263,478
	2009	350,263	118,296	175,131	200,109	Nil	19,932	863,732
Michael F. Doolan Executive Vice President, Finance and CFO	2011	312,469	455,018	431,896	794,712	11,349	17,967	2,023,411
	2010	286,023	68,375	178,779	227,910	10,681	17,633	789,402
	2009	250,657	65,845	125,328	119,243	Nil	14,914	575,987
Geoffrey R. Bedford Executive Vice President and COO	2011	325,107	455,018	454,012	794,712	11,349	18,220	2,058,417
	2010	286,023	68,375	207,909	221,793	5,720	18,058	807,879
	2009	250,657	65,845	94,002	100,876	Nil	15,239	526,619
Shannon Y. Song Executive Vice President, Magnequench Division	2011	292,500	445,693	405,000	907,000	20,825	204,708 <sup>(5)</sup>	2,275,726
	2010	274,300	66,537	171,450	220,925	20,825	124,375 <sup>(6)</sup>	826,660
	2009	264,000	77,267	132,000	152,645	20,825	169,128 <sup>(7)</sup>	815,865
Jeffrey R. Hogan Senior Vice President and GM, Rare Earth and Zirconium Performance Materials Division	2011	216,225	164,796	278,490	524,925	9,800	17,253	1,211,489
	2010	185,225	Nil	61,325	120,825	9,800	17,379	394,554
	2009	178,250	Nil	26,750	57,339	9,800	Nil	272,139

#### Notes:

- (1) NEM reports in US dollars in its financial statements and the table above is shown in US dollars. Ms. Song and Mr. Hogan are paid in US dollars. Compensation for Mr. Karayannopoulos, Mr. Bedford and Mr. Doolan is made in Canadian dollars but has been converted for the table above at the Bank of Canada average annual exchange rate of 0.9891, 1.0299 and 1.142 for the 2011, 2010 and 2009 years, respectively.
- (2) Long-term incentive plan payouts are calculated in Canadian dollars and converted to US dollars at the time of payout. For the purposes of the table above, the payouts have been converted at the Bank of Canada average annual exchange rate of 0.9891, 1.0299 and 1.142 for the 2011, 2010 and 2009 years, respectively.
- (3) The values reported represent an estimate of the grant date fair value of the NEM Options calculated in accordance with the Black-Scholes pricing model. The Black-Scholes model is a pricing model which may or may not reflect the actual value of the NEM Options. The NEM Options have not been and may never be exercised and actual gain, if any, on exercise will depend on the value of the NEM Common Shares on the date of exercise. The value of option-based awards shown in the table is calculated by multiplying the number of NEM Options by the Black-Scholes value of the NEM Option at the time of grant. The following assumptions were used for the Black-Scholes calculation: (a) expected life of 3.5 years, 5 years and 5 years for 2011, 2010 and 2009, respectively; (b) expected volatility of 57.4%, 47.1% and 61.0% for 2011, 2010 and 2009, respectively; (c) risk free interest rate of 2.04%, 1.47% and 1.12% for 2011, 2010 and 2009, respectively.
- (4) The value of perquisites and benefits that do not exceed the lesser of C\$50,000 and 10% of the total salary are reported herein.
- (5) The terms of Ms. Song's employment agreement include housing allowance and tax equalization payments during her foreign service period. In 2011, NEM made payments of US\$48,000, US\$29,534 and US\$124,502 for housing allowance, exchange rate reimbursement and tax equalization, respectively.
- (6) The terms of Ms. Song's employment agreement include housing allowance and tax equalization payments during her foreign service period. In 2010, NEM made payments of US\$48,000, US\$32,592 and US\$39,664 for housing allowance, exchange rate reimbursement and tax equalization, respectively.
- (7) The terms of Ms. Song's employment agreement include housing allowance and tax equalization payments during her foreign service period. In 2009, NEM made payments of US\$48,000, US\$31,050 and US\$86,029 for housing allowance, exchange rate reimbursement and tax equalization, respectively.
- (8) Pension amounts include contribution of NEM to a defined contribution retirement savings or 401(k) plan.

If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)

## Incentive Plan Awards

### Option-Based Awards Outstanding at the end of the Most Recently Completed Financial Year

Option-based Awards							
Name	Year Granted	Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option Expiration Date	Vested Options at Dec. 31/11	Value of unexercised in-the-money options <sup>(1)</sup>	
						(C\$)	(US\$)
Constantine E. Karayannopoulos	2011	200,000	7.55	16-Mar-16	-	-	-
President & CEO	2011	47,725	7.55	16-Mar-16	-	-	-
	2010	58,800	4.50	17-Mar-15	19,600	65,464	66,576
	2009	209,060	1.23	17-Mar-19	90,373	597,366	607,511
	2008	200,000	1.63	11-Nov-16	200,000	1,242,000	1,263,094
	2008	65,600	3.92	13-Mar-18	65,600	257,152	261,519
	2007	69,275	3.35	14-Mar-17	69,275	311,045	316,327
	2006	40,000	2.35	14-Dec-16	40,000	219,600	223,330
	2006	119,000	1.75	21-Sep-16	119,000	724,710	737,018
	2005	45,000	1.90	11-Aug-15	45,000	267,300	271,840
<b>Total for Constantine Karayannopoulos</b>						<b>3,619,172</b>	<b>3,680,639</b>
Michael F. Doolan	2011	100,000	7.55	16-Mar-16	-	-	-
Executive Vice President & CFO	2011	26,565	7.55	16-Mar-16	-	-	-
	2010	32,735	4.50	17-Mar-15	10,912	36,446	37,065
	2009	116,365	1.23	17-Mar-19	77,577	512,784	521,493
	2008	100,000	1.63	11-Nov-16	100,000	621,000	631,547
	2008	36,515	3.92	13-Mar-18	12,172	47,714	48,525
	2006	25,900	1.75	21-Sep-16	25,900	157,731	160,410
	2005	50,000	1.98	16-Feb-16	50,000	293,000	297,476
<b>Total for Michael Doolan</b>						<b>1,632,229</b>	<b>1,659,950</b>
Geoffrey R. Bedford	2011	100,000	7.55	16-Mar-16	-	-	-
Executive Vice President and COO	2011	26,565	7.55	16-Mar-16	-	-	-
	2010	32,735	4.50	17-Mar-15	10,912	36,446	37,065
	2009	116,365	1.23	17-Mar-19	77,577	512,784	521,493
	2008	34,000	1.63	11-Nov-16	34,000	211,140	214,726
	2008	12,172	3.92	13-Mar-18	12,172	47,714	48,725
<b>Total for Geoffrey Bedford</b>						<b>771,638</b>	<b>784,743</b>
Shannon Y. Song	2011	100,000	7.55	16-Mar-16	-	-	-
Executive Vice President, Magnequench Division	2011	24,590	7.55	16-Mar-16	-	-	-
	2010	30,930	4.50	17-Mar-15	-	-	-
	2009	91,034	1.23	17-Mar-19	45,517	300,867	305,977
	2008	66,668	1.63	11-Nov-16	33,334	207,004	210,520
	2008	11,110	3.92	13-Mar-18	11,110	43,551	44,291
	2007	44,500	3.35	14-Mar-17	44,500	199,805	203,198
<b>Total for Shannon Song</b>						<b>751,228</b>	<b>763,986</b>
Jeffrey R. Hogan	2011	50,000	7.55	16-Mar-16	-	-	-
Senior Vice President Rare Earth and Zirconium Performance Materials Division	2008	50,000	1.63	11-Nov-16	50,000	310,500	315,773
	2005	40,000	2.40	02-Mar-15	40,000	217,600	221,296
<b>Total for Jeffrey Hogan</b>						<b>528,100</b>	<b>537,069</b>

Note:

(1) Calculated using the closing price of NEM Common Shares on the TSX at December 30, 2011 (C\$7.33) and has been converted for the table above at the Bank of Canada noon exchange rate of US\$1.00: C\$ 0.9833 on December 30, 2011.

If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)



### Stock Option and Tandem SARs Exercises

The information relating to amounts received by one Named Executive Officer during 2011 relating to the exercise of NEM Options and SARs is shown in the table below.

Name	Award Type	Number of Shares Acquired on Exercise	Value Realized Upon Exercise	
			C\$	US\$
Shannon Y. Song	SAR	Nil	34,745	35,128
Executive Vice President, Magnequench Division	Option	33,334	213,879	216,236
<b>Total for Shannon Song</b>			248,624	251,364

Note:

- (1) The value realized upon exercise is calculated in Canadian dollars and has been converted for the table above at the Bank of Canada average annual exchange rate of C\$1.00 : US\$0.9891 for the 2011 year.

### Incentive Plan Awards – Value Vested or Earned during the Most Recently Completed Financial Year

The incentive plan awards for each of the Named Executive Officers during 2011 is shown in the table below and is comprised of NEM Options vested, annual incentive and a long-term incentive.

Name	Option-based awards – Value vested during 2011 (US\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during 2011 (US\$) <sup>(3)</sup>
Constantine E. Karayannopoulos President & CEO	1,081,662	2,305,404 <sup>(4)</sup>
Michael F. Doolan Executive Vice President & CFO	574,874	1,226,608 <sup>(4)</sup>
Geoffrey R. Bedford Executive Vice President & COO	574,867	1,248,724 <sup>(4)</sup>
Shannon Y. Song Executive Vice President, Magnequench Division	611,873	1,312,000 <sup>(4)</sup>
Jeffrey R. Hogan Senior Vice President and GM, Rare Earth and Zirconium Performance Materials Division	115,344	803,415 <sup>(4)</sup>

Notes:

- (1) The annual incentive component of non-equity incentive plan compensation for Mr. Karayannopoulos, Mr. Doolan and Mr. Bedford, the option based awards and the long term incentive component of non-equity incentive plan compensation and is calculated in Canadian dollars and has been converted for the table above at the Bank of Canada average annual exchange rate of C\$1.00 : US\$0.9891 for the 2011 year.
- (2) Calculated using the closing price of NEM Common Shares on the TSX on the applicable vesting date less the exercise price of the applicable NEM Option.
- (3) Includes annual and long-term incentives.
- (4) Includes payout of: 146,345 Performance Units for Mr. Karayannopoulos; 81,455 Performance Units for Mr. Doolan; 81,455 Performance Units for Mr. Bedford; 95,585 Performance Units for Ms. Song and; 55,320 Performance Units for Mr. Hogan.

### Retirement Plan Benefits

All of the Named Executive Officers participate in a defined contribution retirement savings plan. NEM contributes the following amounts directly to the individuals' retirement savings account:

If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)

- (1) 5% of base salary (to a maximum of C\$11,225 in 2011) for Mr. Karayannopoulos, Mr. Doolan and Mr. Bedford;
- (2) 3% of combined salary and bonus (to a maximum of US\$7,350 for 2011 for Ms. Song, and a discretionary amount of up to 6% of combined salary and bonus (to a maximum of US\$13,475 in 2011). The discretionary amount for Ms. Song for the past three years has been 5.5% of combined salary and bonus.
- (3) 4% of combined base salary and bonus (to a maximum of US\$9,800 for 2011) for Mr. Hogan.

*Defined Contribution Retirement Savings Plan Table (US\$)*

<b>Name</b>	<b>Accumulated Value at Start of Year</b>	<b>Compensatory Amount <sup>(2)</sup></b>	<b>Accumulated Value at Dec. 31, 2011</b>
Constantine Karayannopoulos <sup>(1)</sup>	22,928	11,349	44,325
Michael Doolan <sup>(1)</sup>	23,018	11,349	43,570
Geoffrey Bedford <sup>(1)</sup>	6,264	11,349	17,499
Shannon Song	499,632	20,825	552,558
Jeffrey R. Hogan	165,922	9,800	185,299

Notes:

- (1) For Messrs. Karayannopoulos, Doolan and Bedford, the values are shown as converted from Canadian dollars to U.S. dollars at the following rates: (a) C\$1.00 : US\$0.9891 for the Compensatory Amount, being the average annual exchange rate for 2011 (c) US\$1.00 : C\$ 0.9833 for the Total Accumulated Value at December 31, 2011 being the noon exchange rate on December 30, 2011.
- (2) Compensatory amount includes NEM match of employee contributions, plus in the case of the US 401(K), a Safe Harbor Match.

***Termination and Change of Control Benefits***

Each of the Named Executive Officers has an employment agreement with NEM or a subsidiary thereof, that contains termination payment provisions. These agreements are reviewed from time to time and amended accordingly subject to NEM Board approval.

Each of the five Named Executive Officers have "change of control" payment provisions in their employment agreements that may be triggered in certain circumstances, including but not limited to, the following:

- (a) any person (or persons acting jointly or in concert) becoming the beneficial owner of more than 30% of the voting securities of NEM;
- (b) a change in the composition of the Board occurring at a single meeting of the Shareholders such that members of the Board prior to such meeting cease to constitute a majority of the Board thereafter;
- (c) the sale or other disposition of all or substantially all of the assets of NEM; or
- (d) approval by the shareholders and subsequent implementation of a liquidation of NEM;
- (e) approval by the shareholders and subsequent implementation of a combination, merger, amalgamation or similar transaction resulting in the pre-transaction shareholders holding less than 60% of the voting securities post-transaction, or a change in the composition of the Board occurring at a single meeting of the shareholders such that the members of the Board prior to such meeting cease to constitute a majority of the Board thereafter.

The terms of the specific agreements between NEM and each of the Named Executive Officers are set out below.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

*Constantine E. Karayannopoulos – President and Chief Executive Officer*

NEM has an amended and restated employment agreement with Constantine Karayannopoulos, the President and Chief Executive Officer of NEM dated January 10, 2012, for an indefinite term.

In the event: (i) of the termination by NEM of his employment other than as a result of the death of Mr. Karayannopoulos and other than for cause (but including as a result of his disability); or (ii) NEM causes a "good reason" to occur as a result of which Mr. Karayannopoulos leaves his employment with NEM (being a change in any material terms and conditions of his employment, diminishing his duties, composition or title, reducing his compensation without a sound basis therefor or in a manner which is inconsistent with prior practice, terminating or materially reducing employee benefits or taking or causing to be taken any other action any of which would constitute his constructive dismissal), NEM shall thereupon pay to him, in a single payment (or in the case of termination as a result of disability, 48 equal instalments subject to certain reductions set out in the employment agreement), the aggregate of twice his then regular salary plus twice the average of aggregate bonuses and the amounts he earned under the LTIP paid or payable to him in the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Karayannopoulos' employment had ceased on the date hereof for any of the reasons described above, he would have been entitled to a lump sum payment of approximately US\$4.5 million (excluding supplementary benefits and other perquisites).

Should the "change of control" provisions contained in his employment agreement be triggered, Mr. Karayannopoulos may within six months of his learning of such event, give notice of his retirement and NEM shall pay to him a lump sum "change of control" payment equivalent to the aggregate of (i) twice his then regular salary; (ii) twice the average of aggregate bonuses and the amounts he earned under the LTIP paid or payable to him in the three preceding calendar years; and (iii) the bonus payable for the year of retirement pro rated to the date of retirement. In addition, in any such event, NEM shall continue to provide Mr. Karayannopoulos with the supplementary benefits and other perquisites to which he would have otherwise been entitled, for 24 months following the date he provides notice to NEM of his retirement.

NEM currently estimates that in the event that the "change of control" provisions were triggered in connection with the Arrangement and Mr. Karayannopoulos gave notice of his retirement in accordance with his employment agreement on the Effective Date, Mr. Karayannopoulos would be entitled to a lump sum "change of control" payment of approximately US\$4.0 million (excluding supplementary benefits and other perquisites).

*Michael F. Doolan – Executive Vice President, Finance and Chief Financial Officer*

NEM has an amended and restated employment agreement with Michael F. Doolan, the Executive Vice President, Finance and Chief Financial Officer of NEM dated January 10, 2012, with an indefinite term.

In the event: (i) of the termination by NEM of his employment other than as a result of the death or disability of Mr. Doolan and other than for cause; or (ii) NEM causes a "good reason" to occur as a result of which Mr. Doolan leaves his employment with NEM (being a change in any material terms and conditions of his employment, diminishing his duties, composition or title, reducing his compensation without a sound basis therefor or in a manner which is inconsistent with prior practice, terminating or materially reducing employee benefits or taking or causing to be taken any other action any of which would constitute his constructive dismissal), NEM shall thereupon pay to him, in a single payment, the aggregate of 17 months of his then regular salary plus one-twelfth of such then regular annual salary for each year (to a maximum of seven years) of completed employment after the date of the agreement, plus up to twice the average aggregate bonuses and the amounts he earned under the LTIP paid or payable in the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Doolan's employment had ceased on the date of this Circular for any of the reasons described above, he would have been entitled to a lump sum payment of approximately US\$1.5 million (excluding supplementary benefits and other perquisites).

Upon the termination by NEM of the employment of Mr. Doolan as a result of his disability in accordance with the terms of his employment agreement, NEM shall thereupon pay to him, in 48 equal monthly installments (subject to certain reductions set out in the employment agreement), the aggregate of one and a half times his then regular salary plus one and a half times the average aggregate bonus and the amounts he earned under the LTIP paid

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

or payable to Mr. Doolan in each of the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Doolan's employment had been terminated on the date of this Circular as a result of his disability, he would have been entitled to an aggregate payment of approximately US\$1.6 million (excluding supplementary benefits and other perquisites).

Should the "change of control" provisions contained in his employment agreement be triggered, Mr. Doolan may within six months of his learning of such event, give notice of his retirement and (or in the event that NEM should terminate his employment in connection with such "change of control") NEM shall pay to him in each such circumstance a lump sum "change of control" payment equivalent to the aggregate amount of (i) twice his then current base salary; (ii) twice the average bonuses and the amounts he earned under the LTIP paid or payable to him in the three preceding calendar years; and (iii) the bonus payable for the year of retirement pro rated to the date of retirement. In addition, in any such event, NEM shall continue to provide Mr. Doolan with the supplementary benefits and other perquisites to which he would have otherwise been entitled, for 24 months following the date he provides notice to NEM of his retirement.

NEM currently estimates that in the event that the "change of control" provisions were triggered in connection with the Arrangement and Mr. Doolan gave notice of his retirement in accordance with his employment agreement on the Effective Date, Mr. Doolan would be entitled to a lump sum "change of control" payment of approximately US\$2.3 million (excluding supplementary benefits and other perquisites).

*Geoffrey R. Bedford — Executive Vice President and Chief Operating Officer*

NEM has an amended and restated employment agreement with Geoffrey R. Bedford, the Executive Vice President and Chief Operating Officer of NEM dated January 10, 2012, with an indefinite term.

In the event: (i) of the termination by NEM of his employment other than as a result of the death or disability of Mr. Bedford and other than for cause; or (ii) NEM causes a "good reason" to occur as a result of which Mr. Bedford leaves his employment with NEM (being a change in any material terms and conditions of his employment, diminishing his duties, composition or title, reducing his compensation without a sound basis therefor or in a manner which is inconsistent with prior practice, terminating or materially reducing employee benefits or taking or causing to be taken any other action any of which would constitute his constructive dismissal), NEM shall thereupon pay to him, in a single payment, the aggregate of 18 months of his then regular salary plus one-twelfth of his current salary for each year (to a maximum of 6 years) of completed employment ending after the date of the agreement plus up to twice the average aggregate bonuses and the amounts he earned under the LTIP paid or payable in the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Bedford's employment had ceased on the date of this Circular for any of the reasons described above, he would have been entitled to a lump sum payment of approximately US\$1.7 million (excluding supplementary benefits and other perquisites).

Upon the termination by NEM of the employment of Mr. Bedford as a result of his disability in accordance with the terms of his employment agreement, NEM shall thereupon pay to him, in 48 equal monthly installments (subject to certain reductions set out in the employment agreement), the aggregate of one and a half times his then regular salary plus one and a half times the average aggregate bonus and the amounts he earned under the LTIP paid or payable to Mr. Bedford in each of the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Bedford's employment had been terminated on the date of this Circular as a result of his disability, he would have been entitled to an aggregate payment of up to approximately US\$1.7 million (excluding supplementary benefits and other perquisites).

Should the "change of control" provisions contained in his employment agreement be triggered, Mr. Bedford may within six months of his learning of such event, give notice of his retirement, and NEM shall pay to him a lump sum "change of control" payment equivalent to the aggregate of (i) twice his then current base salary; (ii) twice the average bonuses and the amounts he earned under the LTIP paid or payable to him in the three preceding calendar years; and (iii) the bonus payable for the year of retirement pro rated to the date of retirement. In addition, in any such event, NEM shall continue to provide Mr. Bedford with the supplementary benefits and other perquisites to which he would have otherwise been entitled, for 24 months following the date he provides notice to NEM of his retirement.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

NEM currently estimates that in the event that the "change of control" provisions were triggered in connection with the Arrangement and Mr. Bedford gave notice of his retirement in accordance with his employment agreement on the Effective Date, Mr. Bedford would be entitled to a lump sum "change of control" payment of approximately US\$2.4 million (excluding supplementary benefits and other perquisites).

*Shannon Y. Song — Executive Vice President, Magnequench Division*

NEM's subsidiary Magnequench International, Inc. has an amended and restated employment agreement with Shannon Y. Song, the Executive Vice President, Magnequench Division dated January 11, 2012, with an indefinite term.

In the event: (i) of the termination by Magnequench International of her employment other than as a result of the death or disability of Ms. Song and other than for cause; or (ii) Magnequench International causes a "good reason" to occur as a result of which Ms. Song leaves his employment with Magnequench International (being a change in any material terms and conditions of her employment, diminishing her duties, composition or title, reducing her compensation without a sound basis therefor or in a manner which is inconsistent with prior practice, terminating or materially reducing employee benefits or taking or causing to be taken any other action any of which would constitute her constructive dismissal), Magnequench International shall thereupon pay to her, in a single payment, the aggregate of 18 months of her then regular salary plus one-twelfth of her current salary for each year (to a maximum of 6 years) of completed employment ending after the date of the agreement plus up to twice the average aggregate bonuses and the amounts she earned under the LTIP paid or payable in the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Ms. Song's employment had ceased on the date of this Circular for the reasons described above, she would have been entitled to a lump sum payment of approximately US\$1.6 million (excluding supplementary benefits and other perquisites).

Upon the termination by Magnequench International of the employment of Ms. Song as a result of her disability in accordance with the terms of her employment agreement, Magnequench International shall thereupon pay to her, in 48 equal monthly installments (subject to certain reductions set out in the employment agreement), the aggregate of one and a half times her then regular salary plus one and a half times the average aggregate bonus and the amounts she earned under the LTIP paid or payable to Ms. Song in each of the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Ms. Song's employment had been terminated on the date of this Circular as a result of her disability, she would have been entitled to an aggregate payment of approximately US\$1.6 million (excluding supplementary benefits and other perquisites).

Should the "change of control" provisions contained in her employment agreement be triggered, Ms. Song may within six months of her learning of such event, give notice of her retirement and Magnequench International shall pay to her a lump sum "change of control" payment equivalent to the aggregate of (i) twice her then current base salary; (ii) twice the average bonuses and the amounts she earned under the LTIP paid or payable to her in the three preceding calendar years; and (iii) the bonus payable for the year of retirement pro-rated to the date of her retirement. In addition, in any such event, Magnequench International shall continue to provide Ms. Song with the supplementary benefits and other perquisites to which she would have otherwise been entitled, for 24 months following the date she provides notice to MQII of her retirement.

NEM currently estimates that in the event that the "change of control" provisions were triggered in connection with the Arrangement and Ms. Song gave notice of her retirement in accordance with her employment agreement on the Effective Date, Ms. Song would be entitled to a lump sum "change of control" payment of approximately US\$2.3 million (excluding supplementary benefits and other perquisites).

*Jeffrey R. Hogan — Senior Vice President and General Manager, Rare Earth and Zirconium, Performance Materials Division*

NEM's subsidiary, Neo Performance Materials, Inc. entered into an amended and restated employment agreement with Jeffrey R. Hogan dated January 10, 2012, for an indefinite term.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

In the event: (i) of the termination by Neo Performance Materials of his employment other than as a result of the death or disability of Mr. Hogan and other than for cause; or (ii) Neo Performance Materials causes a "good reason" to occur as a result of which Mr. Hogan leaves his employment with Neo Performance Materials (being a change in any material terms and conditions of his employment, diminishing his duties, composition or title, reducing his compensation without a sound basis therefore or in a manner which is inconsistent with prior practice, terminating or materially reducing employee benefits or taking or causing to be taken any other action any of which would constitute his constructive dismissal), Neo Performance Materials shall thereupon pay to him, in a single payment, the aggregate of 17 months of his then regular salary plus one-twelfth of his current salary for each year (to a maximum of 7 years) of completed employment ending after the date of the agreement plus an amount equal to the average of the aggregate bonuses and the amounts he earned under the LTIP paid or payable in each of the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Hogan's employment had been terminated on the date of this Circular for the reasons described above, he would have been entitled to a lump sum payment of up to approximately US\$1.0 million (excluding supplementary benefits and other perquisites).

Upon the termination by Neo Performance Materials of the employment of Mr. Hogan as a result of his disability in accordance with the terms of his employment agreement, Neo Performance Materials shall thereupon pay to him, in 48 equal monthly installments (subject to certain reductions set out in the employment agreement), the aggregate of one and a half times his then regular salary plus one and a half times the average aggregate bonus and the amounts he earned under the LTIP paid or payable to Mr. Hogan in each of the three preceding calendar years plus the bonus payable for the year of termination pro rated to the date of termination. NEM estimates that if Mr. Hogan's employment had been terminated on the date of this Circular as a result of his disability, he would have been entitled to an aggregate payment of approximately US\$1.0 million (excluding supplementary benefits and other perquisites).

Should the "change of control" provisions be triggered, and NEM or the NEM Board within 12 months of the change in control date terminates the employment of Mr. Hogan, NEM shall pay to him a lump sum "change of control" payment equivalent to the aggregate amount of (i) twice his then current base salary; (ii) twice the average bonuses and amounts he earned under the LTIP paid or payable to him in the three preceding calendar years; and (iii) the bonus payable for the year of termination pro rated to his date of termination. In addition, in any such event, NEM shall continue to provide Mr. Hogan with the supplementary benefits and other perquisites to which he would have otherwise been entitled, for 24 months following the date of termination.

NEM currently estimates that in the event that the "change of control" provisions were triggered in connection with the Arrangement and Mr. Hogan gave notice of her retirement in accordance with his employment agreement on the Effective Date, Mr. Hogan would be entitled to a lump sum "change of control" payment of up to approximately US\$1.5 million (excluding supplementary benefits and other perquisites).

### ***Director Compensation***

Although the NEM Board is satisfied that its fee structure is reasonable for a company that operates in ten countries and shares many of the complexities of other global multi-national organizations having significantly higher market capitalizations, the Compensation Committee engaged a third party compensation consultant, Roger Gurr & Associates, to review board compensation. The compensation consultants used the same comparator group previously described in this document and following a review of findings, the Compensation Committee made a recommendation to the NEM Board, which was adopted, of the following:

1. to increase the annual board retainer fee to US\$45,000, from US\$25,000;
2. to increase the board chair retainer to US\$140,000, from US\$120,000;
3. to add an additional annual retainer of US\$12,000 for the board vice chairman;
4. to increase the annual retainer of the compensation committee chair to US\$10,000, from US\$5,000;

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

5. to increase the annual deferred share unit grants to US\$60,000, from US\$48,000, for board members;
6. to increase the annual deferred share unit grants to US\$90,000, from US\$48,000, for the board chair;
7. to increase the annual audit committee member retainer fee to US\$6,000, from US\$5,000.

#### *DSUs*

On November 6, 2008, NEM established the DSU Plan for members of the Board of Directors. Under the DDSU Plan, the Compensation Committee determines, once a year, what portion of the directors' annual remuneration shall be paid as DSUs. DSUs are fully vested upon issuance, and accumulate dividend equivalents in the form of additional DSUs based on the dividends paid on the NEM Common Shares. DSUs are redeemable for cash only following retirement from the NEM Board. The value of the DSU when converted to cash will be equivalent to the market value of the NEM Common Shares at the time the conversion takes place. DSUs granted to the non-executive directors under the DSU Plan in 2011 were an aggregate of 51,406, compared to an aggregate of 79,729 in 2010. DSUs will continue to be granted on the last day of each quarter to the Chairman in the cash equivalent amount of US\$22,500 per quarter and to each of the non-executive directors in the cash equivalent amount of US\$15,000 per quarter, such payments to be reviewed on a regular basis by the Compensation Committee.

The following table sets out the fee structure of the NEM Board in 2011:

(all figures in US\$)	Cash Portion	DSU Portion	Total
Non-Executive Board Chair Retainer	140,000	90,000	230,000
Non-Executive Board Member Retainer	45,000	60,000	105,000
Vice-Chair Supplemental Retainer	12,000	Nil	12,000
Audit Committee Chair Retainer	30,000	Nil	30,000
Audit Committee Member Retainer	6,000	Nil	6,000
Compensation Committee Chair Retainer	10,000	Nil	10,000
Compensation Committee Member Retainer	1,000	Nil	1,000
Corporate Governance Committee Chair Retainer	5,000	Nil	5,000
Corporate Governance Committee Member Retainer	1,000	Nil	1,000
Board and Committee Meeting Fees <sup>(1)</sup>	2,000	Nil	2,000

Notes:

(1) Directors attending meetings by telephone with duration of less than one hour receive US\$500 for the meeting.

#### *Non-Executive Chair Compensation*

Peter O'Connor, the non-executive Chairman of the NEM Board since August 5, 2009, receives an annual fee of US\$140,000 and DSU grants equivalent to US\$90,000. No additional fees were paid in 2011 relating to his participation at committee meetings. He is Chair of the Corporate Governance Committee.

#### *Director compensation table*

The aggregate cash fees earned by non-executive directors who have served in that capacity for any part of 2011 was US\$552,680. The directors are also reimbursed for miscellaneous out-of-pocket expenses incurred in carrying out their duties as directors.

The following table sets out the total compensation earned by each non-executive director who served in that capacity for any part of the most recently completed financial year:

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

<b>All figures in United States Dollars</b>	<b>Fees earned</b>	<b>Option Based Awards</b>	<b>Non-equity incentive plan compensation<sup>(3)</sup></b>	<b>Other Compensation</b>	<b>Total</b>
<b>Name</b>					
Gary E. German	61,500	Nil	54,000	Nil	115,500
Ho Soo Ching	51,227	Nil	54,000	1,800 <sup>(1)</sup>	107,027
James J. Jackson	99,500	Nil	54,000	1,800 <sup>(1)</sup>	155,300
Claire M.C. Kennedy	66,613	Nil	54,000	Nil	120,613
William E. Macfarlane	74,340	Nil	54,000	4,000 <sup>(2)</sup>	132,340
Peter E. O'Connor	130,000	Nil	69,000	1,800 <sup>(1)</sup>	200,800
John E. Pearson	65,500	Nil	54,000	Nil	119,500

Note:

- (1) NEM engaged KPMG LLP for the provision of professional tax services relating to Canadian income tax return preparation and filing in respect of directors fees paid to non-residents.
- (2) Taking advantage of Mr. Macfarlane's prior expertise in the materials business, NEM engaged him for a period of two days in 2011 on matters relating to strategic direction.
- (3) The only component of the "Non-equity incentive plan compensation" shown in the table above is the DSUs granted in 2011. The value shown is the cash settled value for 2011.

#### *Director's Outstanding Share-Based Awards*

#### *Option-based awards*

The following table sets out details, as at December 31, 2011, of NEM Options held by each non-executive director who served in that capacity for any part of the most recently completed financial year:

<b>Name</b>	<b>Number of Securities Underlying Unexercised Options (#)</b>	<b>Option Exercise Price (C\$)</b>	<b>Option Expiration Date</b>	<b>Value of Unexercised In-the-Money Options (C\$)<sup>(1)</sup></b>	<b>Value of Unexercised In-the-Money Options (US\$)<sup>(4)</sup></b>
Gary E. German	40,000	4.50	01-Dec-2014	113,200	115,123
James J. Jackson	40,000	1.88	10-Nov-2015	218,000	221,702
Claire M.C. Kennedy	40,000	4.50	17-Mar-2015	113,200	115,123
William E. Macfarlane	40,000	1.90	11-Aug-2015	217,200	220,889
Peter E. O'Connor	50,000	1.90	11-Aug-2015 <sup>(3)</sup>	271,500	276,111
John E. Pearson	40,000	1.90	02-Sept-2015	217,200	220,889
	19,050 <sup>(2)</sup>	2.54	31-Aug-2015	91,250	92,799

Notes:

- (1) Calculated as the difference between the closing price of NEM Common Shares on the TSX at December 30, 2011 (C\$7.33) and the option exercise price.
- (2) John Pearson was granted NEM Options as a former director of Magnequench, Inc. which were converted to options of NEM on the closing of the AMR-Magnequench merger on August 31, 2005.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*



- (3) Given the longstanding service of Peter O'Connor as a director since 1992, the NEM Board passed a resolution on August 11, 2005 stating that his existing stock options would expire on the earlier of 10 years after the date of the stock option agreement or three years after his retirement as a director.
- (4) Converted to US dollars at a conversion rate of US\$1.00 : C\$ 0.9833, being the Bank of Canada noon exchange rate on December 30, 2011.

### *DSUs outstanding*

The following table below shows the total number and value of DSUs held by each non-executive director as at December 31, 2011:

Name	Number of outstanding DSUs as at Dec. 31, 2011			Value of outstanding DSUs as at Dec. 31, 2011 <sup>(1)</sup>	
	Granted prior to Dec. 31, 2010	Aggregate grants during 2011	Total DSUs held	Total (C\$) <sup>(2)</sup>	Total (US\$) <sup>(3)</sup>
Gary E. German	11,586	7,021	18,606	136,385	138,702
Ho Soo Ching	71,115	7,021	78,136	572,734	582,641
James J. Jackson	71,115	7,021	78,136	572,734	582,461
Claire M.C. Kennedy	9,613	7,021	16,634	121,925	123,995
William E. Macfarlane	71,115	7,021	78,136	572,734	582,461
Peter E. O'Connor	71,115	9,282	80,397	589,313	599,322
John E. Pearson	71,115	7,021	78,136	572,734	582,461

Notes:

- (1) DSUs are redeemable for cash only following termination of service on the NEM Board.
- (2) Calculated using the closing price of NEM Common Shares on the TSX at December 30, 2011 (C\$7.33).
- (3) Converted to US dollars at a conversion rate of US\$1.00 : C\$ 0.9833, being the Bank of Canada noon exchange rate on December 30, 2011.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS OF THE CORPORATION**

The aggregate indebtedness to NEM as the date hereof of all officers, directors and employees entered into in connection with a purchase of securities of NEM or any of its subsidiaries excluding routine indebtedness was C\$256,120. The indebtedness is in the form of 10 year interest bearing promissory notes repayable within 120 days next following the date the officer ceases to be an employee of NEM. NEM Common Shares purchased with the proceeds of the indebtedness are held as security for the indebtedness.

The following table sets forth the indebtedness of directors, executives and senior officers of NEM in connection with this arrangement.

Name and Principal Position	Involvement of NEM or Subsidiary	Largest Amount Outstanding During 2011	Amount Outstanding as at the date hereof	Financially Assisted Securities Purchased During 2011	Security for Indebtedness	Amount Forgiven during 2011
Constantine E. Karayannopoulos President and CEO	Loan from NEM	C\$147,060	C\$147,060	Nil	NEM Common Shares	Nil
Geoffrey R. Bedford Executive Vice President and COO	Loan from NEM	C\$109,060	C\$109,060	Nil	NEM Common Shares	Nil

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Set out below is information as of December 31, 2011 with respect to compensation plans under which equity securities of NEM are authorized for issuance.

### *Equity Compensation Plan Information*

	Number of securities to be issued upon exercise of outstanding options, warrants and rights as at December 31, 2011 (a)	Weighted average exercise price of outstanding options, warrants and rights as at December 31, 2011 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at December 31, 2011 (c)
Option Plan	3,447,439	4.10	2,157,997

## CORPORATE GOVERNANCE OF THE CORPORATION

### *Statement of Corporate Governance Practices*

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "**Guidelines**") requires certain disclosure regarding the corporate governance practices of NEM. NEM is pleased to make the following disclosure regarding its corporate governance policies, along with the additional disclosure contained in Appendix "**J**" hereto.

### *Board Composition*

The NEM Board is currently composed of eight directors, all of whom are standing for re-election at the Meeting. Of the current NEM Board members, seven are considered by the NEM Board to be "independent" within the meaning of the Guidelines, as each does not have a direct or indirect material relationship with NEM. For the purposes of the Guidelines, a "material relationship" with NEM is a relationship which could, in the view of the NEM Board, reasonably be expected to interfere with the exercise of a director's independent judgement. Constantine E. Karayannopoulos, the President and Chief Executive Officer of NEM, is not independent within the meaning of the Guidelines. In deciding whether a particular director is independent, the NEM Board examines the factual circumstances of each director and considers them in the context of many factors.

The NEM Board believes that the size and composition of the NEM Board has served NEM and its shareholders well and that all of its directors, including its non-independent director, have made valuable contributions to the NEM Board, NEM and its subsidiaries. The NEM Board is of the view that Mr. Karayannopoulos possesses an extensive knowledge of NEM's business and has extensive business experience, which has proven to be beneficial to the other directors, and his participation as a director has contributed to the effectiveness of the NEM Board. The NEM Board also believes that Mr. Karayannopoulos is sensitive to conflicts of interest and excuses himself from deliberations and voting in appropriate circumstances.

The NEM Board currently has three standing committees, the Audit Committee, the Corporate Governance Committee and the Compensation Committee, and when required, *ad hoc* committees of the Board are appointed to deal with specific matters. The NEM Board comprised the Special Committee in connection with the Arrangement. See "The Arrangement – Background to the Arrangement".

### *Audit Committee*

The Audit Committee is currently composed of three independent directors, which is consistent with the recommendations in the Guidelines. The Audit Committee is responsible for the integrity of NEM's internal accounting and control systems. The Audit Committee receives and reviews the financial statements of NEM and

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

makes recommendations thereon to the NEM Board prior to their approval by the full NEM Board. The Audit Committee communicates directly with NEM's external auditors in order to discuss audit and related matters whenever appropriate. The annual information form of NEM filed with the Canadian securities regulatory authorities contains certain information relating to the Audit Committee. The annual information form can be accessed on NEM's website at [www.neomaterials.com](http://www.neomaterials.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Corporate Governance Committee*

The Corporate Governance Committee is currently composed of three independent directors. The Corporate Governance Committee is responsible for making recommendations to the full NEM Board with respect to developments in the area of corporate governance and the practices of the NEM Board. The Corporate Governance Committee has expressly assumed responsibility for developing NEM's approach to governance issues. This committee is also responsible for reporting to the NEM Board with respect to appropriate candidates for nominations to the NEM Board, and for evaluating the performance of the NEM Board.

#### *Compensation Committee*

The Compensation Committee is currently composed of three independent directors. The Compensation Committee makes recommendations to the NEM Board regarding the compensation policies and practices of NEM that apply to senior management and the NEM Board.

### **GENERAL INFORMATION CONCERNING THE MEETING AND VOTING**

#### **Time, Date and Place**

The Meeting will be held at 10:00 a.m. (Toronto time) on Wednesday, May 30, 2012 at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario.

#### **Solicitation of Proxies**

**This Circular is provided in connection with the solicitation by the management of NEM of proxies to be used at the Meeting.** No person has been authorized to give any information or to make any representations in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular and if given or made, any such information or representations must not be relied upon as having been authorized. The solicitation of proxies will be primarily by mail but proxies may be solicited personally or by telephone by directors, officers or regular employees of NEM. Kingsdale Shareholder Services Inc. will be acting as proxy solicitation agent for NEM to solicit proxies for the Meeting. If you have any questions or require more information about how to vote your shares, please contact 1-888-518-1561 toll-free in North America or 416-867-2272 (collect call) outside North America or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com). In connection with its services, NEM will pay Kingsdale Shareholder Services Inc. a fee of up to approximately C\$100,000, exclusive of call fees, expenses and applicable taxes. NEM will bear all costs of this solicitation.

#### **Appointment of Proxyholder**

**The persons named in the enclosed form of proxy are directors or officers of NEM. A NEM Shareholder has the right to appoint as his or her proxyholder a person (who need not be a NEM Shareholder) to attend and to act on his, her or its behalf at the Meeting other than the persons designated in the form of proxy accompanying this Circular.** A NEM Shareholder may do so by inserting the name of such other person in the blank space provided in the applicable proxy or by completing another proper form of proxy and, in either case, by delivering the completed proxy to NEM's registrar and transfer agent, Computershare Investor Services Inc. For postal delivery, the completed proxy should be mailed by using the envelope as provided. To deliver by facsimile, please send the proxy to the Proxy Department of Computershare Investor Services Inc. at 1-866-249-7775. The completed proxy may also be delivered in person to Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1. Proxies delivered to Computershare Investor Services Inc. must be received by not later than 10:00 a.m. (Toronto time) on Monday, May 28, 2012, or if

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays or any other holiday in Toronto, Ontario) prior to the time of such adjourned or postponed Meeting.

A NEM Shareholder should use the enclosed form of proxy (printed on blue paper).

### **Revocation of Proxy**

A NEM Shareholder executing the enclosed form of proxy has the right to revoke it by depositing a written instrument signed by the shareholder or by an authorized attorney at the registered office of NEM at any time up to and including 5:00 p.m. (Toronto time) on the last day (other than a Saturday, Sunday or any other holiday in Toronto, Ontario) preceding the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof. In addition, a form of proxy may be revoked (i) by the NEM Shareholder personally attending the Meeting and voting the securities represented thereby (or, if the NEM Shareholder is a corporation, by a representative of the corporation attending the Meeting and voting such securities) or (ii) in any other manner permitted by law.

### **Exercise of Proxy**

The NEM Common Shares represented by the proxy will be voted for or against in accordance with the instructions of the NEM Shareholder on any vote that may be called for and, if the NEM Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, NEM Common Shares represented by properly executed proxies will be voted accordingly.

**In the absence of any instructions to the contrary, the NEM Common Shares represented by proxies received by management will be voted FOR each of the matters to be considered by NEM Shareholders at the Meeting.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matter identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournments thereof. At the date of this Circular, management of NEM knows of no such amendments, variations or other matters to come before the Meeting other than the matter referred to in the Notice of Meeting. If any other matters do properly come before the Meeting, it is intended that the person appointed as proxy shall vote on such other business in such manner as that person then considers to be proper.

### **Explanation of Voting Rights for Beneficial Owners of NEM Common Shares**

Only registered NEM Shareholders or the persons they designate as their proxies are authorized to attend and vote at the Meeting. However, in many cases, the NEM Common Shares that are beneficially owned by a Beneficial Holder are registered either:

- (a) in the name of an Intermediary with whom the non-registered NEM Shareholder deals with respect to his or her shares, such as a bank, trust corporation, stockbroker, or trustee or manager of a registered retirement savings plan, registered retirement savings fund, registered education savings plan or similar self-administered plan; or
- (b) in the name of a clearing agency (such as CDS Clearing and Depository Services), of which the Intermediary is a member.

In accordance with the requirements of NI 54-101, NEM sent copies of the Notice of Meeting, this Circular, the Letter of Transmittal and Election Form and the proxy form (collectively, the "**documents related to the Meeting**") to the clearing agencies and Intermediaries who were thereafter required to send them to non-registered NEM Shareholders.

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdalareshareholder.com](mailto:contactus@kingsdalareshareholder.com)*

The Intermediaries are required to send the documents related to the Meeting to Beneficial Holders unless any such Beneficial Holder has waived the right to receive them. The Intermediaries very often delegate this duty to companies which will send the documents related to the Meeting to Beneficial Holders. As a rule, Beneficial Holders who have not waived their right to receive documents related to the Meeting will:

- (a) be provided with a proxy form that has already been signed by the Intermediary (typically, the form is sent by fax with the Intermediary's signature stamped on it), which only pertains to the number of NEM Common Shares beneficially held by the Beneficial Holder, who must fill in the blank sections therein. This proxy form is not required to be signed by the Beneficial Holder. In such a case, the Beneficial Holder who wishes to submit a proxy form should fill it out properly and file it with Computershare Investor Services Inc. at 100 University Avenue, 9th Floor, Toronto, Ontario, Canada, M5J 2Y1; or
- (b) more typically, be provided with a voting instruction form that they are required to fill out and sign in accordance with the instructions contained therein (such a voting instruction form may, in some cases, be completed by telephone).

The purpose of these procedures is to enable Beneficial Holders to control the way in which the voting rights attached to the NEM Common Shares they beneficially own are exercised. If a Beneficial Holder who receives either a proxy form, a proxy or a voting instruction form wishes to attend and vote in person at the Meeting, or wishes that another person attend and vote on his or her behalf, the Beneficial Holder should strike out the names of the persons indicated in the proxy and replace them with his, her or its own name (or other corresponding instructions) on the form. In either case, **Beneficial Holders should carefully follow the directions given by their Intermediaries, including as to when and where the proxy or proxy form should be delivered, as well as the directions issued by the companies which sent them the proxy or the proxy form.**

Beneficial Holders who wish to exercise the voting rights attached to their NEM Common Shares in person at the Meeting are required to insert their own name in the space provided for such purpose in the form requesting voting instructions or the proxy form, as the case may be, to appoint themselves as proxies and should follow the directions which were provided by their brokers as to how to sign and return these documents. Beneficial Holders who appoint themselves as proxies are required to report to a Computershare Investor Services Inc. representative at the Meeting.

## **Quorum**

A quorum at meetings of NEM Shareholders consists of two persons present at the Meeting each holding or representing by proxy at least one NEM Common Share.

## **Voting Securities and Principal Holders of Voting Securities**

The authorized capital of NEM consists of an unlimited number of preferred shares and an unlimited number of NEM Common Shares without nominal or par value, of which 115,160,582 NEM Common Shares were issued and outstanding as at the date of this Circular.

Each NEM Shareholder is entitled to one vote for each NEM Common Share shown as registered in his or her name on the list of NEM Shareholders. The directors have fixed April 27, 2012 as the Record Date for the Meeting. Accordingly, pursuant to the CBCA, only NEM Shareholders of record as at the close of business on April 27, 2012 are entitled to receive notice of and to attend and vote at the Meeting.

To the knowledge of the directors and officers of NEM, as of the date of this Circular, no person beneficially owns, or controls or directs, directly or indirectly, NEM Common Shares carrying more than 10% of the votes attached to NEM Common Shares.

## ADDITIONAL INFORMATION

### Director and Officer's Insurance

NEM has purchased, at its expense, director's and officer's liability insurance in the aggregate amount of US\$40 million for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of NEM and its subsidiaries. For the 12-month period from November 1, 2011 to October 31, 2012, NEM paid a premium of US\$176,300 (2011 - US\$199,017) in respect of such insurance.

### Interest of Certain Persons or Companies in Matters to Acted Upon

Except as otherwise disclosed in this Circular, no person who has been a director or executive officer of NEM since the beginning of the last financial year and no associate or affiliate of any such director or executive officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting. See "The Arrangement – Interest of Certain Persons in the Arrangement".

### Interest of Informed Persons in Material Transactions

Other than as stated elsewhere in this Circular, no informed person, director, executive officer, nominee for director, any person who beneficially owns, directly or indirectly, NEM Common Shares carrying more than 10% of the voting rights attached to all outstanding shares of NEM, nor any associated or affiliate of such persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction or any proposed transaction which has materially affected or would materially affect NEM. See "The Arrangement – Interest of Certain Persons in the Arrangement".

### Normal Course Issuer Bid

On August 15, 2011, NEM announced that the TSX had accepted a notice filed by NEM of its intention to make a Normal Course Issuer Bid ("NCIB"). The notice provides that NEM may, during the 12 month period commencing August 17, 2011 and ending August 16, 2012, purchase on the TSX up to 10,486,320 NEM Common Shares in total, being approximately 10% of the public float (NEM Common Shares not held by insiders and related parties). All NEM Common Shares purchased pursuant to the NCIB are purchased for cancellation, and all such purchases are made on the open market through the facilities of the TSX. The price which NEM pays for any such NEM Common Shares will be the market price at the time of acquisition. In 2011, NEM acquired and cancelled 5,042,300 NEM Common Shares at an average price of C\$7.93 per NEM Common Share. Subsequent to December 31, 2011, under the current NCIB, NEM acquired and cancelled 21,800 NEM Common Shares at an average price of C\$7.57 per NEM Common Share.

### Other Business

Management of NEM knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if matters not now known to management should come before the Meeting, NEM Common Shares represented by proxies solicited by management will be voted on each such matter in accordance with the best judgment of the nominees voting same.

### Shareholder Proposal

The CBCA, NEM's governing corporate statute, provides that shareholder proposals must be received by January 27, 2013 to be considered for inclusion in the management information circular and the form of proxy for the 2013 annual meeting of Shareholders.

### Additional Copies

A copy of this Circular has been sent to each director of NEM, to the applicable regulatory authorities, to each shareholder entitled to receive notice of the Meeting and to the auditors of NEM. A copy of the following documents may be obtained, without charge, upon request to the Secretary, Neo Material Technologies Inc., Standard Life Centre, Suite 1740, 121 King Street West, Toronto, Ontario, M5H 3T9, telephone (416) 367-8588, fax (416) 367-5471:

*If you have any questions or need assistance completing your proxy or voting instruction form, please call Kingsdale Shareholder Services Inc. at 1-888-518-1561 or 1-416-867-2272 outside of North America (collect calls accepted) or email [contactus@kingsdleshareholder.com](mailto:contactus@kingsdleshareholder.com)*

- (a) the Financial Statements of NEM for the year ended December 31, 2011 and the management's discussion and analysis thereof; and
- (b) this Circular.

Additional information relating to NEM is available online from NEM's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in NEM's consolidated financial statements and management's discussion and analysis for its most recently completed financial year, a copy of which can be accessed under NEM's profile on SEDAR from NEM's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **APPROVAL OF BOARD**

The contents of this Circular and the sending of it to the NEM Shareholders, to each director of NEM, to NEM's auditors and to the appropriate governmental agencies have been approved by the Board.

Unless otherwise noted, the information contained herein is given as of April 30, 2012.

DATED at Toronto, Ontario this 30<sup>th</sup> day of April, 2012.

#### **BY ORDER OF THE BOARD OF DIRECTORS**

*"Constantine E. Karayannopoulos"*

Constantine E. Karayannopoulos  
*Director, President and Chief Executive Officer*

## CONSENT OF AUDITORS OF MOLYCORP, INC.

We have read the notice of annual & special meeting and management proxy circular of Neo Material Technologies Inc. ("NEM") dated April 30, 2012, relating to the special meeting of the security holders of NEM to approve the proposed arrangement between NEM, Molycorp, Inc. ("Molycorp") and MCP Exchangeco Inc. We have complied with United States of America generally accepted standards for an auditors' involvement with offering documents.

We consent to the use, through incorporation by reference, in the above mentioned notice of annual & special meeting and management proxy circular of our report to the Board of Directors and Stockholders of Molycorp dated February, 27, 2012 relating to the consolidated balance sheets of Molycorp at December 31, 2011 and 2010 and the related consolidated statements of operations and comprehensive income (loss), of changes in equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2011 and cumulatively for the period from June 12, 2008 (Inception) through December 31, 2011, which appear in Molycorp's Annual Report on Form 10-K for the year ended December 31, 2011.

*/s/ "PricewaterhouseCoopers LLP"*

Certified Public Accountants  
Denver, Colorado  
April 30, 2012



**CONSENT OF AUDITORS OF MCP EXCHANGE CO INC.**

We have read the notice of annual & special meeting and management proxy circular of Neo Material Technologies Inc. ("NEM") dated April 30, 2012, relating to the special meeting of the security holders of NEM to approve the proposed arrangement between NEM, Molycorp, Inc. ("Molycorp") and MCP Exchangeco Inc. We have complied with United States of America and Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above mentioned notice of annual & special meeting and management proxy circular of our report to the Board of Directors and Stockholders of MCP Exchangeco Inc. dated April 30, 2012 relating to the balance sheet of MCP Exchangeco Inc. at March 7, 2012.

*/s/ "PricewaterhouseCoopers LLP"*

Certified Public Accountants  
Denver, Colorado  
April 30, 2012

## CONSENT OF AUDITORS OF NEO MATERIAL TECHNOLOGIES INC.

The Board of Directors of Neo Material Technologies Inc.

We have read the management proxy circular dated April 30, 2012 relating to an arrangement involving Neo Material Technologies Inc. (the "Entity"), Molycorp, Inc., and MCP Exchangeco Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned management proxy circular of our report to the shareholders of the Entity on the consolidated financial statements of the Entity, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated March 8, 2012.

*/s/ "KPMG LLP"*

Chartered Accountants, Licensed Public Accountants  
April 30, 2012  
Toronto, Canada

**CONSENT OF GMP SECURITIES L.P.**

To: The Board of Directors of Neo Material Technologies Inc.

We hereby consent to the reference to the opinion of this firm under "Questions and Answers About the Meeting and the Arrangement", "Summary of the Circular – GMP Securities Fairness Opinion", "Summary of the Circular – Recommendation of the NEM Board", "The Arrangement – GMP Fairness Opinion" and "The Arrangement – Recommendation of the NEM Board", the inclusion of this firm's opinion dated March 8, 2012 as Appendix H to the Circular and being named in the Circular dated April 30, 2012.

*/s/ "GMP Securities L.P."*

Toronto, Canada  
April 30, 2012

(This page intentionally left blank)

**APPENDIX A  
GLOSSARY OF DEFINED TERMS**

The following terms used in this Circular, including without limitation the Notice of Annual & Special Meeting of NEM Shareholders, have the meanings set forth below:

**"Acquisition Proposal"** means, at any time, whether or not in writing, any proposal (including any modification or proposed modification of any such proposal) with respect to (a) any acquisition by any person or group of persons of NEM Common Shares (or securities convertible into or exchangeable or exercisable for NEM Common Shares) representing 20% or more of the NEM Common Shares then outstanding (assuming, if applicable, the conversion, exchange or exercise of such securities convertible into or exchangeable or exercisable for NEM Common Shares) or (b) any acquisition by any person or group of persons of any assets of NEM and/or one or more of the NEM Entities (including shares or other equity interests of any NEM Entity) individually or in the aggregate contributing 20% or more of the consolidated revenue or representing 20% or more of the assets of NEM and NEM Entities taken as a whole (in each case based on the consolidated financial statements of NEM most recently filed prior to such time as part of the NEM Public Disclosure Record) (or any lease, license, royalty, long-term supply agreement or other arrangement having a similar economic effect), whether in a single transaction or a series of related transactions, in each case, whether by plan of arrangement, amalgamation, merger, consolidation, recapitalization, liquidation, dissolution or other business combination, sale of assets, joint venture, take-over bid, tender offer, share exchange, exchange offer or otherwise, including any single or multi-step transaction or series of transactions, directly or indirectly involving NEM or any NEM Entity, and in each case excluding the Arrangement and the other transactions contemplated by this Agreement and any transaction between NEM and/or one or more of its wholly-owned subsidiaries.

**"Ancillary Rights"** means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created by the Voting and Exchange Trust Agreement.

**"Acquisition Agreement"** has the meaning ascribed thereto under "The Arrangement Agreement – Acquisition Proposals".

**"Arrangement"** means the arrangement involving Molycorp, Exchangeco and NEM under the provisions of Section 192 of the CBCA as more particularly described in the Plan of Arrangement, and on the terms and conditions set forth in the Arrangement Agreement resulting, *inter alia*, in the acquisition by Exchangeco of all of the outstanding NEM Common Shares.

**"Arrangement Agreement"** means the arrangement agreement dated March 8, 2012 among Molycorp, Exchangeco and NEM, a copy of which can be accessed under NEM's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**"Arrangement Resolution"** means the special resolution approving the Arrangement in the form attached as Appendix D to this Circular which, to be effective, must be approved by at least two-thirds of the votes cast at the Meeting by NEM Shareholders in person or by proxy.

**"Articles of Arrangement"** means the articles of arrangement of NEM to be filed with the Director in connection with the Arrangement.

**"BCBCA"** means the *Business Corporations Act* (British Columbia), as amended.

**"Beneficial Holder"** has the meaning ascribed thereto under "Rights of Dissenting NEM Shareholders".

**"Business Day"** means a day other than a Saturday, a Sunday or any other day on which major commercial banking institutions in Toronto, Ontario or New York City, New York are closed for business.

**"Call Rights"** means, collectively, the rights of Molycorp and Callco to purchase Exchangeable Shares pursuant to the Liquidation Call Right, the Retraction Call Right, the Redemption Call Right and the Change of Law Call Right.

"**Callco**" means (i) MCP Callco Inc., a subsidiary of Molycorp existing under the laws of the Province of British Columbia, or (ii) any other direct or indirect wholly-owned subsidiary of Molycorp designated by Molycorp from time to time in replacement thereof.

"**Canadian Dollar Equivalent**" means, at any date, in respect of any amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") as of such date, the product obtained by multiplying (i) the Foreign Currency Amount by (ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the board of directors of Exchangeco to be appropriate for such purpose.

"**Canadian GAAP**" means, in relation to any financial year beginning on or before December 31, 2010, accounting principles generally accepted in Canada as adopted by the Canadian Institute of Chartered Accountants, and, in relation to any financial year beginning after December 31, 2010, International Financial Reporting Standards; provided, however, that with respect to the audited financial statements for the year ended December 31, 2011, the comparative financial results for the year ended December 31, 2010 have been restated and presented in accordance with International Financial Reporting Standards.

"**Cash Consideration**" means, in respect of a NEM Common Share transferred to Exchangeco pursuant to Section 3.1(c)(i) or 3.1(d)(i) of the Plan of Arrangement, the amount in cash elected or deemed to be elected in respect of such NEM Common Share by the holder thereof pursuant to Section 3.2 of the Plan of Arrangement, such election to be for a maximum amount per NEM Common Share of C\$11.30.

"**CBCA**" means the *Canada Business Corporations Act*, as amended.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Certificate of Arrangement**" means the certificate of arrangement giving effect to the Arrangement to be issued by the Director pursuant to subsection 192(7) of the CBCA in respect of the Articles of Arrangement.

"**Change of Law**" has the meaning set out in the Plan of Arrangement.

"**Change of Law Call Date**" has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Change of Law Call Right".

"**Change of Law Call Right**" has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Change of Law Call Right".

"**Change of Law Purchase Price**" has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Change of Law Call Right".

"**Change of Recommendation**" has the meaning ascribed thereto under "The Arrangement Agreement - Termination".

"**Circular**" means this management proxy circular of NEM prepared and sent to the NEM Shareholders in connection with the Meeting, including the Appendices attached hereto and the documents incorporated by reference herein.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Commitment Letter**" means the commitment letter dated March 8, 2012, addressed to Molycorp from Morgan Stanley Senior Funding, Inc., Credit Suisse Securities (USA) LLC and Credit Suisse AG, pursuant to which the lenders have committed to provide Molycorp and Exchangeco with the Debt Financing, subject to the terms and conditions set forth therein.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**CRA**" means the Canada Revenue Agency.

"**Current Market Price**" means, in respect of a Molycorp Share on any date, the Canadian Dollar Equivalent of the average closing sale price on the NYSE during the period of 20 consecutive trading days ending on the third trading day immediately before such date or, if the Molycorp Shares are not then listed on the NYSE, on such other stock exchange or automated quotation system on which the Molycorp Shares are listed or quoted, as the case may be, as may be selected by the board of directors of Exchangeco for such purpose; provided, however, that if in the opinion of the board of directors of Exchangeco the public distribution or trading activity of Molycorp Shares during such period does not reflect the fair market value of a Molycorp Share, then the Current Market Price of a Molycorp Share shall be determined by the board of directors of Exchangeco, based upon the advice of such qualified independent financial advisors as the board of directors of Exchangeco may deem to be appropriate; and provided further that any such selection, opinion or determination by the board of directors of Exchangeco shall be conclusive and binding, absent manifest error.

"**Debt Financing**" means financing in an aggregate amount of up to US\$1,025 million to be provided to Molycorp and Exchangeco by Morgan Stanley Senior Financing, Inc., Credit Suisse Securities (USA) LLC and Credit Suisse AG on and subject to the terms and conditions set forth in the Commitment Letter.

"**Depository**" means Computershare Investor Services Inc., in its capacity as depository for the NEM Common Shares under the Arrangement.

"**DGCL**" means the General Corporation Law of the State of Delaware.

"**Director**" means the Director appointed pursuant to Section 260 of the CBCA.

"**Dissent Rights**" means rights to dissent in respect of the Arrangement in accordance with Section 190 of the CBCA as modified by the Interim Order.

"**Dissenting NEM Shareholder**" means a registered holder of NEM Common Shares that has duly and validly exercised Dissent Rights in respect of the Arrangement Resolution and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights.

"**Dissenting Non-Resident Holder**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations – NEM Shareholders Not Resident in Canada – Dissenting Non-Resident Holders".

"**Dissenting Resident Holder**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations – NEM Shareholders Resident in Canada – Dissenting Resident Holders".

"**DSU Plan**" means the Directors Share Unit Plan established by NEM on November 6, 2008, as thereafter amended and restated from time to time.

"**DSUs**" means, at any time, deferred share units granted pursuant to the DSU Plan which are, at such time, outstanding.

"**Effective Date**" means the date on which the Arrangement becomes effective in accordance with the CBCA and the Final Order.

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date or at such other time on the Effective Date as Exchangeco and NEM may agree in writing.

"**Elected Amount**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Exchange of NEM Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction Joint Tax Elections".

**"Election Deadline"** means 4:30 p.m. (Toronto time) on Tuesday, May 29, 2012 (the Business Day immediately prior to the date of the Meeting) or, if such Meeting is adjourned or postponed, 4:30 p.m. (Toronto time) on the Business Day immediately prior to the date of such adjourned or postponed Meeting.

**"Eligible Holder"** means a NEM Shareholder who (i) is a Canadian Resident and (ii) is not exempt from tax under Part I of the ITA (or, in the case of a partnership, none of the partners of which is exempt from tax under Part I of the ITA).

**"Eligible Share"** means a NEM Common Share that the holder thereof has elected in accordance with Section 3.2 of the Plan of Arrangement, or has been deemed in accordance with Section 3.2 of the Plan of Arrangement to have made an election, to transfer to Exchangeco for Eligible Share Consideration or a combination of Eligible Share Consideration and Cash Consideration; provided, however, that a NEM Common Share that is not otherwise an Eligible Share shall be deemed to be an Eligible Share if (i) such NEM Common Share is not otherwise an Eligible Share because the holder thereof has elected to receive Cash Consideration only for such NEM Common Share and (ii) such holder is an Eligible Holder who has elected, in a duly completed Letter of Transmittal and Election Form deposited with the Depositary no later than the Election Deadline, to receive Eligible Share Consideration in the event and to the extent that the Cash Consideration is pro-rated in accordance with Section 3.3 of the Plan of Arrangement.

**"Eligible Share Consideration"** means, in respect of an Eligible Share transferred to Exchangeco pursuant to Section 3.1(c)(i) of the Plan of Arrangement, the number of Exchangeable Shares (together with Ancillary Rights) elected or deemed to be elected in respect of such Eligible Share by the holder thereof pursuant to Section 3.2 of the Plan of Arrangement, such election to be for a maximum of 0.4242 Exchangeable Shares (together with Ancillary Rights) for each Eligible Share.

**"Exchangeable Share"** means an exchangeable share in the capital of Exchangeco, as more particularly described in Appendix I of the Plan of Arrangement.

**"Exchangeable Share Consideration"** has the meaning set out in the Exchangeable Share Provisions.

**"Exchangeable Share Price"** means, at any time, for each Exchangeable Share, an amount equal to the aggregate of:

- (a) the Current Market Price of one Molycorp Share at such time;
- (b) the full amount of all cash dividends declared, payable and unpaid, at such time, on such Exchangeable Share;
- (c) the full amount of all non-cash dividends declared, payable and unpaid, at such time, on such Exchangeable Share; and
- (d) the full amount of all dividends declared and payable or paid in respect of each Molycorp Share which have not, at such time, been declared or paid on Exchangeable Shares in accordance with the Exchangeable Share Provisions.

**"Exchangeable Share Provisions"** means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions will be in substantially the form set out in Appendix I to the Plan of Arrangement.

**"Exchangeco"** means MCP Exchangeco Inc., a subsidiary of Molycorp existing under the laws of the Province of British Columbia.

**"Exchangeco Insolvency Event"** means (i) the institution by Exchangeco of any proceeding to be adjudicated a bankrupt or insolvent or to be dissolved or wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency, dissolution or winding-up proceedings against it, (ii) the filing by Exchangeco of a petition, answer or



consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including the *Companies Creditors' Arrangement Act* (Canada) and the *Bankruptcy and Insolvency Act* (Canada), or the failure by Exchangeco to contest in good faith any such proceedings commenced in respect of Exchangeco within 30 days of becoming aware thereof, or the consent by Exchangeco to the filing of any such petition or to the appointment of a receiver, (iii) the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they become due, or (iv) Exchangeco not being permitted, pursuant to solvency requirements of applicable law, to redeem any Exchangeable Shares pursuant to section 6(a)(iii) of the Exchangeable Share Provisions specified in a retraction request delivered to Exchangeco in accordance with section 6 of the Exchangeable Share Provisions.

**"Exchangeable Share Voting Event"** means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Exchangeco, other than an Exempt Exchangeable Share Voting Event, and, for greater certainty, excluding any matter in respect of which holders of Exchangeable Shares are entitled to vote (or instruct the Voting and Exchange Trustee to vote) in their capacity as Beneficiaries under (and as that term is defined) in the Voting and Exchange Trust Agreement.

**"Exchange Right"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Exchangeco Insolvency Event – Exchange Right".

**"Exempt Exchangeable Share Voting Event"** means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of Exchangeco to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change is required to maintain the economic equivalence of the Exchangeable Shares and the Molycorp Shares.

**"Exemptive Relief"** means all orders, if any, required from the applicable securities regulatory authorities to permit the first resale of (i) the Exchangeable Shares issued pursuant to Section 3.1(c) of the Plan of Arrangement and (ii) the Molycorp Shares issued from time to time upon exchange of such Exchangeable Shares in accordance with their terms, in each case without qualification with or approval of or the filing of any prospectus, or the taking of any proceeding with, or the obtaining of any further order, ruling or consent from, any securities regulatory authorities (other than, with respect to such first resales, any restrictions on transfer by reason of a holder being a "control person" of Molycorp, Exchangeco, or Calco for purposes of Canadian securities Laws).

**"Final Order"** the order of the Court in a form acceptable to NEM and Exchangeco, each acting reasonably, approving the Arrangement under subsection 192(4) of the CBCA, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both NEM and Exchangeco, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or amended (provided that any such amendment is acceptable to both NEM and Exchangeco, each acting reasonably) on appeal.

**"GMP Securities"** means GMP Securities L.P., the financial advisor to NEM.

**"GMP Securities Fairness Opinion"** means the fairness opinion of GMP Securities dated March 8, 2012 with respect to the Arrangement, a copy of which is attached as Appendix H to this Circular.

**"Governmental Authority"** means any international, multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any ministry, department, division, bureau, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the TSX or any other stock exchange), domestic or foreign, exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel, arbitrator or arbitral body acting under the authority of any of the foregoing.

**"Indemnified Party"** has the meaning ascribed thereto under the heading "The Arrangement — Interests of Certain Persons in the Arrangement — Indemnification of Directors and Officers".

**"Interim Order"** means the interim order of the Court in respect of the Arrangement dated April 30, 2012, a copy of which is attached as Appendix G to this Circular providing for, among other things, the calling and holding of the Meeting, as may be amended, modified, supplemented or varied by the Court with the consent of both NEM and Exchangeco, acting reasonably.

**"ITA"** means the *Income Tax Act (Canada)*, as amended.

**"Joint Tax Election"** has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations — NEM Shareholders Resident in Canada — Exchange of NEM Common Shares for Consideration Including Exchangeable Shares and Ancillary Rights — Rollover Transaction Joint Tax Elections".

**"Laws"** means any and all laws, statutes, codes, ordinances (including zoning), decrees, rules, regulations, by-laws, notices, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, injunctions, orders, decisions, rulings, determinations or awards, decrees or other requirements of any Governmental Authority having the force of law and any legal requirements arising under the common law or principles of law or equity and the term **"applicable"** with respect to such Laws and, in the context that refers to any person, means such Laws as are applicable at the relevant time or times to such person or its business, undertaking, property or securities and emanate from a Governmental Authority having jurisdiction over such person or its business, undertaking, property or securities.

**"Letter of Transmittal and Election Form"** means the letter of transmittal and election form (printed on yellow paper) that accompanies this Circular.

**"Liquidation Amount"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Distribution on Liquidation and Associated Call Right".

**"Liquidation Call Right"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Change of Law Call Right".

**"Liquidation Call Purchase Price"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Change of Law Call Right".

**"Liquidation Date"** means the effective date of the liquidation, dissolution or winding-up of Exchangeco or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding up its affairs.

**"LTIP"** means the long-term incentive plan of NEM effective as of September 21, 2006, as thereafter amended and restated from time to time.

**"Material Adverse Effect"** means, in respect of NEM or Molycorp, as the case may be, any result, fact, change, effect, event, circumstance, occurrence or development that, taken together with all other results, facts, changes, effects, events, circumstances, occurrences or developments, has or would reasonably be expected to have a material and adverse effect on the business, operations, results of operations or condition (whether financial or otherwise) of such party and its subsidiaries (or, with respect to NEM, the NEM Entities), taken as a whole; provided, however, that any result, fact, change, effect, event, circumstance, occurrence or development that arises out of, relates directly or indirectly to, results directly or indirectly from or is attributable to any of the following shall not be deemed to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Effect:

- (a) changes, developments or conditions in or relating to general international, political, economic or financial or capital market conditions, or political, economic or financial or capital market conditions in any jurisdiction in which the applicable party or any of the subsidiaries (or, with respect to NEM, the NEM Entities) operate or carry on business;

- (b) changes, developments or conditions resulting from any act of sabotage or terrorism or any outbreak of hostilities or declared or undeclared war, or any escalation or worsening of such acts of sabotage, terrorism, hostilities or war;
- (c) any earthquake, hurricane, tornado or other similar natural disaster;
- (d) changes or developments in or relating to currency exchange or interest rates or changes in the price of rare earth materials or products incorporating any such rare earth materials;
- (e) changes or developments generally affecting the rare earth mining industry in general or the supply or processing of rare earth materials or products incorporating any such rare earth materials;
- (f) any actual or proposed change in quotas of rare earth permitted to be exported from the People's Republic of China;
- (g) any adoption, change or proposed change in any Laws or the interpretation, application or non-application of any Laws by any Governmental Authority;
- (h) any adoption, change or proposed change in Canadian GAAP or U.S. GAAP;
- (i) any change in the market price or trading volume of any securities of NEM or Molycorp (it being understood that the causes underlying such change in market price may be taken into account in determining whether a Material Adverse Effect has occurred) or any suspension of trading in securities generally on any securities exchange on which any securities of NEM or Molycorp trade;
- (j) (i) with respect to NEM, any actions taken (or omitted to be taken) by NEM upon the request of Molycorp or Exchangeco and (ii) with respect to Molycorp, any actions taken (or omitted to be taken) by Molycorp upon the request of NEM;
- (k) any failure by such party to meet any internal or publicly disclosed projections, forecasts or estimates of, or guidance relating to, revenue, earnings or cash flow of such party, whether made by or attributed to such party or any financial analyst or other person;
- (l) the announcement of the execution of the Arrangement Agreement or the transactions contemplated hereby, the pendency of the completion of the transactions contemplated hereby, the performance of any obligation contemplated hereunder or the completion of any of the transactions contemplated hereby; or
- (m) any legal proceeding commenced by or involving any current or former securityholders of Molycorp or NEM arising out of or relating to the Arrangement Agreement;

provided, however, that each of clause (a) through (e) above shall not apply to the extent that any of the changes, developments, conditions or occurrences referred to therein relate primarily to (or have the effect of relating primarily to) such party or any of its subsidiaries (or, with respect to NEM, the NEM Entities) or disproportionately adversely affect such party and its subsidiaries (or, with respect to NEM, NEM Entities), taken as a whole, in comparison to other persons who operate in the same industry as such party and its subsidiaries (or, with respect to NEM, the NEM Entities); and provided, further, however, that references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a Material Adverse Effect has occurred.

**"Maximum Cash Amount"** means the maximum aggregate amount of cash to be paid to NEM Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) of the Plan of Arrangement, which amount shall equal the product of (i)

C\$8.05 and (ii) the number of NEM Common Shares (excluding Common Shares in respect of which Dissent Rights have been duly exercised) that are issued and outstanding on the Effective Date.

**"Maximum Share Amount"** means the maximum aggregate number of Exchangeable Shares and Molycorp Shares to be issued to NEM Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) of the Plan of Arrangement, which number shall equal the product of (i) 0.1220 and (ii) the number of NEM Common Shares (excluding NEM Common Shares in respect of which Dissent Rights have been duly exercised) that are issued and outstanding on the Effective Date; provided, however, that in the event that the Maximum Share Amount is, on the Effective Date, equal to or in excess of 20% of the then issued and outstanding Molycorp Shares, then (x) the Maximum Share Amount shall be reduced to that number of shares (rounded down to the nearest whole share) representing 19.99% of the Molycorp Shares then issued and outstanding and (y) the Maximum Cash Amount shall be increased by a proportionate amount.

**"Meeting"** means the annual and special meeting of the NEM Shareholders to be held at 10:00 a.m. on Wednesday, May 30, 2012 and any adjournment(s) or postponement(s) thereof to, among other things, consider and, if thought advisable, approve the Arrangement Resolution.

**"Molycorp"** means Molycorp, Inc., a corporation existing under the laws of Delaware.

**"Molycorp Control Transaction"** shall be deemed to have occurred if:

- (a) any person acquires (including by way of plan of arrangement), directly or indirectly, any voting security of Molycorp and, immediately after such acquisition, the acquirer directly or indirectly owns, or exercises control and direction over, voting securities representing more than 50% of the total voting power of all of the then outstanding voting securities of Molycorp;
- (b) the shareholders of Molycorp approve a merger, consolidation, recapitalization or reorganization of Molycorp, other than any such transaction which would result in the holders of outstanding voting securities of Molycorp immediately prior to such transaction directly or indirectly owning, or exercising control and direction over, voting securities representing more than 50% of the total voting power of all of the voting securities of the surviving entity outstanding immediately after such transaction;
- (c) the shareholders of Molycorp approve a liquidation of Molycorp; or
- (d) Molycorp sells or disposes of all or substantially all of its assets.

**"Molycorp Dividend Declaration Date"** means the date on which the board of directors of Molycorp declares any dividend or other distribution on the Molycorp Shares.

**"Molycorp Liquidation Event"** means:

- (a) any determination by the board of directors of Molycorp to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Molycorp or to effect any other distribution of assets of Molycorp among its shareholders for the purpose of winding up its affairs; or
- (b) the commencement of any instituted claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding-up of Molycorp or to effect any other distribution of assets of Molycorp among its shareholders for the purpose of winding up its affairs, in each case where Molycorp has failed to contest in good faith any such proceeding commenced in respect of Molycorp within 10 days of becoming aware thereof.

**"Molycorp Shares"** means the common stock of Molycorp.

"**Named Executive Officers**" has the meaning ascribed thereto under the heading "Annual Business of the Meeting - Statement of Executive Compensation".

"**NEM**" means Neo Material Technologies Inc., a corporation incorporated under the CBCA.

"**NEM Board**" means the board of directors of NEM.

"**NEM Common Shares**" means common shares in the capital of NEM.

"**NEM Convertible Debentures**" means the convertible debentures of NEM issued pursuant to the NEM Indenture.

"**NEM Entities**" means, collectively, NEM and its material subsidiaries and joint ventures.

"**NEM Indenture**" means the debenture indenture between NEM and Computershare Trust Company of Canada dated June 2, 2011.

"**NEM Option Consideration**" means, in respect of each NEM Option, a cash amount equal to the amount, if any, by which the Total Consideration exceeds the exercise price of such NEM Option.

"**NEM Optionholders**" means holders of NEM Options.

"**NEM Options**" means, at any time, options to acquire NEM Common Shares granted under the NEM Stock Option Plan, which are, at such time, outstanding and unexercised, whether or not vested.

"**NEM Rights Plan**" means the shareholder rights plan agreement dated as of February 5, 2004 between NEM and Computershare Trust Company of Canada, as it may be amended from time to time.

"**NEM Shareholders**" means the holders of NEM Common Shares.

"**NEM Stock Option Plan**" means the amended and restated stock option plan of NEM effective November 12, 2007, as it may be amended from time to time.

"**NI 45-102**" means National Instrument 45-102 — *Resale of Securities* of the Canadian Securities Administrators.

"**NI 45-106**" means National Instrument 45-106 — *Prospectus and Registration Exemptions* of the Canadian Securities Administrators.

"**NI 51-102**" means National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

"**NI 54-101**" means National Instrument 54-101 — *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

"**NI 71-102**" means National Instrument 71-102 — *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* of the Canadian Securities Administrators.

"**Non-Disclosure Agreement**" means the non-disclosure agreement dated March 24, 2010 between NEM and Molycorp Minerals, LLC, a wholly-owned subsidiary of Molycorp.

"**Non-U.S. Holder**" means a beneficial owner of NEM Common Shares other than a U.S. Holder.

"**Notice of Application**" means the Notice of Application for the Final Order.

"**NYSE**" means the New York Stock Exchange.

**"Outside Date"** means the date that is 180 days after the date of the Arrangement Agreement or such later date as may be agreed to in writing by the NEM, Molycorp and Exchangeco.

**"Performance Units"** means, at any time, performance awards and performance units granted pursuant to the LTIP which are, at such time, outstanding, whether or not earned or vested.

**"person"** includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, joint venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Authority or other entity, whether or not having legal status.

**"PFIC"** means a passive foreign investment company.

**"Plan of Arrangement"** means the plan of arrangement in the form and content set out in Appendix E of this Circular, including any appendices thereto, and any amendments, modifications or supplements thereto made from time to time in accordance with the terms thereof or made at the direction of the Court in the Final Order.

**"Record Date"** means April 27, 2012.

**"Redemption Call Right"** shall have the meaning set out in the Plan of Arrangement.

**"Redemption Date"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Redemption of Exchangeable Shares and Associated Call Right".

**"Redemption Price"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Redemption of Exchangeable Shares and Associated Call Right".

**"Registration Statement"** means the registration statement of Molycorp on Form S-3 in order to register the Molycorp Shares issued from time to time upon exchange of the Exchangeable Shares in accordance with their terms under the 1933 Act.

**"Representatives"** of a person means, collectively, the directors, officers, employees, professional advisors, agents or other authorized representatives of such person.

**"Resident Holder"** has the meaning ascribed there to under "Certain Canadian Federal Income Tax Considerations – NEM Shareholders Resident in Canada".

**"Retraction Call Right"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Retraction of Exchangeable Shares and Associated Call Right".

**"Retraction Call Right Purchase Price"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Retraction of Exchangeable Shares and Associated Call Right".

**"Retraction Date"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Retraction of Exchangeable Shares and Associated Call Right".

**"Retraction Price"** has the meaning ascribed thereto under "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares – Retraction of Exchangeable Shares and Associated Call Right".

**"Retraction Request"** means, in respect of Exchangeable Shares, a duly executed request in the form of Schedule A to the Exchangeable Share Provisions that Exchangeco redeem such Exchangeable Shares.

**"Right to Match Period"** has the meaning ascribed thereto under the heading "The Arrangement Agreement — Acquisition Proposals — Right to Match".

**"RSUs"** means, at any time, restricted share units granted pursuant to the LTIP which are, at such time, outstanding.

**"SARs"** means stock appreciation rights, granted pursuant to the LTIP, whether or not in tandem with NEM Options under the NEM Stock Option Plan.

**"SAR Consideration"** means, in respect of each SAR, a cash amount equal to the amount, if any, by which the Total Consideration exceeds the "SARs Base Price" (as defined in the LTIP) of such SAR.

**"Share Consideration"** means, in respect of a NEM Common Share transferred to Exchangeco pursuant to Section 3.1(d)(i) of the Plan of Arrangement, the number of Molycorp Shares elected or deemed to be elected in respect of each NEM Common Share pursuant to Section 3.2 of the Plan of Arrangement, such election to be for a maximum of 0.4242 Molycorp Shares for each NEM Common Share.

**"SEC"** means the United States Securities and Exchange Commission.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval.

**"Special Committee"** means the special committee of the NEM Board consisting of three independent directors (Mr. Peter O'Connor (Chair), Mr. Jackson and Mr. Macfarlane), to oversee and supervise the process carried out by NEM in negotiating and entering into the Arrangement Agreement and to advise the NEM Board with respect to any recommendation that the NEM Board should make to NEM Shareholders.

**"Special Voting Share"** means the special voting share in the capital of Molycorp having substantially the rights, privileges, restrictions and conditions described in the Voting and Exchange Trust Agreement.

**"subsidiary"** has the meaning ascribed thereto by the CBCA.

**"Superior Proposal"** means any *bona fide* written Acquisition Proposal (provided, however, that, for the purposes of this definition, all references to "20%" in the definition of "Acquisition Proposal" shall be changed to "100%") made by a third party or third parties acting jointly (other than Exchangeco and its affiliates) and which or in respect of which: (i) the NEM Board has determined in good faith, after consultation with its financial advisors and outside legal counsel, (a) would, taking into account all of the terms and conditions of such Acquisition Proposal, and if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction which is more favourable to NEM Shareholders from a financial point of view than the Arrangement; and (b) is reasonably capable of being completed in accordance with its terms, without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person or persons making such Acquisition Proposal; (ii) is not subject to any due diligence condition or due diligence termination right in favour of the acquirer; and (iii) is made available to all of the NEM Shareholders on the same terms and conditions.

**"Superior Proposal Notice"** has the meaning ascribed thereto under "The Arrangement Agreement – Acquisition Proposals – Right to Match".

**"Support Agreement"** means the support agreement to be made among Molycorp, Callco and Exchangeco in substantially the form and substance of Schedule D to the Arrangement Agreement.

**"Termination Fee"** means a termination fee of C\$30 million.

**"TFSA"** means a tax-free savings account within the meaning of the ITA.

**"Total Consideration"** means C\$11.30 per NEM Common Share;

**"Transfer Agent"** means Computershare Investor Services Inc. or such other person as may from time to time be appointed by Exchangeco as the registrar and transfer agent for the Exchangeable Shares.

**"TSX"** means the Toronto Stock Exchange.

**"U.S. GAAP"** means accounting principles generally accepted in the United States.

**"U.S. Holder"** means a beneficial owner of NEM Common Shares that, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the U.S., (ii) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state thereof or of the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either has a valid election in effect to be treated as a U.S. person or is subject to the supervision of a court within the U.S. and which has one or more U.S. persons with authority to control all of its substantial decisions.

**"Voting and Exchange Trust Agreement"** means a voting and exchange trust agreement made among Molycorp, Exchangeco and Computershare Trust Company of Canada in substantially the form of Schedule E of the Arrangement Agreement.

**"Voting and Exchange Trustee"** means Computershare Trust Company of Canada or an affiliate.

**"1933 Act"** means the United States *Securities Act of 1933*, as amended.

**"1934 Act"** means the United States *Securities Exchange Act of 1934*, as amended.



**APPENDIX B**  
**COMPARISON OF RIGHTS OF NEM SHAREHOLDERS AND MOLYCORP STOCKHOLDERS**

The rights of NEM Shareholders are governed by the CBCA and by NEM's articles and by-laws. Following the Arrangement, NEM Shareholders who receive Molycorp Shares as part of the Arrangement (or who elect to receive Exchangeable Shares and who subsequently exchange such Exchangeable Shares for Molycorp Shares) will become common stockholders of Molycorp and, as such, their rights will be governed by the DGCL and by Molycorp's Amended and Restated Certificate of Incorporation (the "**Certificate of Incorporation**") and by-laws. In addition, NEM Shareholders who receive Exchangeable Shares as part of the Arrangement will receive shares of a BCBCA corporation that will provide the holder thereof with economic and voting rights which are substantially equivalent to the Molycorp Shares.

The following is a summary of the material differences between the rights of NEM Shareholders and the rights of common stockholders of Molycorp under the CBCA and DGCL, respectively. This summary is not a complete comparison of rights that may be of interest, and NEM Shareholders are encouraged to read the full text of the respective certificates of incorporation, articles and by-laws, as applicable, of NEM at [www.sedar.com](http://www.sedar.com) under the NEM profile and Molycorp at [www.sec.gov](http://www.sec.gov) under the Molycorp profile.

	<u>NEM Shareholder Rights</u>	<u>Molycorp Stockholder Rights</u>
<b>Authorized Share Capital</b>	NEM is authorized by its articles to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in one or more series.	Molycorp is authorized by the Certificate of Incorporation to issue 355 million shares of stock, consisting of (i) 350 million shares of common stock, each share having a par value of US\$0.001 and (ii) five million shares of preferred stock, each share having a par value of US\$0.001.  The board of directors may fix relative powers, preferences, rights and qualifications, limitations or restrictions on the preferred stock, or any series thereof, to the extent permitted by Section 151 of the DGCL.
<b>Voting Rights</b>	Unless a ballot is directed by the chair of a meeting of the shareholders or demanded by a shareholder entitled to vote at the meeting, motions are voted on by a show of hands with each person having one vote (regardless of the number of shares such person is entitled to vote). If voting is conducted by ballot, each person is entitled to one vote (or such other number as may be provided in the articles) for each share such person is entitled to vote.	Each common stockholder of record is entitled to one vote for each share of common stock such stockholder is entitled to vote. Stockholders are not entitled to preemptive rights or to cumulative voting.
<b>Shareholder Approval of Business Combinations; Fundamental Changes</b>	Certain fundamental changes such as amendments to articles, certain by-law amendments, certain amalgamations (other than with certain affiliated corporations), continuances to another jurisdiction and sales, leases or exchanges of all or substantially all of the property of a corporation (other than in the ordinary	Under the DGCL, a merger, consolidation, sale, lease or exchange of all or substantially all of the property of a corporation or a dissolution of the corporation, is generally required to be approved by the holders of a majority of the shares entitled to vote on the matter, unless the certificate of incorporation or

course of business) and other extraordinary corporate actions such as liquidations, dissolutions and arrangements (if ordered by a court) are required to be approved by special resolution. A special resolution is a resolution (i) passed by not less than two-thirds of the votes cast by the shareholders who voted in respect of the resolution at a meeting duly called and held for that purpose or (ii) signed by all shareholders entitled to vote on the resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares, including in certain cases a class or series of shares not otherwise carrying voting rights (unless in certain cases the share provisions with respect to such class or series of shares provides otherwise).

In addition, the CBCA provides that, where it is not practicable for a corporation (that is not an insolvent corporation) to effect such a fundamental change under any other provision contemplated under the CBCA, the corporation may apply to a court for an order approving an arrangement. In general, a plan of arrangement is approved by a corporation's board of directors and then is submitted to a court for approval. It is not unusual for a corporation in such circumstances to apply to a court initially for an interim order governing various procedural matters prior to calling any security holder meeting to consider the proposed arrangement. The court determines to whom notice shall be given and whether, and in what manner, approval of any person is to be obtained and also determines whether any shareholders may dissent from the proposed arrangement and receive payment of the fair value of their shares. Following compliance with the procedural steps contemplated in any such interim order (including as to obtaining security holder approval), the court would conduct a final hearing and approve or reject the proposed arrangement.

Subject to approval by the persons entitled to notice and to issuance of the final order, articles of arrangement are executed and filed by the corporation. The articles of arrangement must contain details of the plan, the court's approval and the manner

by-laws provides otherwise.

In addition, mergers in which one corporation owns 90% or more of each class of stock of a second corporation may be completed without the vote of the second corporation's board of directors or stockholders. In certain situations, the approval of a business combination may require approval by a certain number of the holders of a class or series of shares. The DGCL does not contain a procedure comparable to a plan of arrangement under the CBCA.

Under Section 203 of the DGCL, subject to certain exceptions, a corporation may not engage in any "business combination" with any interested stockholder for three years following the time such stockholder became an interested stockholder. These restrictions will not apply if the corporation's original certificate of incorporation contains a provision expressly electing not to be governed by these provisions or if the corporation's certificate of incorporation or by-laws are amended to contain such a provision or under certain other circumstances. Molycorp has not made such an election nor has it amended its Certificate of Incorporation or by-laws to permit such business combinations and thus Molycorp is subject to Section 203 of the DGCL, an anti-takeover law restricting business combinations with any interested stockholder.

See also "Special Vote Required for Combinations with Interested Shareholders" section below describing certain restrictions on business combinations with interested stockholders.

in which the plan was approved, if so required by the court order. Finally, the articles of arrangement are filed with Industry Canada, which after such filing issues a certificate of arrangement. The arrangement becomes effective on the date shown in the certificate of arrangement.

**Special Vote Required  
for Combinations with  
Interested  
Shareholders**

The CBCA does not contain a provision comparable to Section 203 of the DGCL with respect to business combinations. However, MI 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") contains detailed requirements in connection with "related party transactions." A related party transaction means, generally, any transaction by which an issuer, directly or indirectly, consummates one or more specified transactions with a related party, including purchasing or disposing of an asset, issuing securities or assuming liabilities. "Related party" as defined in MI 61-101 includes (i) directors and senior officers of the issuer, (ii) holders of voting securities of the issuer carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities, and (iii) holders of a sufficient number of any securities of the issuer to materially affect control of the issuer.

MI 61-101 requires, subject to certain exceptions, specific detailed disclosure in the proxy (information) circular sent to security holders in connection with a related party transaction where a meeting is required and, subject to certain exceptions, the preparation of a formal valuation of the subject matter of the related party transaction and any non-cash consideration offered in connection therewith, and the inclusion of a summary of the valuation in the proxy circular. MI 61-101 also requires, subject to certain exceptions, that an issuer not engage in a related party transaction unless the disinterested shareholders of the issuer have approved the related party transaction by a simple majority of the votes cast.

Section 203 of the DGCL provides (in general) that a corporation may not engage in a business combination with an interested stockholder for a period of three years after the time the person became an interested stockholder. The prohibition on business combinations with interested stockholders does not apply in some cases, including if: (i) the board of directors of the corporation, prior to the time in which the person became an interested stockholder, approves (a) the business combination or (b) the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding specified shares; or (iii) the board of directors and the holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder approve the business combination on or after the time of the transaction in which the person became an interested stockholder in accordance with the procedural requirements of Section 203 of the DGCL.

For the purpose of Section 203, the DGCL generally defines an interested stockholder to include any person who, together with that person's affiliates or associates, (i) owns 15% or more of the outstanding voting stock of the corporation, (ii) is an affiliate or associate of the corporation and owned 15% or more of the outstanding voting stock of the corporation at any time within the three years immediately prior to the relevant date or (iii) an affiliate or associate of a person or entity in (i) or (ii).

**Appraisal Rights;  
Rights to Dissent;  
Compulsory  
Acquisition**

*Appraisal and Dissent Rights*

The CBCA provides that shareholders of a corporation are entitled to exercise dissent rights in respect of certain matters and to be paid the fair value of their shares in connection therewith. Such matters include: (i) an amalgamation with another corporation (other than with certain affiliated corporations); (ii) an amendment to the corporation's articles to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of the class in respect of which a shareholder is dissenting; (iii) an amendment to the corporation's articles to add, change or remove any restriction on the business or businesses that the corporation may carry on; (iv) a continuance under the laws of another jurisdiction; (v) a sale, lease or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business; (vi) a court order permitting a shareholder to dissent in connection with an application to the court for an order approving an arrangement proposed by the corporation; (vii) the carrying out of a going-private transaction or a squeeze-out transaction; and (viii) certain amendments to the articles of a corporation which require a separate class or series vote by a holder of shares of any class or series entitled to vote on such matters, including in certain cases a class or series of shares not otherwise carrying voting rights; provided that a shareholder is not entitled to dissent if any amendment to the articles is effected by a court order (a) approving a reorganization or (b) made in connection with an action for an oppression remedy.

The CBCA's oppression remedy enables a court to make any order, both interim and final, to rectify the matters complained of if the court is satisfied upon application by a complainant (as defined below) that: (i) any act or omission of the corporation or an affiliate effects a result; (ii) the business or affairs of the corporation or an affiliate are or have been carried on or conducted in a manner; or (iii) the powers of the directors of the corporation or an affiliate are or have been exercised in a manner,

Under the DGCL, a stockholder of a corporation does not have appraisal rights in connection with a merger or consolidation, if, among other things: (i) the corporation's shares are listed on a national securities exchange or held of record by more than 2,000 stockholders; or (ii) the corporation will be the surviving corporation of the merger and no vote of its stockholders is required to approve the merger. The DGCL grants appraisal rights only in the case of mergers or consolidations and not in the case of a sale or transfer of assets or a purchase of assets for stock.

However, a stockholder is entitled to appraisal rights in the case of a merger or consolidation if the stockholder is required to accept in exchange for the shares anything other than: (i) shares of stock of the corporation surviving or resulting from the merger or consolidation; (ii) shares of any other corporation that on the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 stockholders; (iii) cash instead of fractional shares of the corporation; or (iv) any combination of (i), (ii) and (iii).

Molycorp's common stock is currently listed on the New York Stock Exchange and it is expected that, at the Effective Time, the Exchangeable Shares will be authorized for listing on the TSX, subject only to satisfaction of standard conditions.

There is no remedy under the DGCL that is comparable to the CBCA's oppression remedy.

that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer of the corporation.

A "complainant" means: (i) a present or former registered holder or beneficial owner of securities of a corporation or any of its affiliates; (ii) a present or former officer or director of the corporation or any of its affiliates; (iii) the "Director" appointed by the Minister under the CBCA; and (iv) any other person who in the discretion of the court is a proper person to make such application.

The oppression remedy provides the court with extremely broad and flexible jurisdiction to intervene in corporate affairs to protect shareholders and other complainants. While conduct that is in breach of a director's fiduciary duty owed to the corporation or that is contrary to the legal right of a complainant will normally trigger the court's jurisdiction under the oppression remedy, the exercise of that jurisdiction does not depend on a finding of a breach of such legal and equitable rights. Furthermore, the court may order a corporation to pay the interim expenses of a complainant seeking an oppression remedy, but the complainant may be held accountable for such interim costs on final disposition of the complaint (as in the case of a derivative action). The complainant is not required to give security for costs in an oppression action.

#### *Compulsory and Compelled Acquisitions*

The CBCA provides that if, within 120 days after the date of a take-over bid made to shareholders of a corporation, the bid is accepted by the holders of not less than 90% of the shares (other than the shares held by the offeror or an affiliate of the offeror) of any class of shares to which the bid relates, the offeror is entitled to acquire (on the same terms on which the offeror acquired shares under the take-over bid) the shares held by those holders of shares of that class who did not accept the take-over bid. If a shareholder who did not accept the take-over bid (a "dissenting offeree") does not receive an offeror's notice, with respect to a compulsory acquisition (as described in the preceding sentence), that shareholder may require the

offeror to acquire those shares on the same terms under which the offeror acquired (or will acquire) the shares owned by the shareholders who accepted the takeover bid.

**Shareholder Consent to Action Without a Meeting**

Under the CBCA, shareholder action without a meeting may be taken by written resolution signed by all shareholders who would be entitled to vote on the relevant issue at a meeting (other than where a written statement is submitted by a director or auditor giving reasons for resigning or for opposing any proposed action or resolution, in accordance with the CBCA).

Under the DGCL, unless otherwise provided in the certificate of incorporation, any action required to be taken or that may be taken at a meeting of the stockholders may be taken without a meeting and without prior notice if written consent to the action is signed by the holders of outstanding stock having the minimum number of votes that would be necessary to authorize or take the action at a meeting of the stockholders.

Molycorp's Certificate of Incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent.

**Special Meetings of Shareholders**

Under the CBCA, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at the meeting sought to be held may require that the directors call a meeting of shareholders. Upon meeting the technical requirements set out in the CBCA for making such a request, the directors of the corporation must call a meeting of shareholders. If they do not call such meeting within 21 days after receiving the request, any shareholder who signed the request may call the meeting.

Under the DGCL, a special meeting of stockholders may be called only by the board of directors or by persons authorized in the certificate of incorporation or the by-laws.

Molycorp's Certificate of Incorporation and by-laws provide that special meetings of the stockholders may be called at any time by the chairman of the board of directors, the chief executive officer, the president, or the secretary within 10 calendar days after receipt by the chairman and the secretary of the written request of a majority of the members of the board of directors. Stockholders do not have the right to call special meetings.

**Distributions and Dividends; Repurchases and Redemptions**

Under the CBCA, a corporation may pay a dividend by issuing fully paid shares of the corporation. A corporation may also pay a dividend in money or property unless there are reasonable grounds for believing that: (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. NEM's by-laws provide that dividends or other distributions payable in cash may be paid to some shareholders in Canadian

Under the DGCL, a corporation may, subject to any restrictions in its certificate of incorporation, declare and pay dividends out of its surplus or, if there is no surplus, out of its net profits for the current and/or the preceding fiscal year, unless the capital of the corporation is less than the capital represented by issued and outstanding stock having a preference on asset distributions. Surplus is defined in the DGCL as the excess of the net assets over capital.

A Delaware corporation may purchase

currency and to other shareholders in equivalent amounts of other currency or currencies, in the discretion of the board of directors.

Under the CBCA, the purchase or other acquisition by a corporation of its shares is generally subject to solvency tests similar to those applicable to the payment of dividends, as set out above.

The CBCA provides that no rights, privileges, restrictions or conditions attached to a series of shares shall confer on a series a priority in respect of dividends or return of capital over any other series of shares of the same class that are then outstanding.

The CBCA provides that a corporation shall have one or more directors, but a corporation whose shares are publicly traded shall have not fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates. NEM's articles provide that it may have a minimum of three and a maximum of fifteen directors and that the directors may appoint one or more directors to hold office until the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders. NEM's by-laws provide that the number of directors shall be the total number of directors most recently elected by the shareholders, plus, if applicable, the number of additional directors appointed by the board of directors following such election.

Under the CBCA, a vacancy among the directors created by the removal of a director may be filled at a meeting of shareholders at which the director is removed. The CBCA also allows a vacancy on the board of directors to be filled by a quorum of directors, except when the vacancy results from an increase in the number or minimum or maximum number of directors or from a failure to elect the number or minimum number of directors required by the articles.

The CBCA provides that at least 25% of the directors (or if a corporation has less than four directors, at least one director)

or redeem shares of any class except when its capital is impaired or would be impaired by the purchase or redemption. A corporation may, however, purchase or redeem out of capital, shares that are entitled upon any distribution of its assets to a preference over another class or series of its stock or, if no shares entitled to such a preference are outstanding, any of its own shares, if such shares are to be retired and the capital reduced.

The DGCL provides that the board of directors of a corporation shall consist of one or more members. Molycorp's Certificate of Incorporation and by-laws provide that the board of directors shall consist of such number of directors as may be determined from time to time by the board of directors or by the affirmative vote of the stockholders representing two-thirds of the stock entitled to vote, but such number shall be not less than seven nor more than eleven.

Under the DGCL, a vacancy or a newly created directorship may be filled by a majority vote of the remaining directors, although less than a quorum, unless otherwise provided in the certificate of incorporation or by-laws. Molycorp's Certificate of Incorporation and by-laws provide that any vacancy, or newly created directorship resulting from any increase in the authorized number of directors, may be filled by a majority vote of directors then in office, although less than a quorum, or by a sole remaining director, and a director so chosen shall hold office until the next election of directors of the class of which such director is a part and until his or her successor is duly elected and qualified.

The DGCL does not have residency requirements comparable to those of the CBCA, but a corporation can prescribe

**Number of Directors;  
Vacancies on the  
Board of Directors**

**Constitution and  
Residency of Directors**

must be resident Canadians. Except as permitted by the CBCA, no business may be transacted by the board of directors except at a meeting of directors at which a quorum is present and at least 25% of the directors present are resident Canadians or, if the corporation has less than four directors, at least one director present is a resident Canadian.

**Removal of Directors;  
Terms of Directors**

Under the CBCA, provided that the articles of a corporation do not provide for cumulative voting, shareholders of the corporation may, by ordinary resolution passed at a special meeting, remove any director or directors from office. NEM's articles do not provide for cumulative voting. If holders of a class or series of shares have the exclusive right to elect one or more directors, a director elected by them may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

The CBCA provides a director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following the director's election. Except for those directors elected for an expressly stated term, all of NEM's directors then in office shall cease to hold office at the close of the meeting of shareholders at which directors are elected. If qualified, NEM directors are eligible for re-election.

**Indemnification of  
Directors and Officers**

Under the CBCA, a corporation may indemnify a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity (an "indemnifiable person") against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which he or she is involved because of that association with the corporation or other entity, if: (i) the individual acted honestly and in good faith with a view to the best interests of such

qualifications for directors under its certificate of incorporation or by-laws. Neither Molycorp's Certificate of Incorporation nor its by-laws provide for any such qualifications for directors.

Under the DGCL, except in the case of a corporation with a classified board of directors or with cumulative voting, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors. In the case of a corporation with a classified board of directors, stockholders may remove a director only for cause unless otherwise provided in the corporation's certificate of incorporation. Molycorp has a classified board (as described in the paragraph below), and its Certificate of Incorporation and by-laws provide that directors may be removed only for cause and only at an annual or special meeting of stockholders by the affirmative vote of two-thirds of the shares entitled to vote thereon.

Molycorp's Certificate of Incorporation provides that its board of directors consists of three classes of directors, with each class of directors elected for three-year terms and one class coming up for election by the stockholders each year.

Under the DGCL, a corporation is generally permitted to indemnify its directors, officers, employees and agents against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a third-party action, other than a derivative action, and against expenses actually and reasonably incurred in the defence or settlement of a derivative action, provided that there is a determination that the individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. That determination must be made by: (i) a majority of the disinterested directors,



corporation or the other entity, as the case may be; and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful. An indemnifiable person may require the corporation to indemnify the individual in respect of all costs, charges and expenses reasonably incurred by the individual in connection with the defence of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the corporation or other entity, as the case may be, if the individual was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, and the individual fulfills the conditions set out in (i) and (ii) above. A corporation may, with the approval of a court, also indemnify an indemnifiable person against all costs, charges and expenses in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favour, to which such person is made a party by reason of being or having been a director or an officer of the corporation or other entity, if he or she fulfills the conditions set forth in (i) and (ii) above.

As permitted by the CBCA, NEM's by-laws require NEM to indemnify directors or officers of NEM, former directors or officers of NEM or other individuals who, at NEM's request, act or acted as directors or officers or in a similar capacity of another entity (and such individual's respective heirs and personal representatives) against all costs, charges and expenses reasonably incurred (including amounts paid to settle an action or satisfy a judgment) in respect of any civil, criminal, administrative, investigative or other proceeding in which such individual is involved because of his or her association with NEM or such other entity.

To be entitled to indemnification, NEM's by-laws require that such persons must have acted honestly and in good faith with a view to the best interest of NEM and, in any criminal or administrative action or

even though less than a quorum; (ii) a committee of disinterested directors designated by a majority vote of disinterested directors, even though less than a quorum; (iii) independent legal counsel, regardless of whether a quorum of disinterested directors exists; or (iv) a majority vote of the stockholders at a meeting at which a quorum is present. Without court approval, however, no indemnification may be made in respect of any derivative action in which an individual is adjudged liable to the corporation.

The DGCL requires indemnification of directors and officers for expenses relating to a successful defence on the merits or otherwise of a derivative or third-party action. Under the DGCL, a corporation may advance expenses relating to the defence of any proceeding to directors and officers contingent upon those individuals' commitment to repay any advances if it shall ultimately be determined that those individuals are not entitled to be indemnified.

Molycorp's Certificate of Incorporation requires the corporation to indemnify and hold harmless, to the fullest extent permitted by the DGCL, any person who was or is a party to or was threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), by reason of the fact that such person is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another entity, against all expense, liability and loss (including attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred by such person. However, Molycorp is not required to indemnify a person on account of any Proceeding initiated by such person against the corporation unless such Proceeding (i) relates to the enforcement of such person's right to indemnification, or (ii) was authorized by the board of directors.

Molycorp's Certificate of Incorporation also requires it to pay the expenses

proceeding that is enforced by a monetary penalty, such person must have had reasonable grounds for believing that his or her conduct was lawful. As permitted by the CBCA, NEM's by-laws also allow it to advance money to such individual for costs, charges and expenses of any such proceeding. Any such indemnity or advance of monies by or on behalf of the corporation or other entity of which an individual acts or acted as a director or officer or in a similar capacity at the request of the corporation to procure judgment in its favour shall be subject to approval of a court.

The indemnity provisions of NEM's by-laws are in addition to and not in substitution for or limitation of any rights, immunities and protections to which a person is otherwise entitled.

### **Limited Liability of Directors**

The CBCA does not permit any limitation of a director's liability other than in connection with the adoption of a unanimous shareholder agreement which restricts certain powers of the directors. If such a unanimous shareholder agreement were adopted, the parties who are given the power to manage or supervise the management of the business and affairs of the corporation under such agreement assume all of the liabilities of a director under the CBCA.

(including attorneys' fees) incurred by a director or officer of the corporation in defending any Proceeding in advance of its final disposition; provided that the payment of such expenses shall be made only upon receipt of an undertaking by or on behalf of such person to repay all amounts advanced if it shall ultimately be determined that such person is not entitled to be indemnified.

The rights to indemnification and to the advancement of expenses in Molycorp's Certificate of Incorporation are not exclusive of any other rights that a person may have or acquire under any statute, provision of the Certificate of Incorporation or by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

Molycorp's Certificate of Incorporation permits it to purchase insurance to protect itself and any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another entity, against any liability whether or not the corporation would have the power to indemnify such person against such liability under the DGCL.

The DGCL permits the adoption of a provision in a corporation's certificate of incorporation limiting or eliminating the personal liability of a director to a corporation or its stockholders for monetary damages by reason of a director's breach of fiduciary duty. The DGCL does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its stockholders; (ii) failing to act in good faith; (iii) engaging in intentional misconduct or a knowing violation of law; (iv) obtaining an improper personal benefit from the corporation; or (v) paying a dividend or approving a stock repurchase that was illegal under applicable law. Molycorp's Certificate of Incorporation eliminates the personal liability of directors to the corporation and its stockholders to the full extent permitted by the DGCL.

**Derivative Actions**

Under the CBCA, a NEM shareholder, or other complainant recognized under the CBCA, may apply to the court for leave to bring an action in the name of and on behalf of NEM or any subsidiary, or to intervene in an existing action to which NEM or a subsidiary is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of NEM or its subsidiary. Under the CBCA, no action may be brought and no intervention in an action may be made unless a court is satisfied that: (i) the complainant has given the requisite notice to the directors of the corporation or its subsidiary of the complainant's intention to apply to the court if the directors do not bring, diligently prosecute or defend or discontinue the action; (ii) the complainant is acting in good faith; and (iii) it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.

Under the CBCA, the court in a derivative action may make any order it determines to be appropriate. In addition, under the CBCA, a court may order a corporation or its subsidiary to pay the complainant's interim costs, including reasonable legal fees and disbursements. Although the complainant may be held accountable for the interim costs on final disposition of the complaint, he or she is not required to give security for costs in a derivative action.

**Advance Notification Requirements for Proposals of Shareholders**

Under the CBCA, proposals with respect to the nomination of candidates for election to the board of directors may be made by certain registered or beneficial holders of shares entitled to be voted at an annual meeting of shareholders. To be eligible to submit such a proposal, a shareholder must be the registered or beneficial holder of, or have the support of the registered or beneficial holders of, (i) at least 1% of the total number of outstanding voting shares of the corporation; or (ii) voting shares whose fair market value is at least C\$2,000, and such registered or beneficial holder(s) must have held such shares for at least six months immediately prior to the day upon which the shareholder submits the proposal. In order for a proposal to include nominations of directors, it must be signed by one or more holders of shares representing not less than 5% of the shares

Under the DGCL, a stockholder bringing a derivative suit must have been a stockholder at the time of the wrong complained of or the stockholder must have received stock in the corporation by operation of law from a person who was such a stockholder at the time of the wrong complained of. In addition, the stockholder must remain a stockholder throughout the litigation. There is no requirement under the DGCL to advance the expenses of a lawsuit to a stockholder bringing a derivative suit.

Under Molycorp's by-laws, a stockholder may propose business to be considered at a stockholders meeting, including nominations of persons for election to the board of directors at the annual stockholders meeting, if the stockholder making such proposal is a stockholder of record at the time he or she gives notice (as described below) of the proposal and is entitled to vote at the stockholders meeting.

For matters a stockholder seeks to have included in the corporation's proxy statement, the stockholder must comply with Rule 14a-8 of the 1934 Act.

For nominations or other proper business which a stockholder does not seek to have included in the corporation's proxy statement, the stockholder must give written notice

(or shares of a class) entitled to vote at the meeting. A proposal under the CBCA must include the name and address of the person submitting the proposal, the names and addresses of the person's supporters (if applicable), the number of shares of the corporation owned by such person(s) and the date upon which such shares were acquired.

If the proposal is submitted at least 90 days before the anniversary date of the notice of meeting sent to shareholders in connection with the previous annual meeting and the proposal meets other specified requirements, then the corporation shall either set out the proposal in the proxy circular of the corporation or attach the proposal thereto. In addition, if so requested by the person submitting the proposal, the corporation shall include in or attach to the proxy circular a statement in support of the proposal by the person and the name and address of such person.

If a corporation refuses to include a proposal in a management proxy circular, the corporation shall notify the person making such proposal in writing within 21 days after its receipt of the proposal (or proof of the person's ownership of securities) of its intention to omit the proposal and the reasons therefor. In any such event, the person submitting the proposal may make application to a court and a court may restrain the holding of the meeting and make any further order it sees fit. In addition, a corporation may apply to a court for an order permitting the corporation to omit the proposal from the management proxy circular and the court may make such order as it determines appropriate.

thereof to the corporation's secretary which must be received, in the case of an annual meeting, not less than 90 nor more than 120 calendar days prior to the first anniversary of the preceding year's annual meeting. A stockholder's notice shall set forth: (A) in the case of a director nomination, (i) all information concerning the stockholder and the nominee that is required to be disclosed pursuant to the by-laws, (ii) all information relating to such proposed nominee that would be required to be disclosed in a proxy statement or other filing required pursuant to Section 14(a) under the 1934 Act, (iii) all information that would be required to be disclosed pursuant to Items 403 and 404 under Regulation S-K promulgated under the 1934 Act, and (iv) a written questionnaire and representation and agreement specifying the items required by the by-laws; and (B) as to any other business proposed to be brought before a meeting, (i) all information concerning the stockholder that is required to be disclosed pursuant to the by-laws, (ii) a description in reasonable detail of the business desired to be brought before the meeting and the reasons why such stockholder believes that the taking of the action or actions proposed to be taken would be in the best interests of MolyCorp and its stockholders, (iii) a description in reasonable detail of any material interest of the stockholder in such business and a description in reasonable detail of all agreements, arrangements and understandings among the stockholder or between any stockholder and any other person or entity in connection with the proposal, and (iv) the text of the proposal or business.

## **Shareholder Rights Plans**

On February 5, 2004, the NEM Board adopted the NEM Rights Plan, which was approved by the shareholders at the annual meeting of shareholders held in 2004 and reconfirmed by shareholders at the annual meeting of shareholders held in 2007 and 2011, in order to ensure that NEM's shareholders are treated fairly in connection with any take-over bid and that the board of directors is provided with sufficient time to evaluate unsolicited take-

over bids and to explore and develop alternatives to maximize shareholder value. The rights under the NEM Rights Plan are comparable to those contemplated under rights plans adopted by other major Canadian corporations. For a complete copy of the NEM Rights Plan, see NEM's profile on [www.sedar.com](http://www.sedar.com).

**Inspection of Books and Records**

Under the CBCA, shareholders, creditors and their representatives, after giving the required notice, may examine certain of the records of a corporation during usual business hours and take copies of extracts free of charge.

Under the DGCL, any stockholder may inspect the corporation's books and records for a proper purpose.

**Amendment of Governing Documents**

Under the CBCA, any amendment to a corporation's articles generally requires shareholder approval by special resolution.

The NEM Board may repeal any by-laws by passing a by-law that contains a provision to that effect. Where the directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders who voted in respect of the resolution. If a by-law, amendment or repeal is rejected by the shareholders, or the directors of a corporation do not submit a by-law, an amendment or a repeal to the shareholders at the next meeting of shareholders, then such by-law, amendment or repeal will cease to be effective and no subsequent resolution of the directors to make, amend or repeal a by-law having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the shareholders.

Under the DGCL, a corporation's certificate of incorporation may be amended if: (i) the board of directors sets forth the proposed amendment in a resolution, declares the advisability of the amendment and directs that it be submitted to a vote at a meeting of stockholders; and (ii) the holders of a majority of shares of stock entitled to vote on the matter approve the amendment, unless the certificate of incorporation requires the vote of a greater number of shares. Molycorp's Certificate of Incorporation provides that the affirmative vote of the stockholders representing two-thirds of the stock entitled to vote is required to amend or repeal, or adopt any provision inconsistent with, certain specified sections of the Certificate of Incorporation.

In addition, under the DGCL, class voting rights exist with respect to amendments to the certificate of incorporation that adversely affect the terms of the shares of a class. Molycorp's Certificate of Incorporation does not have alternate provisions regarding class voting rights.

Under the DGCL, the board of directors may amend a corporation's by-laws if so authorized in the certificate of incorporation. Molycorp's Certificate of Incorporation (i) authorizes the board of directors to make, adopt, amend or repeal the by-laws, and (ii) provides that any by-law made or adopted by the board of directors may be amended or repealed by the board of directors or stockholders in the manner provided in

the by-laws. Molycorp's Certificate of Incorporation and by-laws provide that the affirmative vote of the stockholders representing two-thirds of the stock entitled to vote is required to amend or repeal, or adopt any provision inconsistent with, certain specified sections of the by-laws.

## APPENDIX C INFORMATION RELATING TO MOLYCORP AND EXCHANGECO

### Description of Business and Recent Developments

#### *Molycorp Overview*

Molycorp is the largest rare earth oxide ("**REO**") producer in the Western hemisphere and owns one of the world's largest rare earth projects outside of China. Molycorp also owns one of the largest rare earth oxide and rare metal producers in Europe, and the only producer of rare earth alloys in the United States. Upon the full execution of its "mine-to-magnets" strategy and completion of its initial modernization and expansion plan ("**Project Phoenix Phase 1**") and second-phase capacity expansion plan ("**Project Phoenix Phase 2**") at its Mountain Pass, California rare earth mine and processing facility (the "**Mountain Pass Facility**"), Molycorp expects to be one of the world's most integrated producers of rare earth products, including oxides, metals, alloys and magnets. Following the completion of Project Phoenix Phase 2 construction, Molycorp expects to have the ability to produce, if customer demand warrants, up to approximately 40,000 metric tons ("**mt**") of REO per year by mid-2013 at the Mountain Pass Facility, or approximately double the amount Molycorp will be able to produce upon completion of Project Phoenix Phase 1.

Rare earths are critical inputs in many existing and emerging applications including: clean energy technologies, such as hybrid and electric vehicles and wind power turbines; multiple high-tech uses, including fibre optics, lasers and hard disk drives; numerous defence applications, such as guidance and control systems and global positioning systems; and advanced water treatment technology for use in industrial, military and outdoor recreation applications. Global demand for rare earth elements ("**REEs**") is projected to steadily increase both due to continuing growth in existing applications and increased innovation and development of new end uses. Molycorp has made significant investments, and expects to continue to invest, in developing technologically advanced applications and proprietary applications for individual REEs.

In 2011, Molycorp completed the acquisition of AS Silmet located in Sillamäe, Estonia, which is now known as Molycorp Silmet AS or Molycorp Sillamäe, one of only two rare earth processing facilities in Europe. The Molycorp Sillamäe acquisition provides Molycorp with a European base of operations and significantly increases its annual capacity to produce REO by approximately 3,000 mt. Molycorp Sillamäe sources rare earth feed stocks for production of its products primarily from the Mountain Pass Facility. The main focus of Molycorp Sillamäe is on the production of REOs and metals, including production of neodymium metal, a critical component in the manufacture of neodymium-iron-boron ("**NdFeB**") permanent rare earth magnets. Also in 2011, Molycorp acquired Santoku America, Inc., which is based in Tolleson, Arizona, and which is now known as Molycorp Metals & Alloys, Inc. or Molycorp Tolleson, the only producer of rare earth alloys in the United States. The Molycorp Tolleson acquisition provides Molycorp with access to certain intellectual property relative to the development, processing and manufacturing of neodymium and samarium magnet alloy products.

#### *Rare Earth Industry Overview*

##### *The Rare Earth Elements*


The REE group includes 17 elements, namely the 15 lanthanide elements, which are cerium, lanthanum, neodymium, praseodymium, promethium (which does not occur naturally), samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium and lutetium, and two elements that have similar chemical properties to the lanthanide elements—yttrium and scandium. The oxides produced from processing REEs are collectively referred to as REOs. Light and heavy REEs are contained in all rare earth deposits, including in Molycorp's deposit at the Mountain Pass Facility. Heavy REEs generally command higher sales prices on a per pound basis than light REEs because heavy REEs are not as prevalent. Cerium, lanthanum, neodymium, praseodymium and samarium are considered "light REEs" that are more predominant in bastnasite, while europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium and lutetium are considered "heavy REEs"

that are more predominant in monazite. Molycorp's reserves are bastnasite, but there are also known monazite occurrences near the Mountain Pass Facility. In December 2011, the U.S. Department of Interior Bureau of Land Management granted Molycorp authorization to commence exploratory drilling at an occurrence of heavy rare earths located near the Mountain Pass Facility. Preliminary exploration at the site has shown rare earth mineralization with an average ore grade of approximately four percent and a relatively high percentage of heavy REEs, such as terbium, dysprosium and europium, as well as relatively high percentages of yttrium, neodymium, and praseodymium.

H																	He
Li	Be											B	C	N	O	F	Ne
Na	Mg											Al	Si	P	S	Cl	Ar
K	Ca	Sc	Ti	V	Cr	Mn	Fe	Co	Ni	Cu	Zn	Ga	Ge	As	Se	Br	Kr
Rb	Sr	Y	Zr	Nb	Mo	Tc	Ru	Rh	Pd	Ag	Cd	In	Sn	Sb	Te	I	Xe
Cs	Ba	La	Hf	Ta	W	Re	Os	Ir	Pt	Au	Hg	Tl	Pb	Bi	Po	At	Rn
Fr	Ra	Ac	Unq	Urp	Unh	Uus	Uno	Une	Unn								

Ce	Pr	Nd	Pm	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu
Th	Pa	U	Np	Pu	Am	Cm	Bk	Cf	Es	Fm	Md	No	Lr

 Rare Earth Elements

### Global Rare Earth Market

REEs have unique properties that make them critical materials to many existing applications upon which society has become dependent as well as many emerging applications. Examples include:

- *Clean-Energy Technologies:* hybrid and electric vehicles, wind power turbines and compact fluorescent lighting;
- *High-Technology Applications:* miniaturization of cell phones, personal digital assistant devices, digital music players, hard disk drives used in computers, computing devices, "ear bud" speakers and microphones, as well as fibre optics, lasers and optical temperature sensors;
- *Critical Defense Applications:* guidance and control systems, communications, global positioning systems, radar and sonar; and
- *Advanced Water Treatment:* industrial, military, homeland security and domestic and foreign aid applications.

### Molycorp Mine Process and Development Plans

#### Mine-to-Oxides

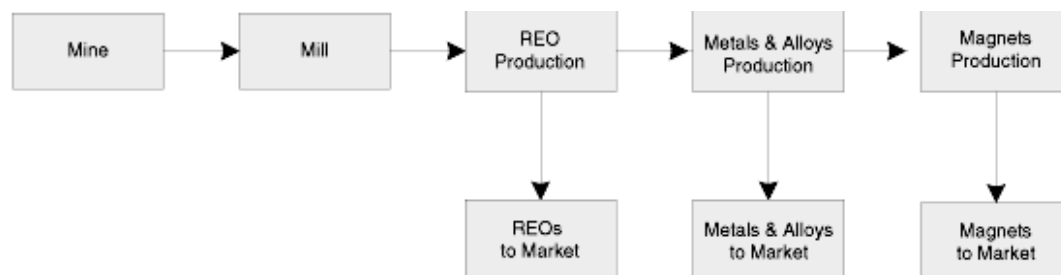
At the Mountain Pass Facility, Molycorp has the ability to mine, crush, mill and separate rare earth ore to produce individual REEs. Since the acquisition of the Mountain Pass Facility, Molycorp has been producing and selling REOs from stockpiled feedstocks to significantly improve its solvent extraction technologies and capabilities. As of



December 31, 2011, Molycorp had achieved greater than 98% recovery in its solvent extraction units at commercial scale for cerium, lanthanum, and didymium, which Molycorp believes is one of the highest recovery rates in the world. Molycorp has also developed the expertise to produce the following REEs in many usable forms: bastnasite concentrate; cerium; lanthanum; neodymium; praseodymium; europium; samarium; gadolinium; dysprosium; and terbium. When used to describe the current recovery rate for Molycorp's solvent extraction units, the term "commercial scale" means that the solvent extraction units are operating at such a production rate that the scale-up factor required to achieve the desired production rate is less than 10 times the current production rate.

Processing at the Mountain Pass Facility entails mining the bastnasite ore followed by crushing and milling it to a fine powder. Milled bastnasite ore is then processed by flotation whereby the bastnasite, which is a mineral containing light and heavy rare earth elements, floats to the surface and is separated from the waste material, which sinks in a series of flotation cells. The resultant bastnasite concentrate is then processed by leaching (cracking) with acid solutions followed by a series of solvent-extraction separation steps that produce various individual REO minerals, generally in a high purity oxide form.

Commencing in the first quarter of 2012, monazite component will also be cracked in Molycorp's new separation process.



#### *Oxides-to-Metals/Alloys*

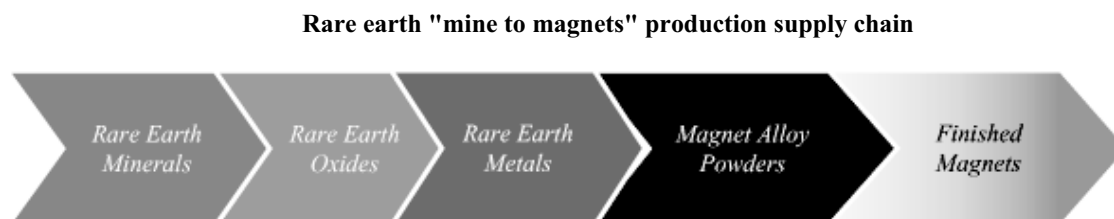
Molycorp sells and transports a portion of the REOs it produces at the Mountain Pass Facility and at its Molycorp Sillamäe facility to customers for use in their particular applications. The remainder of the REOs are processed into rare earth metals and rare earth alloys. Molycorp produces rare earth metals outside of the United States through third-party tolling arrangements and through tolling at its Molycorp Sillamäe facility. A portion of these metals is sold to end-users, and Molycorp processes the rest into rare earth alloys at its Molycorp Tolleson facility in Arizona. These rare earth alloys can be used in a variety of applications, including but not limited to: electrodes for nickel metal hydride battery production; samarium cobalt ("**SmCo**") magnet production; and NdFeB magnet production. A portion of these rare earth alloys will be manufactured into NdFeB magnets as part of Molycorp's alloy and magnet production joint ventures described below, and Molycorp expects to sell the rest to end-users.

In August 2011, Molycorp entered into a preliminary agreement with Hitachi Metals, Ltd. ("**Hitachi**") for the supply of magnetic rare earth products and lanthanum. Under the three-year agreement, Molycorp will initially provide the rare earth products to Hitachi from its current commercial scale operations at the Mountain Pass Facility. Following completion of Project Phoenix Phase 1, Molycorp can supply the rare earth products from the Mountain Pass Facility or its other facilities (including Molycorp Tolleson and Molycorp Sillamäe) for the remaining term of the agreement. Prices under this agreement are based on international market price indexes published by third parties and typically used by the rare earth industry.

In November 2011, Molycorp formed a joint venture ("**Intermetallics Japan Joint Venture**") with Daido Steel Co., Ltd. ("**Daido**") and Mitsubishi Corporation ("**Mitsubishi**") to manufacture and sell next-generation NdFeB permanent rare earth magnets using a technology licensed from Intermetallics, Inc., a partnership between Mitsubishi, Daido and Dr. Masato Sagawa, co-inventor of the NdFeB magnet. Concurrently with the formation of this joint venture, Molycorp entered into a supply agreement with Mitsubishi (acting as the procurement agent) and Daido to sell to the joint venture certain rare earth products at the conditions set forth in the supply agreement.

### *Alloy and Magnet Production Joint Ventures*

NdFeB magnets, which are critical components in "green" technologies and the miniaturization of electronics, are primarily manufactured in China (approximately 80%) and Japan (approximately 20%). Intermetallics Japan Joint Venture provides Molycorp with access to the technology, people and facilities to convert its rare earth materials into high-performance permanent rare earth magnets required for production of hybrid and electric vehicles, high-tech applications and numerous advanced defense systems. Molycorp expects the consummation of this joint venture, in conjunction with its modernization plans at the Mountain Pass Facility and the strategic acquisitions of Molycorp Sillamäe and Molycorp Tolleson, to provide it with the capability to mine, process, separate and alloy individual REEs and manufacture them into NdFeB magnets. This downstream integration, which is referred to as Molycorp's "mine-to-magnets" strategy, would make Molycorp the only fully integrated producer of NdFeB magnets outside of China, helping to secure a rare earth supply chain for the entire world except for China. In addition to the foregoing, Molycorp continues to explore additional joint ventures or other arrangements with third parties for the production of NdFeB alloys and/or magnets.



### *Exchangeco Overview*

Exchangeco is a corporation incorporated under the *Business Corporations Act* (British Columbia) on March 7, 2012 for the purpose of implementing the Arrangement. To date, Exchangeco has not carried on any business except in accordance with its role as a party to the Arrangement Agreement. Exchangeco is an indirect wholly-owned subsidiary of Molycorp.

### **Molycorp Documents Incorporated By Reference**

**Information regarding Molycorp has been incorporated by reference in this Circular from documents filed by Molycorp with the SEC and the applicable securities commissions in Canada.**

The following documents of Molycorp, which contain important information about Molycorp, its business and its financial condition, and which were previously filed by Molycorp with the SEC, are specifically incorporated into and form an integral part of this Circular (other than, in each case, any portions of those documents or exhibits thereto deemed to be furnished and not filed in accordance with SEC rules):

- (a) Molycorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 28, 2012, except for the information included under Item 1. Business – Our Mine Process and Development Plans; Item 2. Properties – Rare Earths Reserves and Non-Reserve Deposits, and – Engineering Study; and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates – Reserves, Mineral Properties and Development Costs;
- (b) Molycorp's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 filed on November 10, 2011;
- (c) Molycorp's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 filed on August 11, 2011;

- (d) Molycorp's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 filed on May 10, 2011;
- (e) Molycorp's proxy statement on Schedule 14A filed on April 18, 2011; and
- (f) Molycorp's Current Reports on Form 8-K as filed March 9, 2012, March 5, 2012, February 8, 2012, February 2, 2012, October 25, 2011, August 8, 2011, August 5, 2011, June 16, 2011, June 10, 2011, June 3, 2011, May 25, 2011, April 20, 2011, April 7, 2011, March 4, 2011 and January 19, 2011.

Molycorp's Current Report on Form 8-K filed on August 5, 2011 updates and supersedes Items 1 and 2 of its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Making such a modifying or superseding statement shall not be deemed to be an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, untrue statement of a material fact, nor an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.**

Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Corporate Secretary of Molycorp at 5619 Denver Tech Center Parkway, Suite 1000, Greenwood Village, Colorado, 80111, telephone: (303) 843-8040. In addition, copies of the documents incorporated by reference are available under Molycorp's corporate profile at [www.sec.gov](http://www.sec.gov) and NEM's corporate profile on SEDAR at [www.sedar.com](http://www.sedar.com).

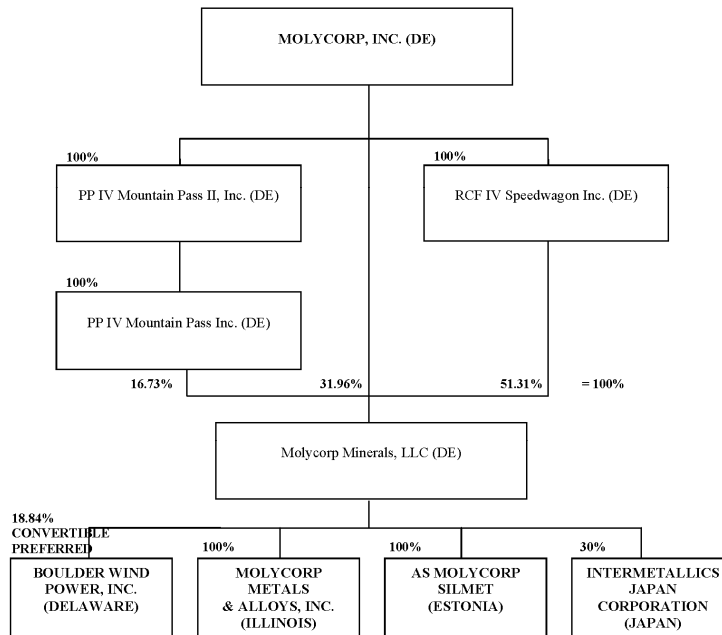
### **Intercorporate Relationships**

Molycorp was formed on March 4, 2010 as a Delaware corporation. It had not, prior to its initial public offering on July 29, 2010, conducted any material activities. Molycorp, LLC and Molycorp Minerals, LLC, both Delaware limited liability companies, became subsidiaries of Molycorp pursuant to a corporate reorganization in anticipation of Molycorp's initial public offering. Subsequently, Molycorp, LLC was merged with and into Molycorp Minerals, LLC.

The following diagram sets out the intercorporate relationships between Molycorp and its subsidiaries, including the jurisdiction of formation and ownership interests.

ORGANIZATIONAL CHART

MOLYCORP ENTITIES



**Share Capital**

*Molycorp*

Molycorp is authorized by its certificate of incorporation to issue 350,000,000 shares of common stock, par value US\$0.001 per share (the "**Molycorp Shares**"), and 5,000,000 shares of preferred stock, par value US\$0.001 per shares, 2,070,000 shares of which have been designated as 5.50% Series A Mandatory Convertible Preferred Stock (the "**Convertible Preferred Shares**").

As at March 31, 2012, there were (i) 96,395,822 Molycorp Shares issued and outstanding, (ii) 2,070,000 Convertible Preferred Shares issued and outstanding, (iii) \$230,000,000 aggregate principal amount of convertible senior notes outstanding and (iv) outstanding options and other equity awards providing for the issuance of 181,999 Molycorp Shares upon the exercise or conversion thereof.

The Molycorp Shares are listed on the NYSE under the trading symbol "MCP" and the Convertible Preferred Shares are listed on the NYSE under the trading symbol "MCP PrA".

In addition, in connection with the consummation of the Arrangement, Molycorp will issue to and deposit with the Voting and Exchange Trustee one special voting share (a type of Molycorp preferred stock) in the capital of Molycorp, for the benefit of the holders of Exchangeable Shares issued by Exchangeco, which will permit the Voting and Exchange Trustee to cast up to that number of votes that is equal to the number of Exchangeable Shares then outstanding on all matters on which the holders of Molycorp Shares are entitled to vote, as described under "Description of Exchangeable Shares and Related Agreements – Voting and Exchange Trust Agreement".

*Exchangeco*

The authorized capital of Exchangeco consists of an unlimited number of common shares. The share capital of Exchangeco will be amended prior to the Effective Time to create the Exchangeable Shares. See "Description of Exchangeable Shares and Related Agreements – Description of Exchangeable Shares" for a description of the Exchangeable Shares.

As of the date hereof, there are 100 common shares of Exchangeco issued and outstanding, which are held by Callco. Callco is a wholly-owned subsidiary of Molycorp. The holders of Exchangeco's common shares are entitled to receive notice of and to attend all meetings of Exchangeco shareholders and to one vote in respect of each common share held at all such meetings. The holders of Exchangeco's common shares will, subject to the rights of the holders of Exchangeable Shares, be entitled to receive dividends if, as and when declared by the board of directors of Exchangeco out of the assets of Exchangeco properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors of Exchangeco may from time to time determine. In the event of liquidation, dissolution or winding up of Exchangeco or other distribution of assets of Exchangeco or other distribution of assets of Exchangeco among its shareholders for the purpose of winding up its affairs, the holders of Exchangeco's common shares will, subject to the rights of the holders of Exchangeable Shares and any other class of shares of Exchangeco entitled to receive assets of Exchangeco upon such distribution in priority to or concurrently with the holders of the common shares, be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

### Trading Price and Volume of Molycorp Shares

The outstanding Molycorp Shares are listed for trading on the NYSE under the symbol "MCP". The following table sets forth, for the periods indicated, the high and low trading price and the aggregate trading volume of the Molycorp Shares on the NYSE.

Month	High (US\$)	Low (US\$)	Volume (#)
<b>2012</b>			
April 1 - 27	35.79	27.50	64,271,690
March	35.20	24.24	117,171,791
February	32.24	24.55	74,982,006
January	32.94	24.20	80,629,136
<b>2011</b>			
December	34.95	23.05	73,007,339
November	42.90	26.68	101,797,076
October	41.54	29.19	83,688,799
September	58.74	31.41	131,713,348
August	66.62	45.00	113,832,159
July	66.13	50.68	98,804,026
June	66.00	46.40	144,386,177
May	79.16	55.82	147,026,339
April	76.22	58.91	147,958,620

The closing price of the Molycorp Shares on the NYSE on March 8, 2012, the last trading day immediately before the announcement of the Arrangement, was US\$25.98. The closing price of the Molycorp Shares on the NYSE on April 27, 2012 was US\$27.77.

### Dividend Policy

Since its inception, Molycorp has not paid any cash dividends on the Molycorp Shares. For the foreseeable future, Molycorp intends to retain any earnings, after payment of any dividends on the Convertible Preferred Shares, to finance the development of its business, and it does not anticipate paying any cash dividends on the Molycorp Shares. Any future determination to pay dividends will be at the discretion of the Molycorp board of directors and

will be dependent upon then-existing conditions, including Molycorp's operating results and financial condition, capital requirements, contractual restrictions, business prospects and other factors that the Molycorp board of directors considers relevant.

So long as any of the Convertible Preferred Shares remain outstanding, no dividend or distribution may be declared or paid on the Molycorp Shares unless all accumulated and unpaid dividends have been paid on the Convertible Preferred Shares, subject to exceptions, such as dividends on the Molycorp Shares payable solely in Molycorp Shares. Accordingly, holders of the Molycorp Shares must rely on sales of their Molycorp Shares after price appreciation, which may never occur, as the only way to realize a return on their Molycorp Shares.

### Principal Offices

Molycorp's and Exchangeco's principal offices are located at 5619 Denver Tech Center Parkway, Suite 1000, Greenwood Village, Colorado, USA. The telephone number of Molycorp's principal office is (303) 843-8040.

### Auditors and Transfer Agent

The auditors of Molycorp and Exchangeco are PricewaterhouseCoopers LLP, an independent registered public accounting firm. The transfer agent for Molycorp is Computershare Trust Company, N.A. The transfer agent and registrar for the Exchangeable Shares will be Computershare Investor Services Inc., at its office in Toronto, Ontario.

### Presentation of Financial Information

The following summary of Molycorp's consolidated financial data should be read together with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Molycorp's Annual Report on Form 10-K (filed with the SEC on February 28, 2012) for the fiscal year ended December 31, 2011, Molycorp's consolidated financial statements and related notes and other financial information contained therein and Molycorp's Quarterly Reports on Form 10-Q (filed with the SEC on November 10, 2011, August 11, 2011 and May 10, 2011, respectively) for the quarterly periods ended September 30, 2011, June 30, 2011 and March 31, 2011, respectively, all of which are among the documents incorporated by reference in this Circular. Molycorp derived the consolidated statement of operations data for the years ended December 31, 2011, 2010 and 2009 from Molycorp's audited consolidated financial statements. Historical results are not necessarily indicative of the results to be expected in the future. Molycorp's consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from Canadian GAAP. Therefore the financial data contained in or incorporated by reference in this Circular may not be comparable to the financial data of Canadian companies.

<u>Statement of Operations Data</u>	<u>Year Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>(In thousands of U.S. dollars, except for share and per share data)</b>			
Sales .....	\$396,831	\$35,157	\$7,093
Cost of goods sold(1).....	(177,890)	(37,591)	(21,785)
Selling, general and administrative expense(2).....	(64,387)	(47,513)	(12,685)
Depreciation and amortization expense.....	(733)	(319)	(191)
Accretion expense.....	(955)	(912)	(1,006)
Operating income (loss).....	152,866	(51,178)	(28,574)
Net income (loss) attributable to Molycorp stockholders .....	\$117,526	\$(50,774)	\$(28,587)
Weighted average shares outstanding			
(Common shares)(3)			
Basic.....	83,454,221	62,332,054	39,526,568
Diluted .....	85,220,017	62,332,054	39,526,568
Income (loss) per share of common stock:			
Basic.....	\$1.29	(0.81)	\$(0.72)
Diluted .....	\$1.27	(0.81)	\$(0.72)

<b>Balance Sheet Data</b>	<b>December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>(In thousands of U.S. dollars)</b>			
Cash and cash equivalents	\$418,855	\$316,430	\$6,929
Total current assets	639,044	353,432	18,520
Total assets	1,255,125	479,560	97,666
Total non-current liabilities	231,272	12,335	13,528
Total liabilities	409,895	33,047	23,051
Stockholders' equity	845,230	446,513	74,615

<b>Other Financial Data</b>	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>(In thousands of U.S. dollars)</b>			
Capital expenditures(4)	\$302,180	\$33,129	\$7,285

Notes:

- (1) Cost of goods sold includes write-downs of inventory to estimated net realizable value of US\$2.8 million, US\$2.5 million, US\$9.0 million for the years ended December 31, 2011, 2010, 2009, , respectively. Cost of goods sold also includes a US\$1.0 million write-down of bastnasite stockpile inventory based on estimated stockpile REO quantities at December 31, 2010. Cost of goods sold also includes US\$1.7 million and US\$2.3 million of WIP inventory impairments for the year ended December 31, 2010 and 2011, respectively.
- (2) Includes stock-based compensation of US\$4.7 million in 2011, US\$28.7 million in 2010 and US\$0.2 million in 2009.
- (3) Weighted average shares outstanding gives retroactive effect to the corporate reorganization, the conversion of all of our Class A common stock and Class B common stock into shares of common stock and the consummation of our initial public offering, and the 38.23435373-for-one stock split completed by Molycorp, Inc. on July 9, 2010 as if such events had occurred on June 12, 2008.
- (4) As reflected in cash flows from investing activities in our consolidated statements of cash flows.

## Risk Factors

*The business and operations of Molycorp are, and will continue to be, subject to the risks described in the documents of Molycorp incorporated by reference in this Circular, including without limitation the risks described in Part I, Item 1.A, "Risk Factors" of Molycorp's Annual Report filed on Form 10-K for the year ended December 31, 2011. Molycorp's business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks. The market or trading price of Molycorp's securities could decline due to any of these risks. In addition to considering these risks, NEM Shareholders should carefully consider the section entitled "Forward-Looking Statements" in this Circular, where additional uncertainties associated with the forward-looking statements included or incorporated by reference in this Circular are described. Please note that additional risks not presently known to Molycorp or that Molycorp currently deems immaterial may also impair Molycorp's business and operations.*

In addition to risks associated with Molycorp's business and operations, there are unique transactional risks associated with the Arrangement of which NEM Shareholders should be aware.

### *Risks Related to Exchangeable Shares*

*Holder of the Exchangeable Shares will only be able to obtain Canadian tax deferral for as long as they hold the Exchangeable Shares, which holding period could be shorter than anticipated.*

The Arrangement provides the opportunity for a tax deferral to certain NEM Shareholders who receive Exchangeable Shares pursuant to the Arrangement and file a Joint Tax Election. However, unless the relevant Canadian tax legislation is amended, such shareholders will generally only be able to obtain Canadian tax deferral for as long as they hold the Exchangeable Shares. In certain events, including where the aggregate number of outstanding Exchangeable Shares (other than those held by Molycorp or its affiliates) is less than 5% of the number of Exchangeable Shares issued on the Effective Date or where there is a Molycorp Control Transaction, and in any event on the Redemption Date, the Exchangeable Shares will be redeemed for Molycorp Shares. Moreover, if the Call Rights are not exercised on redemption of the Exchangeable Shares by Molycorp, a holder of Exchangeable

Shares may realize a dividend for Canadian tax purposes that may exceed the holder's economic gain. See "Certain Canadian Federal Income Tax Considerations".

*The trading market for the Exchangeable Shares could be limited and the Exchangeable Shares may not have a market value identical or similar to the market value of Molycorp Shares.*

Holders of Exchangeable Shares will have dividend, liquidation and voting rights that are economically equivalent to the rights of holders of Molycorp Shares. Molycorp will apply to list the Exchangeable Shares on the TSX (which listing is subject to Exchangeco fulfilling all of the requirements of the TSX, including the distribution of the Exchangeable Shares to a minimum number of public shareholders).

Although the economic value of the Exchangeable Shares is expected to be closely linked to the trading value of Molycorp Shares due to the right to exchange at any time Exchangeable Shares for Molycorp Shares, there can be no assurance that an active trading market in the Exchangeable Shares will be sustained or that the Exchangeable Shares will continue to meet the listing requirements of the TSX. The price at which the Exchangeable Shares will trade will be based upon the market for such shares on the TSX and the price at which the Molycorp Shares will trade will be based upon the market for such shares on the NYSE. Although the market price of the Exchangeable Shares on the TSX and the market price of the Molycorp Shares on the NYSE should reflect essentially equivalent values, there can be no assurances that the market price of the Molycorp Shares will be identical, or even similar, to the market price of the Exchangeable Shares.

Because these are separate listings on different exchanges, the trading prices of the Exchangeable Shares on the TSX and the Molycorp Shares on the NYSE may not reflect equivalent values after taking into account the exchange rate between the Canadian dollar and U.S. dollar. This may result in your having to exchange your Exchangeable Shares for Molycorp Shares in order to maximize the value of your investment prior to a sale.

*Holders of Exchangeable Shares who later request to exchange such shares for Molycorp Shares will not receive Molycorp Shares for 10 to 15 Business Days after such request is received.*

NEM Shareholders who receive Exchangeable Shares in the arrangement and later request to receive Molycorp Shares in exchange for their Exchangeable Shares will not receive Molycorp Shares for 10 to 15 Business Days after the applicable request is received. During this 10 to 15 Business Day period, the market price of Molycorp Shares may increase or decrease. Any such increase or decrease would affect the value of the consideration to be received by the holder of Exchangeable Shares on the effective date of the exchange.



## Unaudited Pro Forma Condensed Financial Information of Molycorp

The unaudited pro forma information presented has been derived from financial statements prepared using generally accepted accounting principles in the United States of America ("U.S. GAAP") and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The unaudited pro forma condensed consolidated balance sheet gives effect to the acquisition by Molycorp, Inc. ("Molycorp") of Neo Material Technologies Inc. ("NEM"), ("the Acquisition"), in a transaction to be accounted for as a business combination, the assumed Senior Secured Notes issuance and a private share issuance, which was completed in March 2012, as if these transactions had been completed on December 31, 2011. The unaudited pro forma condensed consolidated statement of operations gives effect to the Acquisition and these aforementioned financing transactions, as if the Acquisition and these financing transactions had been completed on January 1, 2011. NEM's historical financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") have been reconciled to and are presented in accordance with U.S. GAAP, solely for the purposes of providing the unaudited pro forma information.

The unaudited pro forma adjustments are based on currently available information and certain assumptions that management believes are reasonable. The unaudited pro forma condensed financial information should be read in conjunction with the historical financial information and related financial statements and accompanying footnotes of NEM and Molycorp that are incorporated by reference into this Circular. The unaudited pro forma condensed financial information is for informational purposes only and does not purport to reflect the financial position or results of operations that would have occurred if the Acquisition and these financings had been consummated on the dates indicated above; nor does it purport to represent or be indicative of the financial position or results of operations of Molycorp for any future dates or periods. Unless otherwise stated, all amounts presented in these unaudited pro forma condensed consolidated financial statements are in United States dollars.

Under the terms of the Arrangement Agreement dated March 8, 2012, each NEM Shareholder may elect to receive, in respect of each NEM Common Share, either (i) Cash Consideration of C\$11.30 per share or (ii) Share Consideration of 0.4242 Molycorp Shares per share or, in the case of Eligible Holders, Eligible Share Consideration of 0.4242 Exchangeable Shares per share, or (iii) a combination of cash and shares, provided that, in any case, a NEM Shareholder's consideration election will be subject to pro-ration if the aggregate amount of cash elected by NEM Shareholders exceeds the Maximum Cash Amount or the aggregate number of Molycorp Shares and Exchangeable Shares elected by NEM Shareholders exceeds the Maximum Share Amount. If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder shall be adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares. This description of the pro-ration provisions of the Arrangement is subject to the detailed provisions of the Arrangement itself. See "The Arrangement — Election Procedure and Pro-ration". The actual consideration received by a NEM Shareholder will depend upon such NEM Shareholder's consideration election and the effect of pro-ration, if any.

The unaudited pro forma condensed consolidated financial statements reflect that each NEM Shareholder is deemed to elect to receive C\$8.05 per share and 0.1220 (The "Exchange Ratio") of Molycorp common shares for each NEM common share owned at closing. Elections made by NEM Shareholders will not be known until the effective date of the acquisition and may differ materially from the deemed election reflected in the unaudited pro forma condensed consolidated financial statements. Refer to note 2 below.

In accordance with U.S. GAAP, Molycorp will allocate the total purchase price to the net tangible and identified intangible assets of NEM based upon preliminary estimates of fair value. To date Molycorp has not yet undertaken an appraisal of the fair value of NEM's assets and liabilities, and does not expect to complete this analysis until up to one year after the Acquisition's closing date. The final fair values allocated to the various NEM assets and liabilities as a result of the Acquisition will differ from the preliminary estimated values presented in the unaudited pro forma condensed consolidated financial information, and such differences could be material.

The total purchase consideration is \$1,621 million as detailed in the notes to the unaudited pro forma condensed consolidated financial statements. Cash consideration to NEM shareholders will be funded by the net proceeds from the planned issuance of Senior Secured Notes by Molycorp and the completed issuance of common shares to Molibdenos y Metales S.A. ("Molymer") in March 2012, as well as other cash balances available from the combined companies. Molycorp has entered into a forward rate contract to purchase C\$870 million in order to limit its foreign currency exposure related to the Acquisition.

Molycorp, Inc.  
Pro Forma Condensed Consolidated Balance Sheet (Unaudited)  
(In thousands, except share data)

		December 31, 2011			
ASSETS		Molycorp, Inc.	Neo Material Technologies, Inc. Note (11)	Pro Forma Adjustments	Pro Forma
<b>Current assets:</b>					
Cash and cash equivalents	\$	418,855	\$ 306,672	\$ 1,011,225 (1) (1,116,964) (2) (42,981) (3)	\$ 576,807
Trade accounts receivable		70,679	65,143	-	135,822
Inventory		111,943	270,785	58,418 (5)	441,146
Prepaid expenses and other current assets		37,567	48,090	(14,605) (9)	71,052
Total current assets		639,044	690,690	(104,907)	1,224,827
<b>Non-current assets:</b>					
Property, plant and equipment, net		561,628	54,831	107,000 (5)	723,459
Investments		20,000	16,787	-	36,787
Intangibles		3,072	12,780	460,000 (5)	475,852
Goodwill		3,432	52,618	508,832 (5)	564,882
Other non-current assets		27,949	7,734	14,000 (1)	49,683
Total non-current assets		616,081	144,750	1,089,832	1,850,663
<b>Total assets</b>	<b>\$</b>	1,255,125	\$ 835,440	\$ 984,925	\$ 3,075,490
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	\$	174,485	\$ 92,979	\$ (17,033) (3) 11,200 (3) 40,000 (7)	\$ 301,631
Debt		1,516	26,078	-	27,594
Other current liabilities		2,622	38,831	-	41,453
Total current liabilities		178,623	157,888	34,167	370,678
<b>Non-current liabilities:</b>					
Debt		196,545	198,020	635,000 (1) (198,020) (2)	831,545
Deferred tax liabilities		18,899	15,204	141,840 (9)	175,943
Other non-current liabilities		15,828	12,962	-	28,790
Total non-current liabilities		231,272	226,186	578,820	1,036,278
<b>Total liabilities</b>		409,895	384,074	612,987	1,406,956
<b>Stockholders' equity:</b>					
Common stock		84	-	29 (1)(2)	113
Preferred stock		2	-	-	2
Additional paid-in capital		838,547	261,091	589,840 (1)(2)(6)	1,689,478
Accumulated other comprehensive (loss)/income		(8,481)	5,649	(5,649) (6)	(8,481)
Retained earnings (deficit)		15,078	172,282	(135,134) (6) (40,000) (7) (25,948) (3) (11,200) (3)	(24,922)
Total stockholders' equity		845,230	451,366	371,938	1,668,534
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	1,255,125	\$ 835,440	\$ 984,925	\$ 3,075,490

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information.

Molycorp, Inc.  
Pro Forma Condensed Consolidated Statement of Operations (Unaudited)  
(In thousands, except share and per share amounts)

	Year Ended December 31, 2011			
	Neo Material Technologies, Inc.		Pro Forma	
	Molycorp, Inc.	Note (11)	Adjustments	Pro Forma
Sales	\$ 396,831	\$ 800,045	\$ -	\$ 1,196,876
Operating costs and expenses:				
Cost of goods sold	(177,890)	(439,990)	(6,517) (5)	(624,397)
Selling, general and administrative	(64,387)	(54,226)	-	(118,613)
Depreciation, amortization and accretion expenses	(1,688)	(3,507)	(58,000) (5)	(63,195)
Research and development	-	(27,332)	-	(27,332)
Operating income (loss)	152,866	274,990	(64,517)	363,339
Other income (expense):				
Other income (expense)	(153)	(6,732)	-	(6,885)
Foreign currency transaction gain (losses), net	(5,415)	2,757	-	(2,658)
Interest income (expense), net	(388)	(12,234)	(37,091) (8)	(49,713)
	(5,956)	(16,209)	(37,091) -	(59,256)
Income before income taxes and equity income of associates	146,910	258,781	(101,608)	304,083
Income tax expenses	(28,576)	(66,650)	29,175 (9)	(66,051)
Income before equity income of associates	118,334	192,131	(72,433)	238,032
Equity income of associates (net of tax)	-	5,323	-	5,323
Net income	118,334	197,454	(72,433)	243,355
Net income attributable to noncontrolling interests	(808)	(9,323)	-	(10,131)
Net income attributable to Molycorp stockholders	\$ 117,526	\$ 188,131	\$ (72,433)	\$ 233,224
Net income attributable to Molycorp stockholders	\$ 117,526	\$ 188,131	\$ (72,433)	\$ 233,224
Cumulative undeclared and paid dividends on preferred stock	(9,962)	-	-	(9,962)
Net income attributable to common stockholders	\$ 107,564	\$ 188,131	\$ (72,433)	\$ 223,262
Weighted average common shares outstanding - basic	83,454,221			(10) 112,545,324
Basic earnings per share	\$ 1.29			\$ 1.98
Net income attributable to common stockholders, adjusted for the effect of dilutive 3.25% convertible notes	\$ 107,977			\$ 223,676
Weighted average common shares outstanding - diluted	85,220,017			(10) 114,311,120
Diluted earnings per share	\$ 1.27			\$ 1.96

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information.

**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**  
(Unaudited – tabular figures in thousands of United States dollars, unless otherwise stated)

- (1) Represents the unaudited pro forma adjustments necessary to reflect the proposed and completed financing transactions preceding the Acquisition, inclusive of the estimated debt issuance cost of \$14 million. The sources of the net cash proceeds received are an assumed Senior Secured Notes offering of \$621 million and the issuance of 12.5 million Molycorp common shares to Molymet in a private placement that closed in March 2012. The issuance of 12.5 million of Molycorp shares is reflected in the stockholders' equity balance as of December 31, 2011 and the assumed Senior Secured Notes offering of \$635 million is reflected as non-current debt as of December 31, 2011. The following table reflects both issuances (in thousands, except share amounts and price per share):

Proceeds from Senior Secured Notes net of issuance costs	\$ 621,000
Number shares issued to Molymet in private placement	12,500,000
Issuance price per share	\$ 31.22
Total equity proceeds from Molymet issuance	<u>\$ 390,225</u>
Total financing proceeds	<u>\$ 1,011,225</u>

- (2) The assumed purchase consideration related to the settlement of NEM's outstanding common shares is \$1,578 million consisting of (a) cash consideration of approximately \$1,117 million and (b) equity consideration of approximately \$461 million for the Acquisition of NEM's outstanding common shares as determined in the tables below (in thousands, except share amounts, the exchange ratio and price per share):

(a)

Number of NEM common shares outstanding 12/31/11	115,157,382
Number of common shares related to the convertible debt	<u>20,835,267</u> **
Total shares	135,992,649
Cash consideration per NEM common share	\$ 8.21 *
Total cash consideration to settle NEM's common shares	<u>\$ 1,116,964</u>

\*The cash consideration per NEM common share is calculated based on C\$8.05 multiplied by a weighted average exchange rate that assumes the utilization of the Canadian forward rate contract and the current spot rate. Approximately 80% of the estimated cash consideration will be hedged.

(b)

Number of NEM common shares outstanding 12/31/11	115,157,382
Number of common shares related to the convertible debt	<u>20,835,267</u> **
Total shares	135,992,649
Multiplied by exchange ratio per merger agreement	<u>0.1220</u>
Number of Molycorp shares subject to issuance	16,591,103
Multiplied by price of Molycorp common stock 4/27/12	\$ 27.77
Total equity consideration	<u>\$ 460,735</u>

\*\* Reflects the conversion of the NEM convertible debentures into common stock pursuant to the Indenture and elimination of the related non-current debt balance of \$198.02 million.

The equity consideration is sensitive to the trading price of Molycorp's common stock on the date of the Acquisition. The actual value of Molycorp's stock will not be known until the effective date of the Acquisition and may differ materially based on changes in the share price through the acquisition date. A 10% change in the stock price would result in a corresponding \$46.1 million change in the unaudited pro forma equity consideration reflected above. The cash consideration is

sensitive to the Canadian Dollar forward and spot rate at the effective date of the Acquisition. The cash consideration assumes utilization of a Canadian Dollar forward rate of C\$0.98 to USD\$1.00, which is subject to nominal adjustment if the Acquisition closes prior to September 4, 2012. The foreign exchange rate on the portion of the Acquisition consideration which is not hedged will not be known until the effective date of the Acquisition and may differ materially based on changes in the exchange rate through the acquisition date. A 10% change in this rate would result in an approximate \$25 million change in the unaudited pro forma cash consideration reflected above.

The issuance of 16.6 million of Molycorp shares is reflected in the stockholders' equity balance as of December 31, 2011 and the cash consideration is reflected in cash and cash equivalents as of December 31, 2011.

- (3) Represents required payments to be made for NEM share-based compensation awards and executive employment agreements due to change in control provisions in NEM's Stock Option Plan, LTIP, DSU Plan and executive employment agreements. The approximate \$43.0 million of assumed share-based compensation awards are reflected as pre-combination period expense, net of the historical expense related to these awards, and a component of the total purchase consideration. The historical liability of \$17.0 million related to these awards was eliminated in the unaudited pro forma condensed consolidated balance sheet. The change in control payments to certain executives of approximately \$11.2 million are reflected as pre-combination period expense and an assumed liability incurred by NEM. The related expense is not reflected in the pro forma condensed consolidated statement of operations.
- (4) The following is a preliminary allocation of the NEM purchase price and is based on Molycorp's preliminary estimates of the fair value of the tangible and intangible assets and liabilities of NEM. The final determination of the purchase price allocation may be significantly different than the preliminary estimates used in these unaudited pro forma condensed consolidated financial statements. The estimated purchase price of NEM, as calculated in notes 2 and 3 of \$1,621 million, is allocated to the assets to be acquired and liabilities to be assumed based on the following preliminary basis:

Total estimated purchase consideration	<u>\$ 1,620,680</u>
Cash and cash equivalents	\$ 306,672
Trade accounts receivable	65,143
Inventory	329,203
Prepaid expenses and other current assets	33,485
Property, plant and equipment	161,831
Investments	16,787
Intangibles	472,780
Goodwill	561,450
Other non-current assets	7,734
Accounts payable and accrued expenses	(87,146)
Debt	(26,078)
Other current liabilities	(38,831)
Deferred tax liabilities	(157,044)
Other non-current liabilities	(12,962)
Noncontrolling interests	<u>(12,344)</u>
Total estimated purchase consideration	<u>\$ 1,620,680</u>

- (5) Some adjustments have been made to reflect the preliminary incremental fair values of property, plant and equipment, identifiable intangible assets, and inventory of NEM, which were estimated by management, as well as to reflect the net incremental depreciation and amortization expense of \$6.5 million and \$58 million for the year ended December 31, 2011, as a result of the allocation of the purchase price to certain depreciable and amortizable assets with useful lives ranging from two to twenty years. To the extent that the final purchase price allocation increases or decreases depreciable or amortizable assets, the depreciation and amortization expense will be impacted. A

\$100 million increase in property, plant, and equipment, would increase depreciation expense by approximately \$6 million per year. Similarly, a \$100 million increase in intangible assets would increase amortization expense by approximately \$13 million per year.

- (6) Represents the elimination of NEM's historical equity accounts in accordance with acquisition accounting.
- (7) Reflects total estimated accrued direct transaction costs of \$40 million. The total estimated direct transaction costs are not included in the unaudited pro forma condensed consolidated statement of operations. The transaction costs will be recorded once the expenses have been incurred and may differ from the estimate.
- (8) Represents the estimated net increase in interest expense based on an assumed rate of 7.0% for the Senior Secured Notes expected to be issued by Molycorp in connection with the Acquisition. This unaudited pro forma financing information assumes Molycorp issues the necessary Senior Secured Notes to fund the Acquisition; however, Molycorp has a binding commitment from certain financial institutions totaling \$635 million of bridge financing which could be utilized for the Acquisition. The actual interest rate could be significantly higher or lower than management's current estimate. The components of the unaudited pro forma adjustment to interest expense include the following:

	For the Year Ended December 31, 2011
Interest on new debt instruments	\$ (44,450)
NEM's historical interest expense elimination	9,109
Amortization of deferred financing costs	(1,750)
Total	<u>\$ (37,091)</u>

A 1/8% variance in the assumed interest rate used would impact the unaudited pro forma income before taxes by approximately \$1 million for the year ended December 31, 2011.

- (9) Represents the tax effect of unaudited pro forma adjustments using the Molycorp blended federal, state and international statutory tax rates adjusted for permanent differences. Management assumed allocation of consideration to property, plant and equipment, identified intangibles, and inventory in the unaudited pro forma purchase price accounting. Refer to note 5. These additional fair value increments give rise to deferred tax liabilities, which are calculated using country specific statutory rates.
- (10) The weighted average shares outstanding have been adjusted to reflect the additional shares resulting from the transactions described in Notes 1 and 2 effective January 1, 2011.

**Basic earnings per share**

Weighted average number of Molycorp shares outstanding	83,454,221
Adjustment for share issuance to Molymer	12,500,000
Adjustment for share issuance to NEM shareholders	<u>16,591,103</u>
Pro forma weighted averaged number of shares outstanding	112,545,324

Pro forma adjusted net earnings	\$ 223,262
<b>Pro forma basic earnings per share</b>	<u>\$ 1.98</u>

**Diluted earnings per share**

Pro forma weighted average number of shares outstanding	112,545,324
Dilutive impact of 3.25% convertible notes	<u>1,765,796</u>
Pro forma weighted average number of shares outstanding - diluted	114,311,120

Pro forma adjusted net earnings	\$ 223,262
Dilutive impact of 3.25% convertible notes	<u>\$ 414</u>
Pro forma adjusted net earnings	<u>\$ 223,676</u>
<b>Pro forma diluted earnings per share</b>	<u>\$ 1.96</u>

(11) The following consolidated financial statements present a reconciliation from IFRS to the U.S. GAAP financial statements presented in these unaudited pro forma condensed consolidated statements:



## Neo Material Technologies, Inc.

## Balance Sheet

(In thousands)

ASSETS	December 31, 2011		
	IFRS	Adjustments (unaudited)	U.S. GAAP (unaudited)
Current assets:			
Cash and cash equivalents	\$ 306,757	\$ (85) (1)	\$ 306,672
Trade accounts receivable	65,923	(780) (1)	65,143
Inventory	273,631	(2,749) (1)	270,785
		(97) (2)	
Prepaid expenses and other current assets	31,989	(4) (1)	48,090
		16,105 (3)	
Total current assets	678,300	12,390	690,690
Non-current assets:			
Property, plant and equipment, net	58,487	(3,656) (1)	54,831
Investments	11,976	4,811 (1)	16,787
Goodwill	58,031	(3,951) (1)	52,618
		(1,462) (5)	
Other non-current assets	43,667	4,191 (1)	20,514
		(27,261) (3)	
		(83) (4)	
Total non-current assets	172,161	(27,411)	144,750
<b>Total assets</b>	<b>\$ 850,461</b>	<b>\$ (15,021)</b>	<b>\$ 835,440</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 93,745	\$ (766) (1)	\$ 92,979
Debt	26,078	-	26,078
Other current liabilities	38,866	(35) (1)	38,831
Total current liabilities	158,689	(801)	157,888
Non-current liabilities:			
Debt	198,020	-	198,020
Deferred tax liabilities	14,771	433 (1)	15,204
Other non-current liabilities	12,962	-	12,962
Total non-current liabilities	225,753	433	226,186
<b>Total liabilities</b>	<b>384,442</b>	<b>(368)</b>	<b>384,074</b>
Stockholders' equity:			
Additional paid-in capital	254,609	6,482 (1)(3)	261,091
Accumulated other comprehensive loss	2,814	2,835 (3)(4)(6)	5,649
Retained earnings	196,252	(23,970) (1)(2)(3)(5)(6)	172,282
Noncontrolling interests	12,344	-	12,344
Total stockholders' equity	466,019	(14,653)	451,366
<b>Total liabilities and stockholders' equity</b>	<b>\$ 850,461</b>	<b>\$ (15,021)</b>	<b>\$ 835,440</b>

Neo Material Technologies, Inc.  
Statement of Income  
(In thousands, except share and per share amounts)

	Year ended December 31, 2011		
	IFRS	Adjustments (unaudited)	U.S. GAAP (unaudited)
Sales	\$ 800,045	\$ -	\$ 800,045
Operating costs and expenses:			
Cost of goods sold	(439,101)	(791) (1)	(439,990)
Selling, general and administrative	(54,175)	141 (1) (192) (6)	(54,226)
Depreciation, amortization and accretion expenses	(3,507)	-	(3,507)
Research and development	(27,333)	1 (1)	(27,332)
Operating income (loss)	<u>275,929</u>	<u>(939)</u>	<u>274,990</u>
Other income (expense):			
Other income (expense)	(6,793)	61 (1)	(6,732)
Foreign currency transaction gain (losses), net	2,850	(93) (1)	2,757
Interest income (expense), net	(12,418)	184 (1)	(12,234)
	<u>(16,361)</u>	<u>152</u>	<u>(16,209)</u>
Income before income taxes and equity income of associates	259,568	(787)	258,781
Income tax expenses	(54,289)	(8) (1) (12,353) (3)	(66,650)
Income before equity income of associates	<u>205,279</u>	<u>(13,148)</u>	<u>192,131</u>
Equity income of associates (net of tax)	5,001	322 (1)	5,323
Net Income	<u>210,280</u>	<u>(12,826)</u>	<u>197,454</u>
Net income attributable to noncontrolling interests	(9,323)	-	(9,323)
Net income attributable to Neo Material stockholders	<u>\$ 200,957</u>	<u>\$ (12,826)</u>	<u>\$ 188,131</u>

Notes to the consolidated U.S. GAAP adjustments:

1) Deconsolidation of Ingal Stade

Under U.S. GAAP, investments in joint ventures may be accounted for using the equity method or in certain cases as a consolidated entity under variable interest entity accounting. Under IFRS, jointly controlled entities may be accounted for either by proportionate consolidation or by using the equity method. NEM elected under IFRS to account for its investment in Ingal Stade GmbH (“Ingal Stade”) using proportionate consolidation. Upon conversion to U.S. GAAP, NEM must deconsolidate Ingal Stade from its 2011 consolidated financial statements and determine an adjusted cost basis for Ingal Stade as of its acquisition date.

The impact on the financial statements represents classification/presentation changes between the various accounts into a single line item on the balance sheet and statement of income, resulting in investments of \$4,811 and equity of income of associates of \$322.

2) Inventory

Under U.S. GAAP, previously written down inventories to net realizable value are not allowed to be reversed or “written-up” to the original cost in subsequent periods. Under IFRS, when the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value. Upon conversion to U.S. GAAP, all previous inventory provision write-ups under IFRS of \$97 have been reversed.

3) Income taxes

i. Intra-group transactions: Under U.S. GAAP, the recognition of deferred taxes on intra-group transactions is prohibited. Under IFRS, deferred tax is recognized on the difference between the tax base and carrying value of inventory transferred between jurisdictions in intra-group transactions. The deferred tax asset is based on the tax rate of the purchasing entity.

ii. Foreign exchange transaction: Under U.S. GAAP, deferred taxes are not recognized for temporary differences arising from the translation of foreign non-monetary assets and liabilities at historical exchange rates. Under IFRS, deferred taxes are recognized for temporary differences arising from the translation of foreign non-monetary assets and liabilities at historical exchange rates.

iii. Employee pension benefits: Under U.S. GAAP, actuarial gains/losses are directly recognized in the income statement, therefore the related income tax would be recognized in the statement of operations. Under IFRS, actuarial gains/losses are recognized in other comprehensive income (“OCI”), therefore related income tax would be recognized in OCI as well.

iv. Stock options: Under U.S. GAAP, deferred tax assets are recognized on compensation expense recorded for book purposes. Under IFRS, the deferred tax asset in each period is based on an estimate of the future tax deduction for the award measured at each reporting date based on the stock price.

v. Classification on the financial statements: Under U.S. GAAP, deferred tax is classified as either current or non-current on the balance sheet according to the classification of the related asset or liability giving rise to temporary difference. Under IFRS, deferred tax is classified as non-current on the balance sheet.

vi. Privately held investments: NEM is required to estimate income tax expense for the measurement differences relating to privately held equity investments, as described in the Investments note below.

vii. Convertible debenture and Valuation Allowance: Under U.S. GAAP, a deferred tax liability is established related to the taxable temporary difference on the convertible debenture. This deferred tax liability is recognized as an adjustment to additional paid-in capital (“APIC”). If the establishment of the deferred tax liability results in a release of valuation allowance (“VA”) on existing deferred tax assets, such reduction should also be allocated to APIC. Under IFRS, a deferred tax liability is established related to the taxable temporary difference on the convertible debenture, and is recognized as an adjustment to APIC. However, if the establishment of the deferred tax liability results in a release of VA on existing deferred tax assets, such reduction should be recognized to income tax expense.

#### 4) Investments

Under U.S. GAAP, unlisted equity investments are generally scoped out of the requirement for fair value presentation and therefore these investments are carried at cost. Under IFRS, after initial recognition, an entity is required to measure financial assets, at their fair values each reporting period, even if the investment is not a publicly listed entity. Therefore, upon conversion to U.S. GAAP, NEM is required to reverse previous fair value adjustments related to unlisted equity investments. An adjustment of \$63 was recorded to decrease the cost of unlisted equity investment.

#### 5) Acquisition Costs

Under U.S. GAAP, all acquisition-related costs shall be expensed as incurred. Upon initial adoption of IFRS, NEM elected not to restate business combinations prior to January 1, 2010 and accounted for the costs for the Recapture Metals acquisition as part of the purchase price allocation. Upon conversion to U.S. GAAP, the acquisition costs incurred during 2009 related to the purchase of Recapture Metals business must be expensed in the statement of operations.

#### 6) Pensions

Under U.S. GAAP, companies are permitted to record expenses for actuarial gains and losses using the corridor method. Upon conversion to U.S. GAAP, NEM is required to reverse the impact from the election available under IFRS 1 and amortize actuarial gains and losses using the corridor method.

## EXCHANGEICO FINANCIAL STATEMENTS

### Report of Independent Auditors

To the Board of Directors and Stockholders of MCP Exchangeico Inc.:

We have audited the accompanying balance sheet of MCP Exchangeico Inc. as of March 7, 2012. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of MCP Exchangeico Inc. at March 7, 2012 in conformity with Canadian generally accepted accounting principles.

*/s/ "PricewaterhouseCoopers LLP"*  
Denver, Colorado  
April 30, 2012

**MCP EXCHANGE CO INC.**

**Balance Sheet**

As at March 7, 2012

(C\$)

**Assets**

Current assets

Receivable from parent company .....	<u>\$1.00</u>
Total assets .....	<u>\$1.00</u>

**Stockholder's Equity**

Common shares, no par value .....	<u>\$1.00</u>
Total stockholder's equity .....	<u>\$1.00</u>

*See accompanying notes*

/s/ JOHN F. ASHBURN, JR.

John F. Ashburn, Jr.

*Director*

**MCP EXCHANGE CO INC.**

**Notes to Financial Statement**

(C\$)

**(1) Incorporation and Financial Presentation**

0934634 B.C. Ltd. ("BCCO") was incorporated under the *Business Corporations Act* (British Columbia) on March 7, 2012. Effective April 10, 2012, BCCO changed its name to MCP Exchangeco Inc. ("Exchangeco"), an indirect wholly-owned subsidiary of Molycorp, Inc. ("Molycorp"), for the purpose of implementing the arrangement agreement ("Arrangement") dated March 8, 2012 involving Molycorp, Exchangeco and Neo Material Technologies Inc. ("NEM") under the provisions of Section 192 of the *Canada Business Corporations Act*, resulting in the acquisition by Exchangeco of all of the outstanding NEM Common Shares. Exchangeco has not carried on any business except in accordance with its role as a party to the Arrangement. This financial statement has been prepared in accordance with Canadian generally accepted accounting principles.

**(2) Shareholder's Equity**

The authorized capital of Exchangeco consists of an unlimited number of common shares, which are without nominal or par value. One hundred common shares were issued at a price of \$0.01 per share on the initial organization on March 7, 2012.

**(3) Subsequent Event**

Pursuant to the Arrangement, Exchangeco, with support of Molycorp, will acquire all of the issued and outstanding shares of NEM. The Arrangement is subject to regulatory, judicial and NEM shareholders' approval.

(This page intentionally left blank)



**APPENDIX D**  
**FORM OF ARRANGEMENT RESOLUTION**

**RESOLUTION OF THE SHAREHOLDERS OF**  
**NEO MATERIAL TECHNOLOGIES INC.**  
**(the "Company")**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (as it may be modified or amended, the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* ("**CBCA**") involving the Company and its securityholders, all as more particularly described and set forth in the plan of arrangement (as it may be modified or amended, the "**Plan of Arrangement**") attached as Appendix E to the information circular of the Company dated April 30, 2012 (the "**Information Circular**"), is hereby authorized and approved.
2. The Arrangement Agreement dated as of March 8, 2012 among the Company, MCP Exchangeco Inc. and Molycorp Inc., as may be amended from time to time (the "**Arrangement Agreement**"), the actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and causing the performance by the Company of its obligations thereunder are hereby confirmed, ratified, authorized and approved.
3. Notwithstanding that this resolution has been passed (and the Arrangement approved and agreed to) by securityholders of the Company or that the Arrangement has been approved by the Ontario Superior Court of Justice, the directors of the Company are hereby authorized and empowered without further approval of any securityholders of the Company (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or Plan of Arrangement and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement).
4. Any one director or officer of the Company is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Company, to execute or cause to be executed, under the seal of the Company or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

(This page intentionally left blank)

**APPENDIX E  
PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT  
UNDER THE PROVISIONS OF SECTION 192  
OF THE *CANADA BUSINESS CORPORATIONS ACT***

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Plan of Arrangement, unless there is something in the subject matter or context clearly inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

- (a) "**Actual Cash Election Percentage**" has the meaning ascribed thereto in Section 3.3(c)(i);
- (b) "**Actual Share Election Percentage**" has the meaning ascribed thereto in Section 3.3(d)(i);
- (c) "**Ancillary Rights**" means the interest of a holder of Exchangeable Shares as a beneficiary of the trust created by the Voting and Exchange Trust Agreement;
- (d) "**Arrangement**" means the arrangement under section 192 of the CBCA, on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 9.10 of the Arrangement Agreement or Article 7 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably;
- (e) "**Arrangement Agreement**" means the agreement made as of March 8, 2012 between the Company, the Purchaser and the Parent., including the schedules thereto, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with its terms;
- (f) "**Arrangement Resolution**" means the special resolution to be considered and, if thought fit, passed by the Shareholders at the Company Meeting to approve the Arrangement;
- (g) "**Articles of Arrangement**" means the articles of arrangement of the Company to be filed with the Director pursuant to section 192(6) of the CBCA after the Final Order is made, which shall be in form and content satisfactory to the Company and the Purchaser, each acting reasonably;
- (h) "**BCBCA**" means the *Business Corporations Act* (British Columbia) and all regulations made thereunder, as promulgated or amended from time to time;
- (i) "**Business Day**" means a day other than a Saturday, a Sunday or any other day on which major commercial banking institutions in Toronto, Ontario or New York City, New York are closed for business;
- (j) "**Calco**" means MCP Calco Inc., a subsidiary of the Parent existing under the laws of the Province of British Columbia, or any other direct or indirect wholly-owned subsidiary of the Parent designated by the Parent from time to time in replacement thereof;

- (k) "**Canadian Dollar Equivalent**" means, at any date, in respect of any amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") as of such date, the product obtained by multiplying (i) the Foreign Currency Amount by (ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the board of directors of the Purchaser to be appropriate for such purpose;
- (l) "**Canadian Resident**" means either (i) a person who, at the relevant time, is a resident of Canada for purposes of the Tax Act or (ii) a partnership that is a "Canadian partnership" for purposes of the Tax Act;
- (m) "**Cash Consideration**" means, in respect of a Common Share transferred to the Purchaser pursuant to Section 3.1(c)(i) or 3.1(d)(i), the amount in cash elected or deemed to be elected in respect of such Common Share by the holder thereof pursuant to Section 3.2, such election to be for a maximum amount per Common Share of C\$11.30;
- (n) "**CBCA**" means the *Canada Business Corporations Act* and all regulations made thereunder, as promulgated or amended from time to time;
- (o) "**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director with respect to the Articles of Arrangement pursuant to subsection 192(7) of the CBCA;
- (p) "**Change of Law**" means any amendment to the Tax Act and other applicable provincial income tax Laws that permits Canadian Resident holders of Exchangeable Shares, who hold the Exchangeable Shares as capital property and deal at arm's length with the Parent and the Purchaser (all for the purposes of the Tax Act and other applicable provincial income tax Laws), to exchange their Exchangeable Shares for Molycorp Shares on a basis that will not require such holders to recognize any gain or loss or any actual or deemed dividend in respect of such exchange for the purposes of the Tax Act or applicable provincial income tax Laws;
- (q) "**Change of Law Call Date**" has the meaning ascribed thereto in Section 6.3(b);
- (r) "**Change of Law Call Purchase Price**" has the meaning ascribed thereto in Section 6.3(a);
- (s) "**Change of Law Call Right**" has the meaning ascribed thereto in Section 6.3(a);
- (t) "**Common Shares**" means the common shares without par value in the capital of the Company;
- (u) "**Company**" means Neo Material Technologies Inc., a corporation continued under the laws of Canada;
- (v) "**Company Meeting**" means the special meeting of the Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order for the purpose of considering and, if thought fit, approving the Arrangement;
- (w) "**Court**" means the Ontario Superior Court of Justice (Commercial List) or other court with jurisdiction to consider and issue the Interim Order and the Final Order;
- (x) "**Deemed Cash Election Percentage**" has the meaning ascribed thereto in Section 3.3(c)(i);
- (y) "**Deemed Share Election Percentage**" has the meaning ascribed thereto in Section 3.3(d)(i);
- (z) "**Depository**" means Computershare Investor Services Inc.;

- (aa) "**Director**" means the Director appointed pursuant to section 260 of the CBCA;
- (bb) "**Dissent Rights**" has the meaning ascribed thereto in Section 4.1;
- (cc) "**Dissenting Shareholder**" means a registered holder of Common Shares who has duly and validly exercised the Dissent Rights in respect of the Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;
- (dd) "**Dissenting Shares**" means the Common Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent;
- (ee) "**DSU Plan**" means the Directors Share Unit Plan established by the Company on November 6, 2008, as thereafter amended and restated from time to time;
- (ff) "**DSUs**" means, at any time, deferred share units granted pursuant to the DSU Plan which are, at such time, outstanding;
- (gg) "**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement;
- (hh) "**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date or at such other time on the Effective Date as the Purchaser and the Company may agree in writing;
- (ii) "**Election Deadline**" means 4:30 p.m. (Toronto time) on the Business Day immediately preceding the date of the Company Meeting;
- (jj) "**Eligible Holder**" means a Shareholder who (i) is a Canadian Resident and (ii) is not exempt from tax under Part I of the Tax Act (or, in the case of a partnership, none of the partners of which is exempt from tax under Part I of the Tax Act);
- (kk) "**Eligible Share**" means a Common Share that the holder thereof has elected in accordance with Section 3.2, or has been deemed in accordance with Section 3.2 to have made an election, to transfer to the Purchaser for Eligible Share Consideration or a combination of Eligible Share Consideration and Cash Consideration; provided, however, that a Common Share that is not otherwise an Eligible Share shall be deemed to be an Eligible Share if (i) such Common Share is not otherwise an Eligible Share because the holder thereof has elected to receive Cash Consideration only for such Common Share and (ii) such holder is an Eligible Holder who has elected, in a duly completed Letter of Transmittal deposited with the Depository no later than the Election Deadline, to receive Eligible Share Consideration in the event and to the extent that the Cash Consideration is pro-rated in accordance with Section 3.3;
- (ll) "**Eligible Share Consideration**" means, in respect of an Eligible Share transferred to the Purchaser pursuant to Section 3.1(c)(i), the number of Exchangeable Shares (together with Ancillary Rights) elected or deemed to be elected in respect of such Eligible Share by the holder thereof pursuant to Section 3.2, such election to be for a maximum of 0.4242 Exchangeable Shares (together with Ancillary Rights) for each Eligible Share;
- (mm) "**Exchangeable Share**" means an exchangeable share in the capital of the Purchaser, as more particularly described in the Exchangeable Share Provisions;
- (nn) "**Exchangeable Share Consideration**" has the meaning set out in the Exchangeable Share Provisions;
- (oo) "**Exchangeable Share Price**" has the meaning set out in the Exchangeable Share Provisions;

- (pp) "**Exchangeable Share Provisions**" means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions will be in substantially the form set out in Appendix I hereto;
- (qq) "**Exchangeable Share Voting Event**" has the meaning set out in the Exchangeable Share Provisions;
- (rr) "**Exempt Exchangeable Share Voting Event**" has the meaning set out in the Exchangeable Share Provisions;
- (ss) "**Final Order**" means the order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement under subsection 192(4) of the CBCA, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn, abandoned or denied, as affirmed or amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal;
- (tt) "**Governmental Authority**" means any international, multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any ministry, department, division, bureau, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including any stock exchange), domestic or foreign, exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel, arbitrator or arbitral body acting under the authority of any of the foregoing;
- (uu) "**holder**" means, when used with reference to any securities of the Company, the holder of such securities shown from time to time in the central securities register maintained by or on behalf of the Company in respect of such securities;
- (vv) "**Interim Order**" means the interim order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, to be issued following the application therefor contemplated by Section 2.2(a) of the Arrangement Agreement providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended, modified, supplemented or varied by the Court with the consent of both the Company and the Purchaser, each acting reasonably;
- (ww) "**Letter of Transmittal and Election Form**" means the letter of transmittal and election form to be delivered by the Company to the Shareholders providing for the delivery of Common Shares to the Depositary;
- (xx) "**Liens**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, option, right of first offer or first refusal or other charge or encumbrance of any kind and adverse claim;
- (yy) "**Liquidation Amount**" has the meaning set out in the Exchangeable Share Provisions;
- (zz) "**Liquidation Call Purchase Price**" has the meaning ascribed thereto in Section 6.1(a);
- (aaa) "**Liquidation Call Right**" has the meaning ascribed thereto in Section 6.1(a);
- (bbb) "**Liquidation Date**" has the meaning set out in the Exchangeable Share Provisions;

- (ccc) "**LTIP**" means the long-term incentive plan of the Company effective as of September 21, 2006, as thereafter amended and restated from time to time;
- (ddd) "**Maximum Cash Amount**" has the meaning ascribed thereto in Section 3.3(a);
- (eee) "**Maximum Share Amount**" has the meaning ascribed thereto in Section 3.3(b);
- (fff) "**Molycorp Control Transaction**" has the meaning set out in the Exchangeable Share Provisions;
- (ggg) "**Molycorp Shares**" means shares of common stock of the Parent, par value US\$0.001 per share;
- (hhh) "**Notice of Dissent**" means a notice of dissent duly and validly given by a registered holder of Common Shares exercising Dissent Rights as contemplated in the Interim Order and as described in Article 4;
- (iii) "**NYSE**" means the New York Stock Exchange;
- (jjj) "**Option Consideration**" means, in respect of each Option, a cash amount equal to the amount, if any, by which the Total Consideration exceeds the exercise price of such Option;
- (kkk) "**Optionholder**" means a holder of one or more Options;
- (lll) "**Options**" means, at any time, options to acquire Common Shares granted pursuant to the Stock Option Plan which are, at such time, outstanding and unexercised, whether or not vested;
- (mmm) "**Parent**" means Molycorp, Inc., a corporation incorporated under the laws of the State of Delaware;
- (nnn) "**Performance Units**" means, at any time, performance awards and performance units granted pursuant to the LTIP which are, at such time, outstanding, whether or not earned or vested;
- (ooo) "**Plan of Arrangement**" means this plan of arrangement, including any appendices hereto, and any amendments, modifications or supplements hereto made from time to time in accordance with the terms hereof or made at the direction of the Court in the Final Order;
- (ppp) "**Purchaser**" means MCP Exchangeco Inc., a corporation incorporated under the laws of the Province of British Columbia;
- (qqq) "**Redemption Call Purchase Price**" has the meaning ascribed thereto in Section 6.2(a);
- (rrr) "**Redemption Call Right**" has the meaning ascribed thereto in Section 6.2(a);
- (sss) "**Redemption Date**" has the meaning set out in the Exchangeable Share Provisions;
- (ttt) "**RSUs**" means, at any time, restricted share units granted pursuant to the LTIP which are, at such time, outstanding;
- (uuu) "**SAR Consideration**" means, in respect of each SAR, a cash amount equal to the amount, if any, by which the Total Consideration exceeds the "SARs Base Price" (as defined in the LTIP) of such SAR;
- (vvv) "**SARs**" means stock appreciation rights, granted pursuant to the LTIP, whether or not in tandem with Options under the Stock Option Plan;

- (www) "**Share Consideration**" means, in respect of a Common Share transferred to the Purchaser pursuant to Section 3.1(d)(i), the number of Molycorp Shares elected or deemed to be elected in respect of such Common Share by the holder thereof pursuant to Section 3.2, such election to be for a maximum of 0.4242 Molycorp Shares for each Common Share;
- (xxx) "**Shareholder**" means a holder of one or more Common Shares;
- (yyy) "**Stock Option Plan**" means the Amended and Restated Stock Option Plan of the Company effective November 11, 2010, as amended;
- (zzz) "**Tax Act**" means the *Income Tax Act* (Canada);
- (aaaa) "**Tax Election Package**" means two copies of CRA form T-2057, or, if the applicable Shareholder is a partnership, two copies of CRA form T-2058 and two copies of any applicable equivalent provincial or territorial election form, which forms have been duly and properly completed and executed by such Shareholder in accordance with the rules contained in the Tax Act or the relevant provincial legislation;
- (bbbb) "**Total Consideration**" means C\$11.30;
- (cccc) "**Transfer Agent**" means Computershare Trust Company of Canada or such other person as may from time to time be appointed by the Purchaser as the registrar and transfer agent for the Exchangeable Shares; and
- (dddd) "**Voting and Exchange Trust Agreement**" means the voting and exchange trust agreement to be entered into among the Parent, Callco, the Purchaser and the Trustee (as defined in the Exchangeable Share Provisions) in substantially the form of Schedule E to the Arrangement Agreement.

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Arrangement Agreement. In addition, words and phrases used herein and defined in the CBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the CBCA unless the context otherwise clearly requires.

## 1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "Article", "Section" or "paragraph" followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

## 1.3 Number and Gender

In this Plan of Arrangement, unless the context otherwise clearly requires, words used herein importing the singular include the plural and vice versa; words imparting any gender shall include all genders; and words imparting persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities and other entities.

## 1.4 Date of Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, then such action shall be required to be taken on the next succeeding day which is a Business Day.



### 1.5 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in the Letter of Transmittal and Election Form are local time (Toronto, Ontario) unless otherwise stipulated herein or therein.

### 1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

## **ARTICLE 2** **EFFECT OF THE ARRANGEMENT**

### 2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

### 2.2 Binding Effect

This Plan of Arrangement will become effective at the Effective Time and shall be binding upon the Purchaser, the Parent, the Company, Callco, the Shareholders, the Optionholders, the holders of SARs, RSUs, Performance Units and DSUs, and the Depositary.

## **ARTICLE 3** **ARRANGEMENT**

### 3.1 The Arrangement

Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, in each case without any further authorization, act or formality of or by the Company, the Purchaser or any other person:

- (a) at the Effective Time:
  - (i) each Option granted and outstanding immediately prior to the Effective Time will be and be deemed to be transferred by the holder thereof to the Company (free and clear of any Liens) in exchange for a cash payment from the Company equal to the Option Consideration (if any) in respect of such Option;
  - (ii) with respect to each Option, the holder thereof will cease to be the holder thereof or to have any rights as a holder in respect of such Option or under the Stock Option Plan and the name of the holder thereof will be removed from the applicable securities register of the Company with respect to such Option; and
  - (iii) the Stock Option Plan will be cancelled;
- (b) immediately after the steps in Section 3.1(a) occur:
  - (i) each Dissenting Share held by a Dissenting Shareholder who is ultimately determined to be entitled to be paid the fair value of the Dissenting Shares in respect of which such Dissenting Shareholder has exercised Dissent Rights will be and be deemed to be transferred by the holder thereof to the Purchaser (free and clear of any Liens) and such

Dissenting Shareholder will cease to be the holder thereof or to have any rights as a holder in respect of such Dissenting Share other than the right to be paid the fair value of such Dissenting Share determined and payable in accordance with Article 4; and

- (ii) at the same times as the step in Section 3.1(b)(i) occurs, legal and beneficial title to each such Dissenting Share will vest in the Purchaser and the Purchaser will be and be deemed to be the transferee and legal and beneficial owner of such Dissenting Share (free and clear of any Liens) and will be entered in the central securities register of the Company as the sole holder thereof;
- (c) at the same time as the steps in Section 3.1(b) occur:
- (i) each Eligible Share will be and be deemed to be transferred by the holder thereof to the Purchaser (free and clear of any Liens) in exchange for (x) the Cash Consideration, (y) the Eligible Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 and subject, in each case, to proration in accordance with Section 3.3); and
  - (ii) at the same time as the step in Section 3.1(c)(i) occurs, the holder of each Eligible Share transferred to the Purchaser pursuant to Section 3.1(c)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Eligible Share Consideration payable in respect thereof pursuant to Section 3.1(c)(i), and legal and beneficial title to each such Eligible Share will vest in the Purchaser and the Purchaser will be and be deemed to be the transferee and legal and beneficial owner of such Eligible Share (free and clear of any Liens) and will be entered in the central securities register of the Company as the sole holder thereof;
- (d) at the same time as the steps in Section 3.1(c) occur:
- (i) each Common Share outstanding immediately prior to the Effective Time (other than Dissenting Shares held by Dissenting Shareholders who are ultimately determined to be entitled to be paid the fair value of their Dissenting Shares as determined in accordance with Article 4 and other than Eligible Shares), will be and be deemed to be transferred by the holder thereof to the Purchaser (free and clear of any Liens) in exchange for (x) the Cash Consideration, (y) the Share Consideration or (z) a combination thereof (in each case as elected or deemed to be elected pursuant to Section 3.2 and subject, in each case, to proration in accordance with Section 3.3); and
  - (ii) at the same time as the step in Section 3.1(d)(i) occurs, the holder of each Common Share transferred to the Purchaser pursuant to Section 3.1(d)(i) will cease to be the holder thereof, or to have any rights as a holder thereof other than the right to receive the Cash Consideration and/or Share Consideration payable in respect thereof pursuant to Section 3.1(d)(i), and legal and beneficial title to each such Common Share will vest in the Purchaser and the Purchaser will be and be deemed to be the transferee and legal and beneficial owner of such Common Share (free and clear of any Liens) and will be entered in the central securities register of the Company as the sole holder thereof;
- (e) immediately after the steps in Section 3.1(d) occur:
- (i) notwithstanding the terms of the LTIP, all vested and unvested RSUs, Performance Units and SARs under the LTIP will be deemed to be vested, and will without any further action by the holders of RSUs, Performance Units and SARs be cancelled and terminated by the Company and each holder thereof will be entitled to receive from the Company, in exchange therefor:

- (A) the Total Consideration in cash per RSU;
  - (B) the SAR Consideration in cash per SAR; and
  - (C) the Total Consideration in cash per Performance Unit; and
- (ii) at the same time as the step in Section 3.1 (e)(i) occurs, the LTIP will be cancelled;
- (f) immediately after the steps in Section 3.1(e) occur:
  - (i) notwithstanding the terms of the DSU Plan, all vested and unvested DSUs under the DSU Plan will be deemed to be vested, and will without any further action by the holders of DSUs be cancelled and terminated by the Company and each holder thereof will be entitled to receive from the Company in exchange therefor, the Total Consideration in cash per DSU; and
  - (ii) at the same time as the step in Section 3.1(f)(i) occurs, the DSU Plan will be cancelled; and
- (g) each holder of Options or Common Shares, or both, outstanding immediately prior to the Effective Time, with respect to each step set out above applicable to such holder, will be deemed, at the time such step occurs, to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer all Options or Common Shares held by such holder in accordance with such step.

### 3.2 Election Mechanics

With respect to the transfer of Common Shares to the Purchaser pursuant to Sections 3.1(c)(i) and 3.1(d)(i):

- (a) each Shareholder who is an Eligible Holder may elect to receive (i) in respect of any or all of the Common Shares held by such Eligible Holder, either the Eligible Share Consideration or a combination of the Eligible Share Consideration and the Cash Consideration and (ii) in respect of the balance of the Common Shares held by such Eligible Holder, if any, either (x) the Cash Consideration, (y) the Share Consideration or (z) a combination thereof;
- (b) each Shareholder who is not an Eligible Holder may elect to receive, in respect of each Common Share held by such Shareholder, either (i) the Cash Consideration, (ii) the Share Consideration or (iii) a combination thereof;
- (c) in order to make the election referred to in Section 3.2(a) or 3.2(b), a Shareholder must deposit with the Depositary, by no later than the Election Deadline, a duly completed Letter of Transmittal and Election Form indicating such Shareholder's election, which election shall be irrevocable and may not be withdrawn, together with the certificate(s) representing the Common Shares held by such Shareholder; and
- (d) any Shareholder who has not, prior to the Election Deadline, deposited with the Depositary a duly completed Letter of Transmittal and Election Form indicating such Shareholder's election, together with the certificate(s) representing the Common Shares held by such Shareholder, or otherwise fails to fully comply with the requirements of Section 3.2(c) in respect of any Common Shares (including Shareholders who duly exercise Dissent Rights but are ultimately not entitled, for any reason, to be paid fair value for the Common Shares in respect of which they have exercised Dissent Rights) shall be deemed to have elected to receive the Cash Consideration as to 71.24% in respect of each such Common Share and the Share Consideration as to 28.76% in respect of each such Common Share.

### 3.3 Proration

Notwithstanding Section 3.2 or any other provision herein to the contrary:

- (a) subject to adjustment in accordance with Section 3.3(b), the maximum aggregate amount of Cash Consideration to be paid to Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) (the "**Maximum Cash Amount**") shall be the product of (i) C\$8.05 and (ii) the number of Common Shares (excluding Common Shares in respect of which Dissent Rights have been duly exercised) that are issued and outstanding on the Effective Date;
- (b) the maximum aggregate number of Exchangeable Shares and Molycorp Shares to be issued to Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) (the "**Maximum Share Amount**") shall be the product of (i) 0.1220 and (ii) the number of Common Shares (excluding Common Shares in respect of which Dissent Rights have been duly exercised) that are issued and outstanding on the Effective Date; provided, however, that in the event that the Maximum Share Amount is, on the Effective Date, equal to or in excess of 20% of the then issued and outstanding Molycorp Shares, then (x) the Maximum Share Amount shall be reduced to that number of shares (rounded down to the nearest whole share) representing 19.99% of the Molycorp Shares then issued and outstanding and (y) the Maximum Cash Amount shall be increased by a proportionate amount;
- (c) in the event that the aggregate amount of Cash Consideration elected or deemed to be elected by Shareholders pursuant to Section 3.2 exceeds the Maximum Cash Amount, prior to giving effect to this Section 3.3(c), then:
  - (i) the percentage of the purchase price in respect of each Common Share (including Eligible Shares) transferred to the Purchaser pursuant to Sections 3.1(c)(i) and 3.1(d)(i) to be paid in cash (the "**Deemed Cash Election Percentage**") shall be determined by multiplying (x) the percentage of the purchase price in respect of such Common Share to be paid in cash as otherwise determined in accordance with Section 3.2 prior to giving effect to this Section 3.3(c) (the "**Actual Cash Election Percentage**") by (y) a fraction, rounded to six decimal places, the numerator of which is the Maximum Cash Amount and the denominator of which is the aggregate amount of the Cash Consideration otherwise payable to all Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) prior to giving effect to this Section 3.3(c); and
  - (ii) the percentage of the purchase price in respect of each Common Share (including Eligible Shares) transferred to the Purchaser pursuant to Sections 3.1(c)(i) and 3.1(d)(i) to be paid in Exchangeable Shares or Molycorp Shares, as the case may be, shall be increased by a percentage equal to the difference between (x) the Deemed Cash Election Percentage in respect of such Common Share and (y) the Actual Cash Election Percentage in respect of such Common Share; and
- (d) in the event that the aggregate amount of Eligible Share Consideration and Share Consideration elected or deemed to be elected by Shareholders pursuant to Section 3.2 exceeds the Maximum Share Amount, prior to giving effect to this Section 3.3(d), then:
  - (i) the percentage of the purchase price in respect of each Common Share (including Eligible Shares) transferred to the Purchaser pursuant to Sections 3.1(c)(i) and 3.1(d)(i) to be paid in Exchangeable Shares or Molycorp Shares, as the case may be (the "**Deemed Share Election Percentage**"), shall be determined by multiplying (x) the percentage of the purchase price in respect of such Common Share to be paid in Exchangeable Shares or Molycorp Shares, as the case may be, as otherwise determined in accordance with Section 3.2 prior to giving effect to this Section 3.3(d) (the "**Actual Share Election Percentage**") by (y) a fraction, rounded to six decimal places, the numerator of which is the Maximum Share Amount and the denominator of which is the aggregate amount of the Eligible Share Consideration and Share Consideration otherwise issuable to all

Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) prior to giving effect to this Section 3.3(d); and

- (ii) the percentage of the purchase price in respect of each Common Share (including Eligible Shares) transferred to the Purchaser pursuant to Sections 3.1(c)(i) and 3.1(d)(i) to be paid in cash shall be increased by a percentage equal to the difference between (x) the Deemed Share Election Percentage in respect of such Common Share and (y) the Actual Share Election Percentage in respect of such Common Share.

### 3.4 **Income Tax Elections**

Shareholders who are Eligible Holders who are entitled to receive Exchangeable Shares under the Arrangement shall be entitled to make an income tax election pursuant to subsection 85(1) of the Tax Act or, if the person is a partnership, subsection 85(2) of the Tax Act (and in each case, where applicable, the analogous provisions of provincial income tax Laws) with respect to the transfer of their Eligible Shares to the Purchaser by providing the Tax Election Package to the Purchaser within 90 days following the Effective Date, duly completed with the details of the number of Eligible Shares transferred and the applicable agreed amounts (which cannot be less than the fair market value of the Ancillary Rights at the Effective Time). Thereafter, subject to the Tax Election Package being correct and complete and complying with the provisions of the Tax Act (or applicable provincial income or corporate tax Laws), the relevant forms will be signed by the Purchaser and returned to such persons within 90 days after the receipt thereof by the Depository for filing with the Canada Revenue Agency (or the applicable provincial taxing agency). The Purchaser will not be responsible for the proper or accurate completion of the Tax Election Package or for checking or verifying the content of any election form and, except for the Purchaser's obligation to return duly completed Tax Election Packages which are received by the Purchaser within 90 days of the Effective Date within 90 days after the receipt thereof by the Depository, the Purchaser will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by a Shareholder to properly and accurately complete or file the necessary election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, the Purchaser may choose to sign and return Tax Election Packages received more than 90 days following the Effective Date but will have no obligation to do so.

## **ARTICLE 4** **DISSENT RIGHTS**

### 4.1 **Rights of Dissent**

Pursuant to the Interim Order, each registered Shareholder may exercise rights of dissent ("**Dissent Rights**") pursuant to and in the manner set forth in section 190 of the CBCA, as modified by this Article 4 and the Interim Order; provided, however, that written objection to the Arrangement Resolution, in the manner contemplated by subsection 190(5) of the CBCA, must be sent to and received by the Company by no later than 4:00 p.m. (Toronto time) on the second Business Day immediately prior to the Company Meeting. Shareholders who duly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid by the Purchaser fair value for the Common Shares in respect of which they have exercised Dissent Rights will be deemed to have irrevocably transferred such Common Shares to the Purchaser pursuant to Section 3.1(b)(i) in consideration of such fair value; or
- (b) are ultimately not entitled, for any reason, to be paid by the Purchaser fair value for the Common Shares in respect of which they have exercised Dissent Rights will be deemed to have participated in the Arrangement on the same basis as a Shareholder who has not exercised Dissent Rights, as at and from the time specified in Section 3.1(d) and be entitled to receive only the consideration set forth in Section 3.1(d)(i);

but in no case will the Company or the Purchaser or any other person be required to recognize such holders as holders of Common Shares after the completion of the steps set forth in Section 3.1(b) or 3.1(d), as the case may be, and each Dissenting Shareholder will cease to be entitled to the rights of a Shareholder in respect of the Common Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the central securities register of the Company will be amended to reflect that such former holder is no longer the holder of such Common Shares as and from the Effective Time. For greater certainty, and in addition to any other restriction under section 190 of the CBCA, a Shareholder who has voted, or instructed a proxyholder to vote, against the Arrangement Resolution shall not be entitled to exercise Dissent Rights with respect to the Arrangement.

## **ARTICLE 5**

### **CERTIFICATES AND PAYMENTS**

#### **5.1 Payments of Consideration**

- (a) At or before the Effective Time, the Purchaser will deposit or cause to be deposited with the Depository for the benefit of the Shareholders, the Optionholders and the holders of RSUs, Performance Units, SARs and DSUs:
  - (i) cash in an aggregate amount sufficient to satisfy the Company's payment obligations contemplated by Sections 3.1(a)(i), 3.1(e)(i) and 3.1(f)(i);
  - (ii) cash in an aggregate amount sufficient to satisfy the Purchaser's payment obligations contemplated by Sections 3.1(c)(i) and 3.1(d)(i) (calculated without reference to whether any Shareholder has exercised Dissent Rights); and
  - (iii) one or more certificates representing the aggregate number of Exchangeable Shares and Molycorp Shares required to be delivered by the Purchaser to the Shareholders pursuant to Sections 3.1(c)(i) and 3.1(d)(i) (calculated without reference to whether any Shareholder has exercised Dissent Rights).
- (b) As soon as practicable following the later of the Effective Date and the surrender by a Shareholder (other than a Dissenting Shareholder) to the Depository of a certificate that immediately prior to the Effective Time represented outstanding Common Shares (including Eligible Shares) that were transferred to the Purchaser under Sections 3.1(c)(i) and 3.1(d)(i), together with a duly completed Letter of Transmittal and Election Form and such additional documents and instruments as the Depository may reasonably require, the former holder of such Common Shares will be entitled to receive in exchange therefor (i) a cheque for the Cash Consideration, if any, such holder is entitled to receive pursuant to Section 3.1(c)(i) and/or Section 3.1(d)(i) and (ii) a certificate representing that number (rounded down to the nearest whole number) of Exchangeable Shares and/or Molycorp Shares, if any, such holder is entitled to receive pursuant to Section 3.1(c)(i) and/or Section 3.1(d)(i), together with any distributions or dividends which such holder is entitled to receive pursuant to Section 5.2, less, in the case of both clauses (i) and (ii), any amounts withheld pursuant to Section 5.6, and any certificate so surrendered will forthwith be cancelled.
- (c) Subject to Section 5.5, until surrendered as contemplated by this Section 5.1, each certificate which immediately prior to the Effective Time represented Common Shares (including Eligible Shares) that were transferred to the Purchaser under Section 3.1(c)(i) or Section 3.1(d)(i) will be thereafter deemed to represent only the right to receive (i) a cheque for the Cash Consideration, if any, the holder of such Common Shares is entitled to receive pursuant to Section 3.1(c)(i) and/or Section 3.1(d)(i) and (ii) a certificate representing that number (rounded down to the nearest whole number) of Exchangeable Shares and/or Molycorp Shares, if any, such holder is entitled to receive pursuant to Section 3.1(c)(i) and/or Section 3.1(d)(i), together with any distributions or dividends which such holder is entitled to receive pursuant to Section 5.2, less, in the case of both clauses (i) and (ii), any amounts withheld pursuant to Section 5.6.

- (d) The Purchaser will cause the Depository, as soon as a former holder of Common Shares (including Eligible Shares) becomes entitled to receive Cash Consideration and/or Eligible Share Consideration and/or Share Consideration in accordance with Section 5.1(b), to:
  - (i) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Letter of Transmittal and Election Form; or
  - (ii) if requested by such former holder in the Letter of Transmittal, make available at the offices of the Depository specified in the Letter of Transmittal and Election Form for pick-up by such former holder; or
  - (iii) if the Letter of Transmittal and Election Form neither specifies an address as described in Section 5.1(d)(i) nor contains a request as described in Section 5.1(d)(ii), forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of the Company immediately prior to the Effective Time;

a cheque representing the Cash Consideration payable to such former holder in accordance with the provisions hereof and one or more certificates representing the Eligible Share Consideration and/or Share Consideration to which such former holder of Common Shares is entitled to receive in accordance with the provisions hereof, in each case less any amounts withheld pursuant to Section 5.6.

- (e) No former holder of Common Shares shall be entitled to receive any consideration with respect to such Common Shares other than the Cash Consideration and/or Eligible Share Consideration and/or Share Consideration such former holder of Common Shares is entitled to receive pursuant to this Section 5.1 and, for greater certainty, no such former holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith except in accordance with Section 5.2.
- (f) The Purchaser will cause the Depository, as soon as a former Optionholder or former holder of RSUs, Performance Units, SARs or DSUs becomes entitled to receive the payments contemplated by Sections 3.1(a)(i), 3.1(e)(i) and 3.1(f)(i), to forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the applicable records of the Company, a cheque representing the cash payment payable to such former holder in accordance with the provisions hereof. Notwithstanding any of the foregoing terms of this Section 5.1, neither a certificate nor a letter of transmittal need be surrendered by a former Optionholder or former holder of RSUs, Performance Units, SARs or DSUs in order to receive the cash to which such former holder is entitled pursuant to Sections 3.1(a)(i), 3.1(e)(i) and 3.1(f)(i).

## 5.2 Dividends and Distributions

No dividends or other distributions declared or made after the Effective Time with respect to the Exchangeable Shares or Molycorp Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding Common Shares (including Eligible Shares) that were transferred pursuant to Section 3.1(c)(i) or Section 3.1(d)(i), and no cash payment constituting the Cash Consideration or made in lieu of fractional Exchangeable Shares or Molycorp Shares shall be paid to any such holder pursuant to Section 5.3, unless and until the holder of such certificate shall surrender such certificate in accordance with Section 5.1. Subject to applicable law, at the time of such surrender of any such certificate (or, in the case of clause (iii) below, at the appropriate payment date), there shall be paid to the holder of the certificates representing Common Shares (including Eligible Shares) (without interest) (i) the amount of cash comprising the Cash Consideration, if any, such holder is entitled to receive pursuant to Section 3.1(c)(i) or Section 3.1(d)(i) or payable in lieu of a fractional Exchangeable Share or Molycorp Share to which such holder is entitled pursuant to Section 5.3, (ii) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to the Exchangeable Shares or Molycorp Shares to which such holder is entitled pursuant hereto and (iii) to the extent not paid under clause (ii), on the appropriate payment date, the amount

of dividends or other distributions with a record date after the Effective Time but prior to surrender and the payment date subsequent to surrender payable with respect to such Exchangeable Shares or Molycorp Shares.

### **5.3 Fractional Shares**

In no event shall any holder of Common Shares (including Eligible Shares) be entitled to a fractional Exchangeable Share or Molycorp Share. Where the aggregate number of Exchangeable Shares or Molycorp Shares to be issued to a holder of Common Shares as consideration under this Arrangement would result in a fraction of an Exchangeable Share or a Molycorp Share being issuable, the number of Exchangeable Shares or Molycorp Shares to be received by such holder shall be rounded down to the nearest whole Exchangeable Share or Molycorp Share, as the case may be, and, in lieu of a fractional Exchangeable Share or Molycorp Share, the holder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to the Canadian Dollar Equivalent of (i) the volume weighted average trading price on the NYSE of the Molycorp Shares over the five Business Days ending one Business Day before the Effective Date *multiplied* by (ii) the fractional share amount. All cash payable in lieu of fractional Exchangeable Shares and Molycorp Shares will be denominated in Canadian dollars.

### **5.4 Loss of Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares (including Eligible Shares) that were acquired by the Purchaser pursuant to Section 3.1(c)(i) or Section 3.1(d)(i) has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Common Shares, the Depositary will, in exchange for such lost, stolen or destroyed certificate, deliver to such former holder of Common Shares (a) the Cash Consideration and/or Eligible Share Consideration such former holder is entitled to receive pursuant to Section 3.1(c)(i) and/or (b) the Cash Consideration and/or Share Consideration such former holder is entitled to receive in respect of such Common Shares pursuant to Section 3.1(d)(i) together, in each case, with any distributions or dividends which such holder is entitled to receive pursuant to Section 5.2 and less, in each case, any amounts withheld pursuant to Section 5.6. When authorizing such payment in relation to any lost, stolen or destroyed certificate, the former holder of such Common Shares will, as a condition precedent to the delivery thereof, give a bond satisfactory to the Purchaser and the Depositary or otherwise indemnify the Company, the Purchaser, the Parent and the Depositary against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

### **5.5 Extinction of Rights**

Any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares (including Eligible Shares) that were acquired by the Purchaser pursuant to Section 3.1(c)(i) or Section 3.1(d)(i) which is not deposited with the Depositary in accordance with the provisions of Section 5.1 on or before the sixth anniversary of the Effective Date shall, on the sixth anniversary of the Effective Date, cease to represent a claim or interest of any kind or nature whatsoever, whether as a securityholder or otherwise and whether against the Company, the Purchaser, the Parent, the Depositary or any other person. On such date, the Cash Consideration and/or Eligible Share Consideration and/or Share Consideration such former holder of Common Shares would otherwise have been entitled to receive, together with any distributions or dividends such holder would otherwise have been entitled to receive pursuant to Section 5.2, shall be deemed to have been surrendered for no consideration to the Purchaser. Neither the Company nor the Purchaser or the Parent will be liable to any person in respect of any cash or securities (including any cash or securities previously held by the Depositary in trust for any such former holder) which is forfeited to the Purchaser or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

### **5.6 Withholding Rights**

The Company, the Purchaser and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to any Shareholder under this Plan of Arrangement (including any payment to Dissenting Shareholders) such amounts as the Company, the Purchaser or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act, the U.S. Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, or any provision of any provincial, state, local or foreign tax law as counsel



may advise is required to be so deducted and withheld by the Company, the Purchaser or the Depositary, as the case may be. For the purposes hereof, all such withheld amounts shall be treated as having been paid to the person in respect of which such deduction and withholding was made on account of the obligation to make payment to such person hereunder, provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Authority by or on behalf of the Company, the Purchaser or the Depositary, as the case may be.

**ARTICLE 6**  
**RIGHTS OF THE PARENT AND CALLCO TO ACQUIRE EXCHANGEABLE SHARES**

**6.1 Liquidation Call Right.**

In addition to the rights contained in the Exchangeable Share Provisions (including the Retraction Call Right), the Parent and Callco shall have the following rights in respect of the Exchangeable Shares:

- (a) Subject to the proviso in Section 6.1(b) that Callco shall only be entitled to exercise the Liquidation Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Liquidation Call Right, the Parent and Callco shall each have the overriding right (the "**Liquidation Call Right**"), in the event of and notwithstanding the proposed liquidation, dissolution or winding-up of the Purchaser or any other distribution of the assets of the Purchaser among its shareholders for the purpose of winding up its affairs, pursuant to Section 5 of the Exchangeable Share Provisions, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) on the Liquidation Date all but not less than all of the Exchangeable Shares held by each such holder on payment by the Parent or Callco, as the case may be, to each such holder of the Exchangeable Share Price (payable in the form of the Exchangeable Share Consideration) applicable on the last Business Day prior to the Liquidation Date (the "**Liquidation Call Purchase Price**") in accordance with Section 6.1(c). In the event of the exercise of the Liquidation Call Right by the Parent or Callco, as the case may be, each such holder of Exchangeable Shares shall be obligated to sell all of the Exchangeable Shares held by the holder to the Parent or Callco, as the case may be, on the Liquidation Date on payment by the Parent or Callco, as the case may be, to such holder of the Liquidation Call Purchase Price (payable in the form of Exchangeable Share Consideration) for each such share, and the Purchaser shall have no obligation to pay any Liquidation Amount to the holders of such shares so purchased.
- (b) Callco shall only be entitled to exercise the Liquidation Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Liquidation Call Right. To exercise the Liquidation Call Right, the Parent or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Purchaser of its intention to exercise such right (i) in the case of a voluntary liquidation, dissolution or winding-up of the Purchaser or any other voluntary distribution of the assets of the Purchaser among its shareholders for the purpose of winding up its affairs, at least 30 days before the Liquidation Date or (ii) in the case of an involuntary liquidation, dissolution or winding-up of the Purchaser or any other involuntary distribution of the assets of the Purchaser among its shareholders for the purpose of winding up its affairs, at least five Business Days before the Liquidation Date. The Transfer Agent will notify the holders of Exchangeable Shares as to whether or not the Parent and/or Callco has exercised the Liquidation Call Right forthwith after the expiry of the period during which the Parent or Callco may exercise the Liquidation Call Right. If the Parent and/or Callco exercises the Liquidation Call Right, the Parent and/or Callco, as the case may be, will purchase and the holders of the Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) will sell, on the Liquidation Date, all of the Exchangeable Shares held by such holders on such date for a price per share equal to the Liquidation Call Purchase Price (payable in the form of Exchangeable Share Consideration).
- (c) For the purposes of completing the purchase and sale of the Exchangeable Shares pursuant to the exercise of the Liquidation Call Right, the Parent and/or Callco, as the case may be, shall deposit

or cause to be deposited with the Transfer Agent, on or before the Liquidation Date, the Exchangeable Share Consideration representing the total Liquidation Call Purchase Price less any amounts withheld pursuant to Section 5.6. Provided that such Exchangeable Share Consideration has been so deposited with the Transfer Agent, the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares on and after the Liquidation Date and, from and after such date, shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement) other than the right to receive their proportionate part of the total Liquidation Call Purchase Price, without interest, upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Liquidation Date be considered and deemed for all purposes to be the holder of the Molycorp Shares which such holder is entitled to receive. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the BCBCA and the articles and by-laws of the Purchaser, and such additional documents, instruments and payments as the Transfer Agent and the Purchaser may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive, in exchange therefor, and the Transfer Agent on behalf of the Parent and/or Callco, as the case may be, shall deliver to such holder, the Exchangeable Share Consideration such holder is entitled to receive. If neither the Parent nor Callco exercises the Liquidation Call Right in the manner described above, each holder of the Exchangeable Shares will be entitled to receive, on the Liquidation Date, the Liquidation Amount otherwise payable by the Purchaser in respect of the Exchangeable Shares held by such holder in connection with the liquidation, dissolution or winding-up of the Purchaser or any distribution of the assets of the Purchaser among its shareholders for the purpose of winding up its affairs pursuant to Section 5 of the Exchangeable Share Provisions.

## 6.2 Redemption Call Right.

In addition to the rights contained in the Exchangeable Share Provisions (including the Retraction Call Right), the Parent and Callco shall have the following rights in respect of the Exchangeable Shares:

- (a) Subject to the proviso in Section 6.2(b) that Callco shall only be entitled to exercise the Redemption Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Redemption Call Right, and notwithstanding the proposed redemption of the Exchangeable Shares by the Purchaser pursuant to Section 7 of the Exchangeable Share Provisions, the Parent and Callco shall each have the overriding right (the "**Redemption Call Right**") to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) on the Redemption Date all but not less than all of the Exchangeable Shares held by each such holder on payment by the Parent or Callco, as the case may be, to each such holder of the Exchangeable Share Price (payable in the form of the Exchangeable Share Consideration) applicable on the last Business Day prior to the Redemption Date (the "**Redemption Call Purchase Price**") in accordance with Section 6.2(c). In the event of the exercise of the Redemption Call Right by the Parent or Callco, as the case may be, each such holder shall be obligated to sell all of the Exchangeable Shares held by the holder to the Parent or Callco, as the case may be, on the Redemption Date on payment by the Parent or Callco, as the case may be, to such holder of the Redemption Call Purchase Price (payable in the form of Exchangeable Share Consideration) for each such share, and the Purchaser shall have no obligation to redeem, or to pay the Redemption Price (as defined in the Exchangeable Share Provisions) in respect of, such shares so purchased.
- (b) Callco shall only be entitled to exercise the Redemption Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Redemption Call Right. To exercise the Redemption Call Right, the Parent or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Purchaser of its intention to exercise such right (i) in the case of a redemption occurring as a result of a Molycorp Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting

Event, on or before the Redemption Date and (ii) in any other case, at least 30 days before the Redemption Date. The Transfer Agent will notify the holders of the Exchangeable Shares as to whether or not the Parent and/or Callco has exercised the Redemption Call Right forthwith after the expiry of the period during which the Parent or Callco may exercise the Redemption Call Right. If the Parent and/or Callco exercises the Redemption Call Right, the Parent and/or Callco, as the case may be, will purchase and the holders of the Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) will sell, on the Redemption Date, all of the Exchangeable Shares held by such holders on such date for a price per share equal to the Redemption Call Purchase Price (payable in the form of Exchangeable Share Consideration).

- (c) For the purposes of completing the purchase and sale of the Exchangeable Shares pursuant to the exercise of the Redemption Call Right, the Parent and/or Callco, as the case may be, shall deposit or cause to be deposited with the Transfer Agent, on or before the Redemption Date, the Exchangeable Share Consideration representing the total Redemption Call Purchase Price less any amounts withheld pursuant to Section 5.6. Provided that such Exchangeable Share Consideration has been so deposited with the Transfer Agent, the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares on and after the Redemption Date and, from and after such date, shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement) other than the right to receive their proportionate part of the total Redemption Call Purchase Price, without interest, upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Redemption Date be considered and deemed for all purposes to be the holder of the Molycorp Shares which such holder is entitled to receive. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the BCBCA and the articles and by-laws of the Purchaser, and such additional documents, instruments and payments as the Transfer Agent and the Purchaser may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive, in exchange therefor, and the Transfer Agent on behalf of the Parent and/or Callco, as the case may be, shall deliver to such holder, the Exchangeable Share Consideration such holder is entitled to receive. If neither the Parent nor Callco exercises the Redemption Call Right in the manner described above, each holder of the Exchangeable Shares will be entitled to receive, on the Redemption Date, the redemption price otherwise payable by the Purchaser in respect of the Exchangeable Shares held by such holder in connection with the redemption of the Exchangeable Shares pursuant to Section 7 of the Exchangeable Share Provisions.

### 6.3 **Change of Law Call Right.**

In addition to the rights contained in the Exchangeable Share Provisions (including the Retraction Call Right), the Parent and Callco shall have the following rights in respect of the Exchangeable Shares:

- (a) Subject to the proviso in Section 6.3(b) that Callco shall only be entitled to exercise the Change of Law Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Change of Law Call Right, the Parent and Callco shall each have the overriding right (the "**Change of Law Call Right**"), in the event of a Change of Law, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) on the Change of Law Call Date all but not less than all of the Exchangeable Shares held by each such holder on payment by the Parent or Callco, as the case may be, to each such holder of the Exchangeable Share Price (payable in the form of the Exchangeable Share Consideration) applicable on the last Business Day prior to the Change of Law Call Date (the "**Change of Law Call Purchase Price**") in accordance with Section 6.3(c). In the event of the exercise of the Change of Law Call Right by the Parent or Callco, as the case may be, each such holder of Exchangeable Shares shall be obligated to sell all of the Exchangeable Shares held by the holder to the Parent or Callco, as the case may be, on the Change of Law Call Date on payment by the Parent or Callco, as the case may

be, to such holder of the Change of Law Call Purchase Price (payable in the form of Exchangeable Share Consideration) for each such share.

- (b) Callco shall only be entitled to exercise the Change of Law Call Right with respect to those Exchangeable Shares, if any, in respect of which the Parent has not exercised the Change of Law Call Right. To exercise the Change of Law Call Right, the Parent or Callco must notify the Transfer Agent, as agent for the holders of Exchangeable Shares, and the Purchaser of its intention to exercise such right at least 30 days before the date (the "**Change of Law Call Date**") on which the Parent or Callco, as the case may be, shall acquire the Exchangeable Shares pursuant to the exercise of the Change of Law Call Right. The Transfer Agent will notify the holders of Exchangeable Shares as to whether the Parent and/or Callco has exercised the Change of Law Call Right forthwith after receiving notice of such exercise from the Parent and/or Callco. If the Parent and/or Callco exercises the Change of Law Call Right, the Purchaser and/or Callco, as the case may be, will purchase and the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is the Parent or an affiliate of the Parent) will sell, on the Change of Law Call Date, all of the Exchangeable Shares held by such holders on such date for a price per share equal to the Change of Law Call Purchase Price (payable in the form of Exchangeable Share Consideration).
- (c) For the purposes of completing the purchase and sale of the Exchangeable Shares pursuant to the exercise of the Change of Law Call Right, the Parent and/or Callco, as the case may be, shall deposit or cause to be deposited with the Transfer Agent, on or before the Change of Law Call Date, the Exchangeable Share Consideration representing the total Change of Law Call Purchase Price. Provided that such Exchangeable Share Consideration has been so deposited with the Transfer Agent, the holders of the Exchangeable Shares shall cease to be holders of the Exchangeable Shares on and after the Change of Law Call Date and, from and after such date, shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement) other than the right to receive their proportionate part of the total Change of Law Purchase Price, without interest, upon presentation and surrender by the holder of certificates representing the Exchangeable Shares held by such holder and the holder shall on and after the Change of Law Call Date be considered and deemed for all purposes to be the holder of the Molycorp Shares which such holder is entitled to receive. Upon surrender to the Transfer Agent of a certificate or certificates representing Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the BCBCA and the articles and by-laws of the Purchaser, and such additional documents, instruments and payments as the Transfer Agent and the Purchaser may reasonably require, the holder of such surrendered certificate or certificates shall be entitled to receive, in exchange therefor, and the Transfer Agent on behalf of the Parent and/or Callco, as the case may be, shall deliver to such holder, the Exchangeable Share Consideration such holder is entitled to receive.

## **ARTICLE 7** **AMENDMENTS**

### **7.1 Amendments to Plan of Arrangement**

- (a) The Company and the Purchaser reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification or supplement must be (i) set out in writing, (ii) filed with the Court and, if made following the Company Meeting, approved by the Court and (iii) communicated to or approved by the Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company and the Purchaser at any time prior to the Company Meeting with or without any other prior notice or communication and, if so proposed and accepted by the persons voting at the

Company Meeting (other than as may be required under the Interim Order), will become part of this Plan of Arrangement for all purposes.

- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting will be effective only if such amendment, modification or supplement (i) is consented to by each of the Company and the Purchaser and (ii) if required by the Court or applicable law, is consented to by Shareholders voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date but shall only be effective if it is consented to by each of the Company and the Purchaser provided that it concerns a matter which, in the reasonable opinion of the Company and the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Company and the Purchaser or any former holder of Common Shares or Options.

**ARTICLE 8**  
**FURTHER ASSURANCES**

Notwithstanding that the transactions and events set out herein will occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Company and the Purchaser will make, do and execute, or cause to be made, done and executed, any such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

## APPENDIX I

### TO THE PLAN OF ARRANGEMENT

#### PROVISIONS ATTACHING TO THE EXCHANGEABLE SHARES

The Exchangeable Shares shall have the following rights, privileges, restrictions and conditions (it being understood that all references to the "Company" in this Appendix I shall be a reference to MCP Exchangeco Inc.):

1. Interpretation

- (a) Definitions. For the purposes of these Exchangeable Share Provisions:

"**affiliate**" has the meaning ascribed thereto in the Securities Act;

"**Arrangement**" means the arrangement under Section 192 of the CBCA on the terms and conditions set out in the Plan of Arrangement;

"**Arrangement Agreement**" means the arrangement agreement dated March 8, 2012 between Neo Material Technologies Inc., Molycorp and the Company, as amended, supplemented and/or restated in accordance with its term;

"**Board of Directors**" means the board of directors of the Company;

"**Business Day**" means any day other than a Saturday, Sunday, a public holiday or a day on which commercial banking institutions in Toronto, Ontario or New York City, New York are closed for business;

"**Calco**" means MCP Calco Inc., a subsidiary of Molycorp existing under the laws of the Province of British Columbia, or any other direct or indirect wholly-owned subsidiary of Molycorp designated by Molycorp from time to time in replacement thereof;

"**Canadian Dollar Equivalent**" means, at any date, in respect of any amount expressed in a currency other than Canadian dollars (the "**Foreign Currency Amount**") as of such date, the product obtained by multiplying (i) the Foreign Currency Amount by (ii) the noon spot exchange rate on such date for such foreign currency expressed in Canadian dollars as reported by the Bank of Canada or, in the event such spot exchange rate is not available, such spot exchange rate on such date for such foreign currency expressed in Canadian dollars as may be deemed by the Board of Directors to be appropriate for such purpose;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended;

"**Common Shares**" means the common shares in the capital of the Company;

"**Current Market Price**" means, in respect of a Molycorp Share on any date, the Canadian Dollar Equivalent of the average closing sale price on the NYSE during the period of 20 consecutive trading days ending on the third trading day immediately before such date or, if the Molycorp Shares are not then listed on the NYSE, on such other stock exchange or automated quotation system on which the Molycorp Shares are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of Molycorp Shares during such period does not reflect the fair market value of a Molycorp Share, then the Current Market Price of a Molycorp Share shall be determined by the Board of Directors, based upon the advice of such qualified independent financial advisors as the Board of Directors may deem to be appropriate; and

provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding, absent manifest error;

**"Effective Date"** has the meaning ascribed thereto in the Plan of Arrangement;

**"Exchangeable Shares"** means the exchangeable shares in the capital of the Company, having the rights, privileges, restrictions and conditions set forth herein;

**"Exchangeable Share Consideration"** means, with respect to each Exchangeable Share, for any acquisition of, redemption of or distribution of assets of the Company in respect of such Exchangeable Share, or purchase of such Exchangeable Share pursuant to these Exchangeable Share Provisions, the Plan of Arrangement, the Support Agreement or the Voting and Exchange Trust Agreement:

- (i) the Current Market Price of one Molycorp Share deliverable in connection with such action; plus
- (ii) a cheque or cheques payable at par at any branch of the bankers of the payor in the amount of all declared, payable and unpaid, and all undeclared but payable, cash dividends deliverable in connection with such action; plus
- (iii) such stock or other property constituting any declared, payable and unpaid non-cash dividends deliverable in connection with such action,

provided that: (A) the part of the consideration which represents (i) above shall be fully paid and satisfied by the delivery of one Molycorp Share, such share to be duly issued, fully paid and non-assessable; (B) the part of the consideration which represents (iii) above shall be fully paid and satisfied by delivery of such non-cash items; (C) in each case, any such consideration shall be delivered free and clear of any lien, claim, encumbrance, security interest or adverse claim or interest; and (D) in each case, any such consideration shall be paid without interest and less any tax required to be deducted and withheld therefrom;

**"Exchangeable Share Price"** means, at any time, for each Exchangeable Share, an amount equal to the aggregate of:

- (i) the Current Market Price of one Molycorp Share at such time;
- (ii) the full amount of all cash dividends declared, payable and unpaid, at such time, on such Exchangeable Share;
- (iii) the full amount of all non-cash dividends declared, payable and unpaid, at such time, on such Exchangeable Share; and
- (iv) the full amount of all dividends declared and payable or paid in respect of each Molycorp Share which have not, at such time, been declared or paid on Exchangeable Shares in accordance herewith;

**"Exchangeable Share Provisions"** means the rights, privileges, restrictions and conditions set out herein;

**"Exchangeable Share Voting Event"** means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Company, other than an Exempt Exchangeable Share Voting Event, and, for greater certainty, excluding any matter in respect of which holders of Exchangeable Shares are entitled to vote (or instruct the Trustee to vote) in their

capacity as Beneficiaries under (and as that term is defined in) the Voting and Exchange Trust Agreement;

**"Exempt Exchangeable Share Voting Event"** means any matter in respect of which holders of Exchangeable Shares are entitled to vote as shareholders of the Company to approve or disapprove, as applicable, any change to, or in the rights of the holders of, the Exchangeable Shares, where the approval or disapproval, as applicable, of such change is required to maintain the economic equivalence of the Exchangeable Shares and the Molycorp Shares;

**"Liquidation Amount"** has the meaning ascribed thereto in Section 5(a);

**"Liquidation Call Right"** has the meaning ascribed thereto in the Plan of Arrangement;

**"Liquidation Date"** has the meaning ascribed thereto in Section 5(a);

**"Molycorp"** means Molycorp, Inc., a corporation existing under the laws of the State of Delaware;

**"Molycorp Control Transaction"** shall be deemed to have occurred if:

- (i) any person acquires (including by way of plan of arrangement), directly or indirectly, any voting security of Molycorp and, immediately after such acquisition, directly or indirectly owns, or exercises control and direction over, voting securities representing more than 50% of the total voting power of all of the then outstanding voting securities of Molycorp;
- (ii) the shareholders of Molycorp approve a merger, consolidation, recapitalization or reorganization of Molycorp, other than any such transaction which would result in the holders of outstanding voting securities of Molycorp immediately prior to such transaction directly or indirectly owning, or exercising control and direction over, voting securities representing more than 50% of the total voting power of all of the voting securities of the surviving entity outstanding immediately after such transaction;
- (iii) the shareholders of Molycorp approve a liquidation of Molycorp; or
- (iv) Molycorp sells or disposes of all or substantially all of its assets;

**"Molycorp Dividend Declaration Date"** means the date on which the board of directors of Molycorp declares any dividend or other distribution on the Molycorp Shares;

**"Molycorp Shares"** means shares of common stock of Molycorp;

**"NYSE"** means the New York Stock Exchange;

**"person"** includes any individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, joint venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or governmental authority or other entity, whether or not having legal status;

**"Plan of Arrangement"** means the plan of arrangement substantially in the form and content of Schedule A to the Arrangement Agreement, including any appendices thereto, and any amendments, modifications or supplements thereto made from time to time in accordance with its terms;

**"Redemption Call Purchase Price"** has the meaning ascribed thereto in the Plan of Arrangement;



**"Redemption Call Right"** has the meaning ascribed thereto in the Plan of Arrangement;

**"Redemption Date"** means the date, if any, established by the Board of Directors for the redemption by the Company of all but not less than all of the outstanding Exchangeable Shares, which date shall be no earlier than the sixth anniversary of the Effective Date, unless:

- (i) the aggregate number of Exchangeable Shares issued and outstanding (other than Exchangeable Shares held by Molycorp and its subsidiaries) is less than 5% of the number of Exchangeable Shares issued on the Effective Date (as such number of shares may be adjusted as deemed appropriate by the Board of Directors to give effect to any subdivision, combination or consolidation of or stock dividend on the Exchangeable Shares, any issue or distribution of rights to acquire Exchangeable Shares or securities exchangeable for or convertible into Exchangeable Shares, any issue or distribution of other securities or rights or evidences of indebtedness or assets, or any other capital reorganization or other transaction affecting the Exchangeable Shares), in which case the Board of Directors may accelerate such redemption date to such date as it may determine, upon at least 30 days' prior written notice to the registered holders of the Exchangeable Shares;
- (ii) a Molycorp Control Transaction is proposed, in which case, provided that the Board of Directors determines, in good faith and in its sole discretion, that it is not reasonably practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with such Molycorp Control Transaction and that the redemption of all but not less than all of the outstanding Exchangeable Shares is necessary to enable the completion of such Molycorp Control Transaction in accordance with its terms, the Board of Directors may accelerate such redemption date to such date as it may determine, upon such number of days, prior written notice to the registered holders of the Exchangeable Shares and the Trustee as the Board of Directors may determine to be reasonably practicable in such circumstances;
- (iii) an Exchangeable Share Voting Event is proposed and (A) the Board of Directors has determined, in good faith and in its sole discretion, that it is not reasonably practicable to accomplish the business purpose (which business purpose must be bona fide and not for the primary purpose of causing the occurrence of the Redemption Date) intended by the Exchangeable Share Voting Event in a commercially reasonable manner that does not result in an Exchangeable Share Voting Event and (B) the holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exchangeable Share Voting Event, in which case the Redemption Date shall be the Business Day following the later of the day on which the Board of Directors makes such a determination or the holders of the Exchangeable Shares fail to take such action; or
- (iv) an Exempt Exchangeable Share Voting Event is proposed and the holders of the Exchangeable Shares fail to take the necessary action at a meeting or other vote of holders of Exchangeable Shares to approve or disapprove, as applicable, the Exempt Exchangeable Share Voting Event, in which case the Redemption Date shall be the Business Day following the day on which the holders of the Exchangeable Shares fail to take such action,

provided, however, that the accidental failure or omission to give any notice of redemption under clauses (i), (ii), (iii) or (iv) above to any of the holders of Exchangeable Shares shall not affect the validity of any such redemption;

**"Redemption Price"** has the meaning ascribed thereto in Section 7(a);

**"Retracted Shares"** has the meaning ascribed thereto in Section 6(a)(i);

"**Retraction Call Notice**" has the meaning ascribed thereto in Section 6(b)(ii);

"**Retraction Call Right**" has the meaning ascribed thereto in Section 6(b)(i);

"**Retraction Call Right Purchase Price**" has the meaning ascribed thereto in Section 6(b)(i);

"**Retraction Date**" has the meaning ascribed thereto in Section 6(a)(i);

"**Retraction Price**" has the meaning ascribed thereto in Section 6(a)(i);

"**Retraction Request**" has the meaning ascribed thereto in Section 6(a)(i);

"**Securities Act**" means the *Securities Act* (Ontario) and the rules, regulations and policies made thereunder, as amended;

"**Support Agreement**" means the support agreement to be entered into at or prior to the issuance by the Company of any Exchangeable Shares among Molycorp, Callco and the Company substantially in the form of Schedule D to the Arrangement Agreement, as may be amended, supplemented or otherwise modified from time to time in accordance with its terms;

"**Transfer Agent**" means Computershare Trust Company of Canada or such other person as may from time to time be appointed by the Company as the registrar and transfer agent for the Exchangeable Shares;

"**Trustee**" means the trustee chosen by Molycorp to act as trustee under the Voting and Exchange Trust Agreement, being a corporation organized and existing under the laws of Canada or any Province thereof and authorized to carry on the business of a trust company in all the provinces of Canada, and any successor trustee appointed under the Voting and Exchange Trust Agreement; and

"**Voting and Exchange Trust Agreement**" means the voting and exchange trust agreement to be made among Molycorp, Callco, the Company and the Trustee in connection with the Plan of Arrangement substantially in the form of Schedule E to the Arrangement Agreement, as may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

- (b) Interpretation Not Affected by Headings. The division of these Exchangeable Share Provisions into sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to a "Section" followed by a number and/or a letter refer to the specified section of these Exchangeable Share Provisions.
- (c) Number and Gender. In these Exchangeable Share Provision, unless the context otherwise clearly requires, words used herein importing the singular include the plural and vice versa and words imparting any gender shall include all genders.
- (d) Date of Any Action. If any date on which any action is required to be taken hereunder by any person is not a Business Day, then such action shall be required to be taken on the next succeeding day which is a Business Day.
- (e) Currency. In these Exchangeable Share Provision, unless stated otherwise, all cash payments provided for herein shall be made in Canadian dollars.

## 2. Ranking of Exchangeable Shares

The Exchangeable Shares shall be entitled to a preference over the Common Shares and any other shares ranking junior to the Exchangeable Shares (a) with respect to the payment of dividends or distributions as and to the extent provided in Section 3 and (b) with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs as and to the extent provided in Section 5.

### 3. Dividends and Distributions

- (a) Dividends and Distributions. A holder of an Exchangeable Share shall be entitled to receive and the Board of Directors shall, subject to applicable law, on each Molycorp Dividend Declaration Date, declare a dividend or distribution on each Exchangeable Share:
- (i) in the case of a cash dividend or distribution declared on the Molycorp Shares, in an amount in cash for each Exchangeable Share equal to the Canadian Dollar Equivalent of the cash dividend or distribution declared on each Molycorp Share on the Molycorp Dividend Declaration Date;
  - (ii) in the case of a stock dividend or distribution declared on the Molycorp Shares to be paid in Molycorp Shares, by the issue or transfer by the Company of such number of Exchangeable Shares for each Exchangeable Share as is equal to the number of Molycorp Shares to be paid on each Molycorp Share; provided, however, that the Company may, in lieu of such stock dividend, elect to effect a contemporaneous and economically equivalent (as determined by the Board of Directors in accordance with Section 3(e)) subdivision of the outstanding Exchangeable Shares; or
  - (iii) in the case of a dividend or distribution declared on the Molycorp Shares in property other than cash or Molycorp Shares, in such type and amount of property for each Exchangeable Share as is the same as or economically equivalent (as determined by the Board of Directors in accordance with Section 3(e)) to the type and amount of property declared as a dividend or distribution on each Molycorp Share.

Such dividends or distributions shall be paid out of money, assets or property of the Company properly applicable to the payment of dividends or other distributions, or out of authorized but unissued shares of the Company, as applicable. The holders of Exchangeable Shares shall not be entitled to any dividends or other distributions other than or in excess of the dividends and distributions referred to in this Section 3(a).

- (b) Payments of Dividends and Distributions. Cheques of the Company payable at par at any branch of the bankers of the Company shall be issued in respect of any cash dividends or distributions contemplated by Section 3(a)(i) and the sending of such cheque to each holder of an Exchangeable Share shall satisfy the cash dividend or distribution represented thereby unless the cheque is not paid on presentation. Written evidence of the book entry issuance or transfer to the registered holder of Exchangeable Shares shall be delivered in respect of any stock dividends or distributions contemplated by Section 3(a)(ii) and the sending of such written evidence to each holder of an Exchangeable Share shall satisfy the stock dividend or distribution represented thereby. Such other type and amount of property in respect of any dividends or distributions contemplated by Section 3(a)(iii) shall be issued, distributed or transferred by the Company in such manner as it shall determine and the issuance, distribution or transfer thereof by the Company to each holder of an Exchangeable Share shall satisfy the dividend or distribution represented thereby. Subject to the requirements of applicable law with respect to unclaimed property, no holder of an Exchangeable Share shall be entitled to recover by action or other legal process against the Company any dividend or distribution that is represented by a cheque that has not been duly presented to the Company's bankers for payment or that otherwise remains unclaimed for a period of six years from the date on which such dividend was payable.

- (c) Record and Payment Dates. The record date for the determination of the holders of Exchangeable Shares entitled to receive payment of, and the payment date for, any dividend or distribution declared on the Exchangeable Shares under Section 3(a) shall be the same dates as the record date and payment date, respectively, for the corresponding dividend or distribution declared on the Molycorp Shares. The record date for the determination of the holders of Exchangeable Shares entitled to receive Exchangeable Shares in connection with any subdivision of the Exchangeable Shares under Section 3(a)(ii) and the effective date of such subdivision shall be the same dates as the record and payment date, respectively, for the corresponding stock dividend or distribution declared on the Molycorp Shares.
- (d) Partial Payment. If on any payment date for any dividends or distributions declared on the Exchangeable Shares under Section 3(a) the dividends or distributions are not paid in full on all of the Exchangeable Shares then outstanding, any such dividends or distributions that remain unpaid shall be paid on a subsequent date or dates determined by the Board of Directors on which the Company shall have sufficient moneys, assets or property properly applicable to the payment of such dividends or distributions.
- (e) Economic Equivalence. The Board of Directors shall determine, in good faith and in its sole discretion (with the assistance of such financial or other advisors as the Board of Directors may determine), "economic equivalence" for the purposes of the Exchangeable Share Provisions and each such determination shall be conclusive and binding on the Company and its shareholders. In making each such determination, the following factors shall, without excluding other factors determined by the Board of Directors to be relevant, be considered by the Board of Directors:
- (i) in the case of any stock dividend or other distribution payable in Molycorp Shares, the number of such shares issued in proportion to the number of Molycorp Shares previously outstanding;
  - (ii) in the case of the issuance or distribution of any rights, options or warrants to subscribe for or purchase Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares), the relationship between the exercise price of each such right, option or warrant, the Current Market Price of a Molycorp Share, the volatility of the Molycorp Shares and the terms of any such instrument;
  - (iii) in the case of the issuance or distribution of any other form of property (including any shares or securities of Molycorp of any class other than Molycorp Shares, any rights, options or warrants other than those referred to in Section 3(e)(ii), any evidences of indebtedness of Molycorp or any assets of Molycorp), the relationship between the fair market value (as determined by the Board of Directors in the manner above contemplated) of such property to be issued or distributed with respect to each outstanding Molycorp Share and the Current Market Price of a Molycorp Share;
  - (iv) in the case of any subdivision, redivision or change of the then outstanding Molycorp Shares into a greater number of Molycorp Shares or the reduction, combination, consolidation or change of the then outstanding Molycorp Shares into a lesser number of Molycorp Shares or any amalgamation, merger, arrangement, reorganization or other transaction affecting the Molycorp Shares, the effect thereof upon the then outstanding Exchangeable Shares; and
  - (v) in all such cases, the general taxation consequences of the relevant event to holders of Exchangeable Shares to the extent that such consequences may differ from the taxation consequences to holders of Molycorp Shares as a result of differences between taxation laws of Canada and the United States (except for any differing consequences arising as a result of differing withholding taxes and marginal taxation rates and without regard to the individual circumstances of holders of Exchangeable Shares).

#### 4. Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, the Company shall not at any time without, but may at any time with, the approval of the holders of the Exchangeable Shares given as specified in Section 11(a):

- (a) pay any dividends or distributions on the Common Shares or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends or distributions, other than stock dividends payable in Common Shares or any such other shares ranking junior to the Exchangeable Shares, as the case may be;
- (b) redeem or purchase or make any capital distribution in respect of Common Shares or any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends or the distribution of the assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs;
- (c) redeem or purchase or make any capital distribution in respect of any other shares of the Company ranking equally with the Exchangeable Shares with respect to the payment of dividends or the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs;
- (d) issue any Exchangeable Shares or any other shares of the Company ranking equally with the Exchangeable Shares other, in each case, than by way of stock dividends to the holders of such Exchangeable Shares; or
- (e) issue any shares of the Company ranking superior to the Exchangeable Shares,

provided, however, that the restrictions in Sections 4(a), (b), (c) and (d) shall not apply if all dividends or distributions on the outstanding Exchangeable Shares corresponding to dividends or distributions declared and paid to date on the Molycorp Shares shall have been declared and paid in full on the Exchangeable Shares and provided that the proposed redemption, purchase or other capital distribution does not impair the Company's ability to redeem all of the outstanding Exchangeable Shares.

#### 5. Liquidation

- (a) Liquidation Amount. Subject to applicable laws and the due exercise by Molycorp or Callco of the Liquidation Call Right, in the event of the liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, a holder of Exchangeable Shares shall be entitled to receive from the assets of the Company in respect of each Exchangeable Share held by such holder on the effective date of such liquidation, dissolution, winding-up or other distribution (the "**Liquidation Date**"), before any distribution of any part of the assets of the Company among the holders of the Common Shares or any other shares ranking junior to the Exchangeable Shares with respect to dividends or distributions an amount per share (the "**Liquidation Amount**") equal to the Exchangeable Share Price applicable on the last Business Day prior to the Liquidation Date, which price shall be satisfied in full by the Company delivering or causing to be delivered to such holder the Exchangeable Share Consideration representing the Liquidation Amount .
- (b) Payment of Liquidation Amount. In the case of a distribution pursuant to Section 5(a), and provided that the Liquidation Call Right has not been exercised by Molycorp or Callco, on or promptly after the Liquidation Date, the Company shall deliver or cause to be delivered to the holders of the Exchangeable Shares the Liquidation Amount for each such Exchangeable Share upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of

Exchangeable Shares under the BCBCA and the articles and by-laws of the Company and such additional documents, instruments and payments as the Transfer Agent and the Company may reasonably require, at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Exchangeable Shares. Payment of the Liquidation Amount for such Exchangeable Shares shall be made by delivery to each holder, at the address of such holder recorded in the securities register of the Company for the Exchangeable Shares or by holding for pick-up by such holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Exchangeable Shares, the Exchangeable Share Consideration such holder is entitled to receive pursuant to Section 5(a). On and after the Liquidation Date, the holders of the Exchangeable Shares shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement) other than the right to receive their proportionate part of the total Liquidation Amount, unless payment of the total Liquidation Amount for such Exchangeable Shares shall not be made upon presentation and surrender of share certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the Liquidation Amount has been paid in the manner hereinbefore provided. The Company shall have the right at any time after the Liquidation Date to transfer or cause to be issued or transferred to, and deposited in a custodial account with, any chartered bank or trust company the Liquidation Amount in respect of the Exchangeable Shares represented by certificates that have not at the Liquidation Date been surrendered by the holders thereof, such Liquidation Amount to be held by such bank or trust company as trustee for and on behalf of, and for the use and benefit of, such holders. Upon such deposit being made, the rights of a holder of Exchangeable Shares after such deposit shall be limited to receiving its proportionate part of the total Liquidation Amount for such Exchangeable Shares so deposited, without interest, and all dividends and other distributions with respect to the Molycorp Shares to which such holder is entitled with a record date after the date of such deposit and before the date of transfer of such Molycorp Shares to such holder (in each case less any amounts withheld on account of tax required to be deducted and withheld therefrom) against presentation and surrender of the certificates for the Exchangeable Shares held by them in accordance with the foregoing provisions.

- (c) No Right to Participate in Further Distributions. After the Company has satisfied its obligations to pay the holders of the Exchangeable Shares the total Liquidation Amount per Exchangeable Share pursuant to this Section 5, such holders shall not be entitled to share in any further distribution of the assets of the Company.

## 6. Retraction of Exchangeable Shares

### (a) Retraction at Option of Holder

- (i) Subject to applicable laws and the due exercise by Molycorp or Calco of the Retraction Call Right, a holder of Exchangeable Shares shall be entitled at any time to require the Company to redeem, on the fifth Business Day after the date on which the Retraction Request is received by the Company (the "**Retraction Date**"), any or all of the Exchangeable Shares registered in the name of such holder for an amount per share equal to the Exchangeable Share Price applicable on the last Business Day prior to the Retraction Date (the "**Retraction Price**"), which price shall be satisfied in full by the Company delivering or causing to be delivered to such holder the Exchangeable Share Consideration representing the Retraction Price. A holder of Exchangeable Shares must give notice of a request to redeem by presenting and surrendering to the Company, at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Exchangeable Shares, the certificate or certificates representing the Exchangeable Shares that such holder desires to have the Company redeem, together with (A) such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the BCBCA and the articles and by-laws of the Company and such additional documents, instruments and

payments as the Transfer Agent and the Company may reasonably require and (B) a duly executed request (the "**Retraction Request**") in the form of Schedule A hereto or in such other form as may be acceptable to the Company specifying that such holder desires to have all or any number specified therein of the Exchangeable Shares represented by such certificate or certificates (the "**Retracted Shares**") redeemed by the Company.

- (ii) In the case of a redemption of Exchangeable Shares pursuant to this Section 6(a), upon receipt by the Company or the Transfer Agent in the manner specified in Section 6(a)(i) of a certificate representing the number of Exchangeable Shares which the holder desires to have the Company redeem, together with a duly executed Retraction Request and such additional documents and instruments specified in Section 6(a)(i), and provided that (A) the Retraction Request has not been revoked by the holder of such Exchangeable Shares in the manner specified in Section 6(a)(iv) and (B) neither Molycorp nor Calco has exercised the Retraction Call Right, the Company shall redeem the Retracted Shares effective at the close of business on the Retraction Date. On the Retraction Date, the Company shall deliver or cause to be delivered to such holder, at the address of the holder recorded in the securities register of the Company for the Exchangeable Shares or at the address specified in the Retraction Request or by holding for pick-up by the holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of the Exchangeable Shares, the Exchangeable Share Consideration representing the Retraction Price and such delivery of such Exchangeable Share Consideration by or on behalf of the Company by the Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the Retraction Price to the extent that the same is represented by such Exchangeable Share Consideration, unless any cheque comprising part of such Exchangeable Share Consideration is not paid on due presentation. If only a part of the Exchangeable Shares represented by any certificate is redeemed, a new certificate for the balance of such Exchangeable Shares shall be issued to the holder at the expense of the Company. On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive the total Retraction Price in respect thereof, unless upon presentation and surrender of certificates in accordance with the foregoing provisions, payment of the aggregate Retraction Price payable to such holder shall not be made, in which case the rights of such holder shall remain unaffected until such aggregate Retraction Price has been paid in the manner hereinbefore provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of such aggregate Retraction Price has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so redeemed by the Company shall thereafter be considered and deemed for all purposes to be a holder of the Molycorp Shares delivered to such holder.
- (iii) Notwithstanding any other provision of this Section 6, the Company shall not be obligated to redeem Retracted Shares specified by a holder in a Retraction Request if and to the extent that such redemption of Retracted Shares would be contrary to solvency requirements or other provisions of applicable laws. If the Company believes that on any Retraction Date it would not be permitted by any of such provisions to redeem the Retracted Shares tendered for redemption on such date, and neither Molycorp nor Calco has exercised the Retraction Call Right with respect to such Retracted Shares, the Company shall only be obligated to redeem Retracted Shares specified by a holder in a Retraction Request to the extent of the maximum number that may be so redeemed (rounded down to a whole number of shares) as would not be contrary to such provisions and shall notify the holder and the Trustee at least two Business Days prior to the Retraction Date as to the number of Retracted Shares which will not be redeemed by the Company. In any case in which the redemption by the Company of Retracted Shares would be contrary to solvency requirements or other provisions of applicable laws, the Company shall redeem Retracted Shares in accordance with Section 6(a)(ii) on a pro rata

basis and shall issue to each holder of Retracted Shares a new certificate, at the expense of the Company, representing the Retracted Shares not redeemed by the Company pursuant to Section 6(a)(ii). If the Company would otherwise be obligated to redeem Retracted Shares pursuant to Section 6(a)(ii) but is not obligated to do so as a result of solvency requirements or other provisions of applicable laws, the holder of any such Retracted Shares not redeemed by the Company pursuant to Section 6(a)(ii) as a result of solvency requirements or other provisions of applicable laws shall be deemed, by delivery of the Retraction Request to have instructed the Transfer Agent to require Molycorp or Callco to purchase such Retracted Shares from such holder on the Retraction Date or as soon as practicable thereafter on payment by Molycorp or Callco to such holder of the total Retraction Price in respect of such Retracted Shares, all as more specifically provided for in the Voting and Exchange Trust Agreement.

- (iv) A holder of Retracted Shares may, by notice in writing given by the holder to the Company before the close of business on the Business Day immediately preceding the Retraction Date, withdraw its Retraction Request, in which event such Retraction Request shall be null and void and, for greater certainty, the revocable offer constituted by the Retraction Request to sell the Retracted Shares to Molycorp or Callco shall be deemed to have been revoked.
- (v) Notwithstanding any other provision of this Section 6(a), if:
  - A. exercise of the rights of the holders of the Exchangeable Shares, or any of them, to require the Company to redeem any Exchangeable Shares pursuant to this Section 6(a) on any Retraction Date would require listing particulars or any similar document to be issued in order to obtain the approval of the NYSE to the listing and trading (subject to official notice of issuance) of the Molycorp Shares that would be required to be delivered to such holders of Exchangeable Shares in connection with the exercise of such rights; and
  - B. as a result of (A) above, it would not be practicable (notwithstanding the reasonable endeavours of Molycorp) to obtain such approvals in time to enable all or any of such Molycorp Shares to be admitted to listing and trading by the NYSE (subject to official notice of issuance) when so delivered,

the Retraction Date shall, notwithstanding any other date specified or otherwise deemed to be specified in any relevant Retraction Request, be deemed for all purposes to be the earlier of (x) the second Business Day immediately following the date the approvals referred to in Section 6(a)(v)A are obtained and (ii) the date which is 30 Business Days after the date on which the relevant Retraction Request is received by the Company, and references in these Exchangeable Share Provisions to such Retraction Date shall be construed accordingly.

(b) Retraction Call Rights

- (i) In the event that a holder of Exchangeable Shares delivers a Retraction Request pursuant to Section 6(a), and subject to the limitations set forth in Section 6(b)(ii) (including that Callco shall only be entitled to exercise its Retraction Call Right with respect to those holders of Exchangeable Shares, if any, in respect of which Molycorp has not exercised its Retraction Call Right), Molycorp and Callco shall each have the overriding right (the "**Retraction Call Right**"), notwithstanding the proposed redemption of the Exchangeable Shares by the Company pursuant to Section 6(a), to purchase from such holder on the Retraction Date all but not less than all of the Retracted Shares held by such holder on payment by Molycorp or Callco, as the case may be, of an amount per share equal to the Exchangeable Share Price applicable on the last Business Day prior to the Retraction Date (the "**Retraction Call Right Purchase Price**"), which price shall be satisfied in full



by Molycorp or Callco, as the case may, delivering or causing to be delivered to such holder the Exchangeable Share Consideration representing the Retraction Call Right Purchase Price. Upon the exercise of the Retraction Call Right in respect of Retracted Shares, the holder of such shares shall be obligated to sell all of such Retracted Shares to Molycorp or Callco, as the case may be, on the Retraction Date on payment by Molycorp or Callco, as the case may be, of the total Retraction Call Right Purchase Price in respect of such Retracted Shares as set forth in this Section 6(b)(i).

- (ii) Upon receipt by the Company of a Retraction Request, the Company shall immediately notify Molycorp and Callco thereof and shall provide Molycorp and Callco with a copy of the Retraction Request. Callco shall only be entitled to exercise its Retraction Call Right with respect to those holders of Retracted Shares, if any, in respect of which Molycorp has not exercised its Retraction Call Right. In order to exercise its Retraction Call Right, Molycorp or Callco, as the case may be, must notify the Company in writing of its determination to do so (a "**Retraction Call Notice**") within five Business Days after the Company notifies Molycorp and Callco of the Retraction Request. If neither Molycorp nor Callco so notifies the Company within such five Business Day period, the Company shall notify the holder as soon as possible thereafter that neither Molycorp nor Callco will exercise the Retraction Call Right. If one or both of Molycorp and Callco delivers a Retraction Call Notice within such five Business Day period and duly exercises its Retraction Call Right in accordance with this Section 6(b)(ii), the obligation of the Company to redeem the Retracted Shares shall terminate and, provided that the Retraction Request is not revoked by the holder of such Retracted Shares in the manner specified in Section (a)(iv), Molycorp or Callco, as the case may be, shall purchase from such holder and such holder shall sell to Molycorp or Callco, as the case may be, on the Retraction Date the Retracted Shares for an amount per share equal to the Retraction Call Right Purchase Price. Provided that the aggregate Retraction Call Right Purchase Price has been so deposited with the Transfer Agent as provided in Section 6(b)(iii), the closing of the purchase and sale of the Retracted Shares pursuant to the Retraction Call Right shall be deemed to have occurred as at the close of business on the Retraction Date and, for greater certainty, no redemption by the Company of such Retracted Shares shall take place on the Retraction Date.
- (iii) For the purpose of completing a purchase of Retracted Shares pursuant to the exercise of the Retraction Call Right, Molycorp or Callco, as the case may be, shall deliver or cause to be delivered to the holder of such Retracted Shares, at the address of the holder recorded in the securities register of the Company for the Exchangeable Shares or at the address specified in the holder's Retraction Request or by holding for pick-up by the holder at the registered office of the Company or at any office of the Transfer Agent as may be specified by the Company by notice to the holders of Exchangeable Shares, the Exchangeable Share Consideration representing the Retraction Call Right Purchase Price to which such holder is entitled and such delivery of Exchangeable Share Consideration on behalf of Molycorp or Callco, as the case may be, shall be deemed to be payment of and shall satisfy and discharge all liability for the Retraction Call Right Purchase Price to the extent that the same is represented by such Exchangeable Share Consideration, unless such cheque comprising part of such Exchangeable Share Consideration is not paid on due presentation.
- (iv) On and after the close of business on the Retraction Date, the holder of the Retracted Shares shall cease to be a holder of such Retracted Shares and shall not be entitled to exercise any of the rights of a holder in respect thereof, other than the right to receive the total Retraction Call Right Purchase Price in respect thereof, unless payment of the aggregate Retraction Call Right Purchase Price payable to such holder shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions in which case the rights of such holder shall remain unaffected until such aggregate Retraction Call Right Purchase Price has been paid in the manner hereinbefore

provided. On and after the close of business on the Retraction Date, provided that presentation and surrender of certificates and payment of such aggregate Retraction Call Right Purchase Price has been made in accordance with the foregoing provisions, the holder of the Retracted Shares so purchased by Molycorp or Callco, as the case may be, shall thereafter be considered and deemed for all purposes to be a holder of the Molycorp Shares delivered to such holder.

7. Redemption of Exchangeable Shares by the Company

- (a) Redemption Amount. Subject to applicable laws and the due exercise by Molycorp or Callco of the Redemption Call Right, the Company shall on the Redemption Date redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per share (the "**Redemption Price**") equal to the Exchangeable Share Price on the last Business Day prior to the Redemption Date, which price shall be satisfied in full by the Company delivering or causing to be delivered to each holder of Exchangeable Shares the Exchangeable Share Consideration for each Exchangeable Share held by such holder.
- (b) Notice of Redemption. In the case of a redemption of Exchangeable Shares pursuant to Section 7(a), the Company shall, at least 30 days before the Redemption Date (other than a Redemption Date established in connection with a Molycorp Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event), send or cause to be sent to each holder of Exchangeable Shares a notice in writing of the redemption by the Company or the purchase by Molycorp or Callco under the Redemption Call Right, as the case may be, of the Exchangeable Shares held by such holder. In the case of a Redemption Date established in connection with a Molycorp Control Transaction, an Exchangeable Share Voting Event or an Exempt Exchangeable Share Voting Event, the written notice of the redemption by the Company or the purchase by Molycorp or Callco, as the case may be, of the Exchangeable Shares under the Redemption Call Right will be sent on or before the Redemption Date, on as many days prior written notice as may be determined by the Board of Directors to be reasonably practicable in the circumstances. In any such case, such notice shall set out the formula for determining the Redemption Price or the Redemption Call Purchase Price, as the case may be, the Redemption Date and, if applicable, particulars of the Redemption Call Right. In the case of any notice given in connection with a possible Redemption Date, such notice will be given contingently and will be withdrawn if the contingency does not occur.
- (c) Payment of Redemption Price. On or after the Redemption Date, and provided that the Redemption Call Right has not been exercised by Molycorp or Callco, the Company shall deliver or cause to be delivered to the holders of the Exchangeable Shares to be redeemed the Redemption Price for each such Exchangeable Share, upon presentation and surrender of the certificates representing such Exchangeable Shares, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the BCBCA and the articles and by-laws of the Company and such additional documents, instruments and payments as the Transfer Agent and the Company may reasonably require, at the registered office of the Company or at any office of the Transfer Agent as may be specified by notice to the holders of the Exchangeable Shares. Payment of the Redemption Price for such Exchangeable Shares shall be made by delivery to each holder, at the address of the holder recorded in the securities register of the Company for the Exchangeable Shares or by holding for pick-up by the holder at the registered office of the Transfer Agent as may be specified by the Company by notice to the holders of Exchangeable Shares, the Exchangeable Share Consideration representing the Redemption Price. On and after the Redemption Date, the holders of the Exchangeable Shares called for redemption shall cease to be holders of such Exchangeable Shares and shall not be entitled to exercise any of the rights of holders in respect thereof (including any rights under the Voting and Exchange Trust Agreement) other than the right to receive their proportionate part of the total Redemption Price, unless payment of the total Redemption Price for such Exchangeable Shares shall not be made upon presentation and surrender of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected until the Redemption Price has been

paid in the manner hereinbefore provided. The Company shall have the right at any time after the sending of notice of its intention to redeem the Exchangeable Shares as aforesaid to deposit or cause to be deposited the total Redemption Price (in the form of Exchangeable Share Consideration) of the Exchangeable Shares so called for redemption, or of such of the said Exchangeable Shares represented by certificates that have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption, in a custodial account with any chartered bank or trust company in Canada named in such notice and any interest earned on such deposit shall belong to the Company. Provided that such total Redemption Price has been so deposited prior to the Redemption Date, on and after the Redemption Date, the Exchangeable Shares shall be redeemed and the rights of the holders thereof after the Redemption Date shall be limited to receiving their proportionate part of the total Redemption Price for such Exchangeable Shares so deposited, against presentation and surrender of the certificates for the Exchangeable Shares held by them, respectively, in accordance with the foregoing provisions.

#### 8. Purchase for Cancellation

- (a) Private Agreement. Subject to applicable laws and the articles and by-laws of the Company, and notwithstanding Section 8(b), the Company may at any time and from time to time purchase for cancellation all or any part of the Exchangeable Shares by private agreement with the holder thereof.
- (b) Tender Offer. Subject to applicable laws and the articles and by-laws of the Company, the Company may at any time and from time to time purchase for cancellation all or any part of the outstanding Exchangeable Shares at any price per share by tender to all the holders of record of Exchangeable Shares then outstanding or through the facilities of any stock exchange on which the Exchangeable Shares are listed or quoted together with an amount equal to all declared and unpaid dividends thereon for which the record date has occurred prior to the date of purchase. If in response to an invitation for tenders under the provisions of this Section 8(b) more Exchangeable Shares are tendered at a price or prices acceptable to the Company than the Company is prepared to purchase, the Exchangeable Shares to be purchased by the Company shall be purchased as nearly as may be pro rata according to the number of shares tendered by each holder who submits a tender to the Company, provided that when shares are tendered at different prices the pro rating shall be effected (disregarding fractions) only with respect to the shares tendered at the price at which more shares were tendered than the Company is prepared to purchase after the Company has purchased all the shares tendered at lower prices. If only part of the Exchangeable Shares represented by any certificate are purchased pursuant to this Section 8(b), a new certificate for the balance of such shares shall be issued at the expense of the Company.

#### 9. Voting Rights

Except as required by applicable laws and by Section 11, the holders of the Exchangeable Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting. Without limiting the generality of the foregoing, the holders of the Exchangeable Shares shall not have class votes except as required by applicable law.

#### 10. Specified Amount

The amount specified in respect of each Exchangeable Share for the purposes of subsection 191(4) of the *Income Tax Act* (Canada) shall be an amount equal to C\$[●].

11. Amendment and Approval

- (a) Amendment. The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed only with the approval of the holders of the Exchangeable Shares given as hereinafter specified.
- (b) Approval. Any approval given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable laws shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable laws, subject to a minimum requirement that such approval be evidenced by resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares at that time are present or represented by proxy; provided, however, that if at any such meeting the holders of at least 10% of the outstanding Exchangeable Shares at that time are not present or represented by proxy within one-half hour after the time appointed for such meeting, then the meeting shall be adjourned to such date not less than five days thereafter and to such time and place as may be designated by the Chairman of such meeting. At such adjourned meeting, the holders of Exchangeable Shares present or represented by proxy thereat may transact the business for which the meeting was originally called and a resolution passed thereat by the affirmative vote of not less than two-thirds of the votes cast on such resolution at such meeting shall constitute the approval or consent of the holders of the Exchangeable Shares.

12. Reciprocal Changes, etc. in Respect of Molycorp Shares

- (a) Each holder of an Exchangeable Share acknowledges that the Support Agreement provides, in part, that Molycorp will not, except as provided in the Support Agreement, without the prior approval of the Company and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 11(b):
  - (i) issue or distribute Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) to the holders of all or substantially all of the then outstanding Molycorp Shares by way of stock dividend or other distribution, other than an issue of Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) to holders of Molycorp Shares (i) who exercise an option to receive dividends in Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares) in lieu of receiving cash dividends or (ii) pursuant to any dividend reinvestment plan or similar arrangement;
  - (ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Molycorp Shares entitling them to subscribe for or to purchase Molycorp Shares (or securities exchangeable for or convertible into or carrying rights to acquire Molycorp Shares); or
  - (iii) issue or distribute to the holders of all or substantially all of the then outstanding Molycorp Shares:
    - A. shares or securities of Molycorp of any class other than Molycorp Shares (or securities convertible into or exchangeable for or carrying rights to acquire Molycorp Shares);
    - B. rights, options or warrants other than those referred to in Section 12(a)(ii) above;
    - C. evidence of indebtedness of Molycorp; or

D. assets of Molycorp,

unless, in each case, (A) the Company is permitted under applicable law to issue or distribute the economic equivalent on a per share basis of such rights, options, warrants, securities, shares, evidences of indebtedness or other assets to the holders of the Exchangeable Shares and (B) the Company shall issue or distribute the economic equivalent of such rights, options, warrants, securities, shares, evidences of indebtedness or other assets simultaneously to holders of the Exchangeable Shares; provided, however, that, for greater certainty, the above restrictions shall not apply to any securities issued or distributed by Molycorp in order to give effect to and to consummate the transactions contemplated by, and in accordance with, the Arrangement Agreement.

- (b) Each holder of an Exchangeable Share acknowledges that the Support Agreement further provides, in part, that for so long as any Exchangeable Shares not owned by Molycorp or its affiliates are outstanding, Molycorp will not without the prior approval of the Company and the prior approval of the holders of the Exchangeable Shares given in accordance with Section 11(b):
- (i) subdivide, redivide or change the then outstanding Molycorp Shares into a greater number of Molycorp Shares;
  - (ii) reduce, combine, consolidate or change the then outstanding Molycorp Shares into a lesser number of Molycorp Shares; or
  - (iii) reclassify or otherwise change the Molycorp Shares or effect an amalgamation, merger, reorganization or other transaction affecting the Molycorp Shares,

unless, in each case, (A) the Company is permitted under applicable law to make the same or an economically equivalent change to, or in the rights of holders of, the Exchangeable Shares and (B) the same or an economically equivalent change is made simultaneously to, or in the rights of the holders of, the Exchangeable Shares; provided, however, that, for greater certainty, the above restrictions shall not apply to any securities issued or distributed by Molycorp in order to give effect to and to consummate the transactions contemplated by, and in accordance with the Arrangement Agreement. The Support Agreement further provides, in part, that the aforesaid provisions of the Support Agreement shall not be changed without the approval of the holders of the Exchangeable Shares given in accordance with Section 11(b).

- (c) Notwithstanding the foregoing provisions of this Section 12, in the event of an Molycorp Control Transaction:
- (i) in which Molycorp merges or amalgamates with, or in which all or substantially all of the then outstanding Molycorp Shares are acquired by one or more other corporations to which Molycorp is, immediately before such merger, amalgamation or acquisition, related within the meaning of the *Income Tax Act* (Canada) (otherwise than virtue of a right referred to in paragraph 251(5)(b) thereof);
  - (ii) which does not result in an acceleration of the Redemption Date in accordance with paragraph (b) of the definition of such term in Section 1(a); and
  - (iii) in which all or substantially all of the then outstanding Molycorp Shares are converted into or exchanged for shares or rights to receive such shares (the "**Other Shares**") of another corporation (the "**Other Corporation**") that, immediately after such Molycorp Control Transaction, owns or controls, directly or indirectly, Molycorp;

then all references herein to "Molycorp" shall thereafter be and be deemed to be references to "Other Corporation" and all references herein to "Molycorp Shares" shall thereafter be and be

deemed to be references to "Other Shares" (with appropriate adjustments, if any, as are required to result in a holder of Exchangeable Shares on the exchange, redemption or retraction of shares pursuant to these Exchangeable Share Provisions or the exchange of shares pursuant to the Voting and Exchange Trust Agreement immediately subsequent to the Molycorp Control Transaction being entitled to receive that number of Other Shares equal to the number of Other Shares such holder of Exchangeable Shares would have received if the exchange, option or retraction of such shares pursuant to these Exchangeable Share Provisions or the exchange of such shares pursuant to the Voting and Exchange Trust Agreement had occurred immediately prior to the Molycorp Control Transaction and the Molycorp Control Transaction was completed) but subject to subsequent adjustments to reflect any subsequent changes in the share capital of the issuer of the Other Shares, including without limitation, any subdivision, consolidation or reduction of share capital, without any need to amend the terms and conditions of the Exchangeable Shares and without any further action required.

13. Actions by the Company under Support Agreement

- (a) Actions by the Company. The Company will take all such actions and do all such things as shall be necessary or advisable to perform and comply with and to ensure performance and compliance by Molycorp, Callco and the Company with all provisions of the Support Agreement applicable to Molycorp, Callco and the Company, respectively, in accordance with the terms thereof including taking all such actions and doing all such things as shall be necessary or advisable to enforce to the fullest extent possible for the direct benefit of the Company all rights and benefits in favour of the Company under or pursuant to such agreement.
- (b) Changes to the Support Agreement. The Company shall not propose, agree to or otherwise give effect to any amendment to, or waiver or forgiveness of its rights or obligations under, the Support Agreement without the approval of the holders of the Exchangeable Shares given in accordance with Section 11(b) other than such amendments, waivers and/or forgiveness as may be necessary or advisable for the purposes of:
  - (i) adding to the covenants of any or all of the other parties to the Support Agreement if the board of directors of each of Molycorp, Callco and the Company shall be of the good faith opinion that such additions will not be prejudicial in any material respect to the rights or interests of the holders of the Exchangeable Shares as a whole;
  - (ii) evidencing the succession of successors to Molycorp either by operation of law or agreement to the liabilities and covenants of Molycorp under the Support Agreement ("**Molycorp Successors**") and the covenants of and obligations assumed by each such Molycorp Successor in accordance with the provisions of Article 3 of the Support Agreement;
  - (iii) making such amendments or modifications not inconsistent with the Support Agreement as may be necessary or desirable with respect to matters or questions arising thereunder which, in the good faith opinion of the board of directors of each of Molycorp, Callco and the Company, having in mind the interests of the holders of the Exchangeable Shares as a whole, it may be expedient to make, provided that each such board of directors shall be of the good faith opinion, after consultation with counsel, that such amendments and modifications will not be prejudicial in any material respect to the rights or interests of the holders of the Exchangeable Shares as a whole; or
  - (iv) making such changes in or corrections to the Support Agreement which, on the advice of counsel to Molycorp, Callco and the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error contained therein, provided that the board of directors of each of Molycorp, Callco and the Company shall be of the good faith opinion that such

changes or corrections will not be prejudicial in any material respect to the rights or interests of the holders of the Exchangeable Shares as a whole.

14. Legend; Call Rights; Withholding Rights

- (a) Legend. The certificates evidencing the Exchangeable Shares shall contain or have affixed thereto a legend in form and on terms approved by the Board of Directors with respect to the Support Agreement, the provisions of the Plan of Arrangement relating to the Liquidation Call Right, the Redemption Call Right and the Change of Law Call Right, the Voting and Exchange Trust Agreement (including the provisions with respect to the voting rights and automatic exchange thereunder) and the Retraction Call Right.
- (b) Call Rights. Each holder of an Exchangeable Share, whether of record or beneficial, by virtue of becoming and being such a holder shall be deemed to acknowledge each of the Liquidation Call Right, the Redemption Call Right, the Change of Law Call Right and the Retraction Call Right, in each case, in favour of Molycorp and Callco, and the overriding nature thereof in connection with the liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, or the retraction or redemption of Exchangeable Shares, as the case may be, and to be bound thereby in favour of Molycorp and Callco as provided herein and in the Plan of Arrangement.
- (c) Withholding Rights. Molycorp, Callco, the Company and the Transfer Agent shall be entitled to deduct and withhold from any dividend, distribution or other consideration otherwise payable to any holder of Exchangeable Shares such amounts as Molycorp, Callco, the Company or the Transfer Agent, as the case may be, is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or United States tax laws or any provision of provincial, territorial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Exchangeable Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing agency. To the extent that the amount so required to be deducted or withheld from any payment to a holder exceeds the cash portion of the consideration otherwise payable to the holder, Molycorp, Callco, the Company and the Transfer Agent are hereby authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to Molycorp, Callco, the Company or the Transfer Agent, as the case may be, to enable it to comply with such deduction or withholding requirement and Molycorp, Callco, the Company or the Transfer Agent, as the case may be, shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

15. Notices

- (a) Notices. Subject to applicable laws, any notice, request or other communication to be given to the Company by a holder of Exchangeable Shares shall be in writing and shall be valid and effective if given by first class mail (postage prepaid) or by telecopy or by delivery to the registered office of the Company and addressed to the attention of the Secretary of the Company. Any such notice, request or other communication, if given by mail, telecopy or delivery, shall only be deemed to have been given and received upon actual receipt thereof by the Company.
- (b) Certificates. Any presentation and surrender by a holder of Exchangeable Shares to the Company or the Transfer Agent of certificates representing Exchangeable Shares in connection with the liquidation, dissolution or winding-up of the Company or the retraction or redemption of Exchangeable Shares shall be made by first class mail (postage prepaid) or by delivery to the registered office of the Company or to such office of the Transfer Agent as may be specified by the Company, in each case, addressed to the attention of the Secretary of the Company. Any such presentation and surrender of certificates shall only be deemed to have been made and to be effective upon actual receipt thereof by the Company or the Transfer Agent, as the case may be.

Any such presentation and surrender of certificates made by first class mail (postage prepaid) shall be at the sole risk of the holder mailing the same.

(c) Notice to Shareholders.

- (i) Subject to applicable laws, any notice, request or other communication to be given to a holder of Exchangeable Shares by or on behalf of the Company shall be in writing and shall be valid and effective if given by first class mail (postage prepaid) or by delivery to the address of the holder recorded in the register of shareholders of the Company or, in the event of the address of any such holder not being so recorded, then at the last known address of such holder. Any such notice, request or other communication, if given by mail, shall be deemed to have been given and received on the third Business Day following the date of mailing and, if given by delivery, shall be deemed to have been given and received on the date of delivery. Accidental failure or omission to give any notice, request or other communication to one or more holders of Exchangeable Shares shall not invalidate or otherwise alter or affect any action or proceeding to be taken by the Company pursuant thereto.
- (ii) In the event of any interruption of mail service immediately prior to a scheduled mailing or in the period following a mailing during which delivery normally would be expected to occur, the Company shall make reasonable efforts to disseminate any notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada are not open for the deposit of mail, any notice which the Company or the Transfer Agent may give or cause to be given hereunder will be deemed to have been properly given and to have been received by holders of Exchangeable Shares if (i) it is given to the Toronto Stock Exchange for dissemination or (ii) it is published once in the national edition of *The Globe and Mail* and in the daily newspapers of general circulation in each of the French and English languages in the City of Montreal, provided that if the national edition of *The Globe and Mail* is not being generally circulated, publication thereof will be made in the *National Post* or any other daily newspaper of general circulation published in the City of Toronto.
- (iii) Notwithstanding any other provisions of these Exchangeable Share Provisions, notices, other communications and deliveries need not be mailed if the Company determines that delivery thereof by mail may be delayed. Persons entitled to any deliveries (including certificates and cheques) which are not mailed for the foregoing reason may take delivery thereof at the office of the Transfer Agent to which the deliveries were made, upon application to the Transfer Agent, until such time as the Company has determined that delivery by mail will not longer be delayed. the Company will provide notice of any such determination not to mail made hereunder as soon as reasonably practicable after the making of such determination and in accordance with this Section 15(c). Such deliveries in such circumstances will constitute delivery to the persons entitled thereto.

16. Disclosure of Interests in Exchangeable Shares

The Company shall be entitled to require any holder of an Exchangeable Share or any person whom the Company knows or has reasonable cause to believe holds any interest whatsoever in an Exchangeable Share to (a) confirm that fact or (b) give such details as to whom has an interest in such Exchangeable Share, in each case as would be required (if the Exchangeable Shares were a class of "equity shares" of the Company) under Section 102.1 of the Securities Act or as would be required under the articles or by-laws of Molycorp or any laws or regulations, or pursuant to the rules or regulations of any regulatory agency, if and only to the extent that the Exchangeable Shares were Molycorp Shares.



**SCHEDULE A  
TO APPENDIX I**

**RETRACTION REQUEST  
[TO BE PRINTED ON EXCHANGEABLE SHARE CERTIFICATES]**

To: Molycorp, Inc. ("**Molycorp**"), MCP Callco Inc. ("**Callco**") and MCP Exchangeco Inc. (the "**Company**")

This notice is given pursuant to Section 6 of the share provisions (the "**Exchangeable Share Provisions**") attaching to the Exchangeable Shares of the Company represented by this certificate and all capitalized words and expressions used in this notice that are defined in the Exchangeable Share Provisions have the meanings ascribed to such words and expressions in such Exchangeable Share Provisions.

The undersigned hereby notifies the Company that, subject to the Retraction Call Right referred to below, the undersigned desires to have the Company redeem in accordance with Section 6 of the Exchangeable Share Provisions:

all share(s) represented by this certificate; or

\_\_\_\_\_ share(s) only represented by this certificate.

The undersigned acknowledges the overriding Retraction Call Right of Molycorp and Callco to purchase all but not less than all the Retracted Shares from the undersigned and that this notice is and shall be deemed to be a revocable offer by the undersigned to sell the Retracted Shares to Molycorp or Callco in accordance with the Retraction Call Right on the Retraction Date for the Retraction Call Purchase Price and on the other terms and conditions set out in Section 6(b) of the Exchangeable Share Provisions. If neither Molycorp nor Callco exercise the Retraction Call Right, the Company will notify the undersigned of such fact as soon as possible. This Retraction Request, and this offer to sell the Retracted Shares to Molycorp or Callco, may be revoked and withdrawn by the undersigned only by notice in writing given to the Company at any time before the close of business on the Business Day immediately preceding the Retraction Date.

The undersigned acknowledges that if, as a result of solvency provisions of applicable law, the Company is unable to redeem all Retracted Shares, and provided that neither Molycorp nor Callco has exercised the Retraction Call Right with respect to the Retracted Shares, the Retracted Shares will be automatically exchanged pursuant to the Voting and Exchange Trust Agreement so as to require Molycorp to purchase the unredeemed Retracted Shares.

The undersigned hereby represents and warrants to Molycorp, Callco and the Company that the undersigned:

is

(select one)

is not

a resident of Canada for purposes of the *Income Tax Act* (Canada). The undersigned acknowledges that in the absence of an indication that the undersigned is not a resident of Canada, withholding on account of Canadian tax may be made from amounts payable to the undersigned on the redemption or purchase of the Retracted Shares.

The undersigned hereby represents and warrants to Molycorp, Callco and the Company that the undersigned has good title to, and owns, the share(s) represented by this certificate to be acquired by Molycorp, Callco or the Company, as the case may be, free and clear of all liens, claims and encumbrances.

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature of Shareholder)

\_\_\_\_\_  
(Guarantee of Signature)

Please check box if the securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares are to be held for pick-up by the shareholder from the Transfer Agent at the principal office of the Transfer Agent in Toronto, Ontario, failing which such certificates and cheque(s) will be mailed to the last address of the shareholder as it appears on the register.

NOTE: This panel must be completed and this certificate, together with such additional documents and payments (including, without limitation, any applicable Stamp Taxes) as the Transfer Agent and the Company may require, must be deposited with the Transfer Agent at its principal transfer office in Toronto, Ontario. The securities and any cheque(s) resulting from the retraction or purchase of the Retracted Shares will be issued and registered in, and made payable to, respectively, the name of the shareholder as it appears on the register of the Company and the certificates for the securities and any cheque(s) resulting from such retraction or purchase will be delivered to such shareholder as indicated above, unless the form appearing immediately below is duly completed.

Date: \_\_\_\_\_

Name of Person in Whose Name Securities or Cheque(s)  
Are to be Registered, Issued or Delivered (please print): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Street Address or P.O. Box: \_\_\_\_\_

Signature of Shareholder: \_\_\_\_\_

City, Province and Postal Code: \_\_\_\_\_

Signature Guaranteed by: \_\_\_\_\_

NOTE: If this Retraction Request is for less than all of the shares represented by this certificate, a certificate representing the remaining share(s) of the Company represented by this certificate will be issued and registered in the name of the shareholder as it appears on the register of the Company, unless the Share Transfer Power on the share certificate is duly completed in respect of such share(s)

**APPENDIX F  
INTERIM ORDER**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) MONDAY, THE 30<sup>th</sup>  
JUSTICE CAMPBELL ) DAY OF APRIL, 2012

**IN THE MATTER OF** an application under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**AND IN THE MATTER OF** Rule 14.05(2) of the *Rules of Civil Procedure*

**AND IN THE MATTER OF** a proposed arrangement of NEO MATERIAL TECHNOLOGIES INC. involving its shareholders, MOLYCORP, INC. and MCP EXCHANGECO INC.



**INTERIM ORDER**

**THIS MOTION** made by the Applicant, Neo Material Technologies Inc. (“NEM”), for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the “CBCA”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Notice of Application issued on April 23, 2012 and the Affidavit of Michael Doolan sworn April 23, 2012, (the “Doolan Affidavit”), including the Plan of Arrangement, which is attached as Appendix "E" to the draft management proxy circular of NEM (the “Information Circular”), which is attached as Exhibit "A" to the Doolan Affidavit, and the Affidavit of Alexander Caldwell sworn April 27, 2012, and on

hearing the submissions of counsel for NEM and counsel for Molycorp, Inc. and on being advised that the Director appointed under the CBCA (the “**Director**”) does not consider it necessary to appear.

### **Definitions**

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Information Circular or otherwise as specifically defined herein.

### **The Meeting**

2. **THIS COURT ORDERS** that NEM is permitted to call, hold and conduct an annual and special meeting (the “**Meeting**”) of the holders of voting common shares (the “**Shareholders**”) in the capital of NEM to be held at the Trading Floor, Design Exchange, 234 Bay Street, Toronto, Ontario, on the 30<sup>th</sup> day of May, 2012 at 10:00am (local time) in order for the Shareholders to consider and, if determined advisable, pass, with or without variation, a special resolution authorizing, adopting and approving, the Arrangement and the Plan of Arrangement (collectively, the “**Arrangement Resolution**”) substantially in the form attached as Appendix "D" to the Information Circular.

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the CBCA, the notice of meeting of Shareholders, which accompanies the Information Circular (the “**Notice of Meeting**”), and the articles and by-laws of NEM, subject to what may be provided hereafter and subject to further order of this Court.

4. **THIS COURT ORDERS** that the record date (the “**Record Date**”) for determination of the shareholders entitled to notice of, and to vote at, the Meeting shall be April 27, 2012, as previously approved by the Board of Directors of NEM and published by NEM.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

- a) the Shareholders or their respective proxyholders;
- b) the officers, directors, auditors and advisors of NEM;
- c) representatives and advisors of Molycorp and Exchangeco;
- d) the Director; and
- e) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that NEM may transact such other business at the Meeting as is contemplated in the Information Circular, or as may otherwise be properly before the Meeting.

#### **Quorum**

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by NEM and that, in accordance with the by-laws of NEM, the quorum at the Meeting shall be not less than two persons each holding or representing by proxy at least one issued share of NEM.

### **Amendments to the Arrangement and Plan of Arrangement**

8. **THIS COURT ORDERS** that NEM is authorized to make, subject to the terms of the Arrangement Agreement and the Plan of Arrangement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13 hereof, and the Arrangement and Plan of Arrangement, as so amended, modified and/or supplemented, shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as the Board of Directors of NEM may determine.

### **Amendments to the Information Circular**

10. **THIS COURT ORDERS** that the Board of Directors of NEM is authorized to make such amendments, revisions and/or supplements to the draft Information Circular as it may

determine and the Information Circular, as so amended, revised and/or supplemented, shall be the Information Circular to be distributed in accordance with paragraphs 12 and 13.

### **Adjournments and Postponements**

11. **THIS COURT ORDERS** that the Board of Directors of NEM, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as the Board of Directors of NEM may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

### **Notice of Meeting**

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, NEM shall send the Information Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and the Letter of Transmittal and Election Form, along with such amendments or additional documents as the Board of Directors of NEM may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the “**Meeting Materials**”), to the following:

- a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:



- i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of NEM, or its registrar and transfer agent, at the close of business on the Record Date and, if no address is shown therein, then the last address of the person known to the Corporate Secretary of NEM;
  - ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or
  - iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of NEM, who requests such transmission in writing and, if required by NEM, who is prepared to pay the charges for such transmission;
- b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- c) the respective directors and auditors of NEM, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that, in the event that NEM elects to distribute the Meeting Materials, NEM is hereby directed:

- a) to distribute the Information Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by NEM to be necessary or desirable (collectively, the “**Court Materials**”), to the holders of NEM Options by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above, or by e-mail to the holders of such NEM Options who are directors, officers or employees of NEM, concurrently with the distribution described in paragraph 12 of this Interim Order. Distribution to such persons shall be to their addresses as they appear on the books and records of NEM or its registrar and transfer agent at the close of business on the Record Date, or to the current NEM e-mail address of the holders of such NEM Options who are directors, officers or employees of NEM; and
- b) to distribute a letter giving formal notice of the Arrangement to the holders of NEM Convertible Debentures, substantially in the form set out at **Exhibit “G”** to the Doolan Affidavit, together with a copy of the Notice of Application, and any other communications or documents determined by NEM to be necessary or desirable, by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above. In addition, NEM shall deliver a complete copy of the Court Materials by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above, to any holder of NEM

Convertible Debentures who delivers a written request for the Court Materials, within five (5) business days of receipt of such request.

14. **THIS COURT ORDERS** that accidental failure or omission by NEM to give notice of the meeting or to distribute the Meeting Materials or Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of NEM, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of NEM, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

15. **THIS COURT ORDERS** that NEM is hereby authorized to make such amendments, revisions and/or supplements to the Meeting Materials and Court Materials as NEM may determine in accordance with the terms of the Arrangement Agreement (“**Additional Information**”), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as the Board of Directors of NEM may determine.

16. **THIS COURT ORDERS** that distribution of the Meeting Materials and Court Materials pursuant to paragraphs 12 and 13 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and 13 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials

or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9 above.

### **Solicitation and Revocation of Proxies**

17. **THIS COURT ORDERS** that NEM is authorized to use the Letter of Transmittal and Election Form and form of proxy in substantially the form attached as **Exhibits “C” and “D”** to the Doolan Affidavit, respectively, with such amendments and additional information as the Board of Directors of NEM may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. NEM is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine, subject to the terms of the Arrangement Agreement. NEM may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by Shareholders, if NEM deems it advisable to do so.

18. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of NEM or with the transfer agent of NEM as set out in the Information Circular; and (b) any such instruments must be received by NEM or its transfer agent not later than 5:00pm on the business day immediately preceding the Meeting (or any adjournment or postponement thereof).

## **Voting**

19. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold voting common shares of NEM as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

20. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per common share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by an affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by the Shareholders. Such vote shall be sufficient to authorize NEM to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

21. **THIS COURT ORDERS** that, in respect of matters properly brought before the Meeting pertaining to items of business affecting NEM (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each voting common share held.

## **Dissent Rights**

22. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 190 of the CBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided, however, that the written objection to the Arrangement Resolution, in the manner contemplated by subsection 190(5) of the CBCA, must be sent to and received by NEM not later than 4:00 p.m. (Toronto time) on the second Business Day immediately prior to the Meeting (or any adjournment or postponement thereof), and must otherwise strictly comply with the requirements of the CBCA. For purposes of these proceedings, the “court” referred to in section 190 of the CBCA means this Honourable Court.

23. **THIS COURT ORDERS** that, notwithstanding section 190(3) of the CBCA, MCP Exchangeco Inc. (“**Exchangeco**”), not NEM, shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for voting common shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Plan of Arrangement. In accordance with the Plan of Arrangement and the Information Circular, all references to the “corporation” in subsections 190(3) and 190(11) to 190(26), inclusive, of the CBCA (except for the second reference to the “corporation” in subsection 190(12) and the two references to the “corporation” in subsection 190(17)) shall be deemed to refer to “MCP Exchangeco Inc.” in place of the “corporation”, and Exchangeco shall have all of the rights, duties and obligations of the “corporation” under subsections 190(11) to 190(26), inclusive, of the CBCA.

24. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

- i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its voting common shares, shall be deemed to have transferred those voting common shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests, to Exchangeco for cancellation in consideration for a payment of cash from Exchangeco equal to such fair value;  
or
- ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its voting common shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall NEM, Molycorp, Exchangeco or any other person be required to recognize such Shareholders as holders of voting common shares of NEM at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from NEM's register of holders of voting common shares at that time.

### **Hearing of Application for Approval of the Arrangement**

25. **THIS COURT ORDERS** that, upon approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, NEM may apply to this Honourable Court for final approval of the Arrangement.

26. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraphs 12 and 13, shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 27.

27. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the solicitors for NEM, with a copy to counsel for Molycorp and Exchangeco, as soon as reasonably practicable, and, in any event, no less than 2 business days before the hearing of this Application at the following addresses:

a) Solicitors for NEM:

**FOGLER, RUBINOFF LLP**  
Barristers and Solicitors  
95 Wellington Street West  
Suite 1200, Toronto-Dominion Centre  
Toronto, ON M5J 2Z9

**Peter W.G. Carey (LSUC# 29410V)**  
Tel: 416.365.3705  
Fax: 416.941.8852

**W. Ross MacDougall (LSUC# 49840A)**  
Tel: 416.864.7604  
Fax: 416.941.8852



b) Solicitors for Molycorp and Exchangeco:

**McCARTHY TÉTRAULT LLP**  
Barristers and Solicitors  
Box 48, Suite 5300  
Toronto Dominion Bank Tower  
Toronto, ON M5K 1E6

**Geoff R. Hall**  
Tel: 416-601-7856  
Fax: 416-868-0673

28. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

- i) NEM;
- ii) Molycorp;
- iii) Exchangeco;
- iv) the Director; and
- v) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

29. **THIS COURT ORDERS** that any materials to be filed by NEM in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

30. **THIS COURT ORDERS** that, in the event the Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those persons

who served and filed a Notice of Appearance in accordance with paragraph 27 shall be entitled to be given notice of the adjourned date.

**Precedence**

31. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the NEM Common Shares, NEM Options, RSUs, Performance Units, SARs, NEM Convertible Debentures, or other rights to acquire voting common shares of NEM, or the articles or by-laws of NEM, this Interim Order shall govern.

**Extra-Territorial Assistance**

32. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

**Variance**

33. **THIS COURT ORDERS** that NEM shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

APR 30 2012



**NEO MATERIAL IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED, AND RULE 14.05(2) OF THE RULES OF CIVIL PROCEDURE**

Court File No.: CV12-9700-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**INTERIM ORDER**

**FOGLER, RUBINOFF LLP**  
Barristers & Solicitors  
95 Wellington Street West  
Suite 1200, Toronto-Dominion Centre  
Toronto, Ontario  
M5J 2Z9

**Peter W.G. Carey (LSUC# 29410V)**  
**W. Ross MacDougall (LSUC #: 49840A)**

Tel: (416) 864-9700  
Fax: (416) 941-8852

*Lawyers for the Applicant, Neo Material  
Technologies Inc.*

(This page intentionally left blank)

**APPENDIX G**  
**NOTICE OF APPLICATION FOR FINAL ORDER**

C12-9700-002

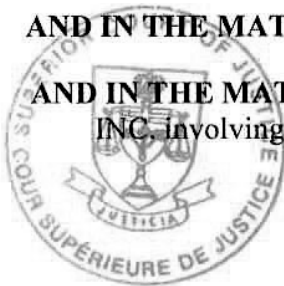
Court File No.:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF** an application under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**AND IN THE MATTER OF** Rule 14.05(2) of the *Rules of Civil Procedure*

**AND IN THE MATTER OF** a proposed arrangement of NEO MATERIAL TECHNOLOGIES INC. involving its shareholders, MOLYCORP, INC. and MCP EXCHANGE CO INC.



**NOTICE OF APPLICATION**

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following pages.

THIS APPLICATION will come on for a hearing before a judge presiding over the Commercial List at 330 University Avenue, Toronto, Ontario, on June 8, 2012, or as soon after that time as the application may be heard, such date to be established in an Interim Order of this Court to be dated on ~~or about~~ April 30, 2012, **at a 9:30 AM HEARING** 8

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.


IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO

OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: April 23, 2012

Issued by \_\_\_\_\_

  
Local registrar

A. Anissimova  
Registrar

Address of court office: 330 University Avenue  
Toronto, Ontario  
M5G 1R7

TO: ALL HOLDERS OF COMMON SHARES OF NEO MATERIAL TECHNOLOGIES INC. AS AT APRIL 27, 2012

AND TO: ALL HOLDERS OF OPTIONS TO PURCHASE COMMON SHARES OF NEO MATERIAL TECHNOLOGIES INC. AS AT APRIL 27, 2012

AND TO: ALL HOLDERS OF CONVERTIBLE SUBORDINATED UNSECURED DEBENTURES OF NEO MATERIAL TECHNOLOGIES INC. AS AT APRIL 27, 2012

AND TO: THE DIRECTOR UNDER THE *CANADA BUSINESS CORPORATIONS ACT*  
Compliance & Policies Directorate  
Corporations Canada, Industry Canada  
9<sup>th</sup> Floor, Jean Edmonds Tower South  
365 Laurier Avenue West  
Ottawa, Ontario K1A 0C8

## APPLICATION

### 1. THE APPLICANT, NEO MATERIAL TECHNOLOGIES INC., MAKES APPLICATION FOR:

- (a) an *ex parte* interim Order for advice and directions of this Honourable Court pursuant to subsection 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the “CBCA”), in connection with a proposed arrangement (the “Arrangement”) involving Neo Material Technologies Inc. (“NEM” or the “Corporation”);
- (b) a final Order approving the Arrangement proposed by the Corporation pursuant to subsections 192(3) and 192(4) of the CBCA;
- (c) an Order, if required, abridging the time for service of this Application;
- (d) an Order, if required, validating service of this Application; and
- (e) such further and other relief as this Honourable Court may deem just.

### 2. THE GROUNDS FOR THE APPLICATION ARE:

- (a) NEM is a corporation existing under the laws of Canada;
- (b) the purpose of the Arrangement is to allow for the acquisition by MCP Exchangeco Inc. (“Exchangeco”), a wholly-owned subsidiary of Molycorp, Inc. (“Molycorp”), of all of the outstanding common shares (the “NEM Common Shares”) of NEM, pursuant to an arrangement agreement dated March 8, 2012 among NEM, Molycorp and Exchangeco;
- (c) under the Arrangement, each holder of NEM Common Shares (a “NEM Shareholder”) may elect to receive either (i) cash consideration of C\$11.30 per NEM Common Share or (ii) share consideration of either 0.4242 common shares of Molycorp (“Molycorp Shares”) per NEM Common Share or 0.4242 shares of Exchangeco that are exchangeable for Molycorp Shares (“Exchangeable Shares”) per NEM Common Share, or a combination of cash and shares,



provided that a NEM Shareholder's consideration election will be subject to pro-ration if the aggregate amount of cash elected by NEM Shareholders exceeds the Maximum Cash Amount, (as defined in NEM's Management Proxy Circular, the "**Circular**"), or the aggregate number of Molycorp Shares and Exchangeable Shares elected by NEM Shareholders exceeds the Maximum Share Amount (as defined in the Circular). If NEM Shareholders elect to receive either cash or shares in excess of either of these amounts, the amount of cash and/or shares received by each NEM Shareholder shall adjusted on a pro rata basis in order to ensure that approximately 71.24% of the aggregate purchase price is paid in cash and approximately 28.76% of the aggregate purchase price is paid in Molycorp Shares and Exchangeable Shares;

- (d) section 192 of the CBCA;
- (e) all statutory requirements under the CBCA have been fulfilled;
- (f) the Corporation is not insolvent (as such term is defined in subsection 192(2) of the CBCA);
- (g) it is not practicable for the Corporation to effect the Arrangement under any other provision of the CBCA;
- (h) the Arrangement is in the best interests of, and fair to, the securityholders of the Corporation and is put forward in good faith;
- (i) the Arrangement is procedurally and substantively fair and reasonable overall;
- (j) if made, the final Order approving the Arrangement will constitute the basis for an exemption from the registration requirements of Section 3(a)(10) of the *Securities Act of 1933*, as amended, of the United States of America with respect to the shares to be exchanged and/or distributed in the United States of America pursuant to the Arrangement;
- (k) certain holders of common shares of NEM are resident outside of Ontario and will be served at their addresses as they appear on the books and records of the

Corporation as at the record date set by NEM, pursuant to Rules 17.02(n) and 17.02(o) of the *Rules of Civil Procedure* and the terms of any interim Order for advice and directions granted by this Honourable Court;

- (l) Rule 14.05(2) of the *Rules of Civil Procedure*; and
- (m) such further and other grounds as counsel may advise and this Honourable Court may permit.

**3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:**

- (a) such interim Order as may be granted by this Honourable Court;
- (b) an Affidavit of Michael Doolan of NEM, to be sworn (with exhibits attached thereto) outlining the basis for an interim Order for advice and directions;
- (c) a further Affidavit to be sworn by a senior officer of NEM (with exhibits attached thereto) reporting as to compliance with any interim Order and the results of any meeting of securityholders conducted pursuant to such interim Order; and
- (d) such further and other documentary evidence as counsel may advise and this Honourable Court permit.

April 23, 2012

**FOGLER, RUBINOFF LLP**  
Barristers and Solicitors  
95 Wellington Street West  
Suite 1200, Toronto-Dominion Centre  
Toronto, ON M5J 2Z9

**Peter W.G. Carey (LSUC# 29410V)**  
Tel: 416.365.3705  
Fax: 416.941.8852  
**W. Ross MacDougall (LSUC# 49840A)**  
Tel: 416.864.7604  
Fax: 416.941.8852

*Lawyers for the Applicant, Neo Material  
Technologies Inc.*

*Ca 12-9700-0002*

Commercial List Court File No.:

NEO MATERIAL IN THE MATTER OF AN APPLICATION UNDER SECTION 192 OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS APPLICANT AMENDED, AND RULE 14.05(2) OF THE RULES OF CIVIL PROCEDURE

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION**

**FOGLER, RUBINOFF LLP**  
Barristers & Solicitors  
95 Wellington Street West  
Suite 1200, Toronto-Dominion Centre  
Toronto, Ontario  
M5J 2Z9

**Peter W.G. Carey (LSUC# 29410V)**  
**W. Ross MacDougall (LSUC #: 49840A)**

Tel: (416) 864-9700  
Fax: (416) 941-8852

*Lawyers for the Applicant, Neo Material Technologies Inc.*

(This page intentionally left blank)

**APPENDIX H**  
**GMP SECURITIES L.P. FAIRNESS OPINION**

March 8, 2012

Board of Directors  
Neo Material Technologies Inc.  
Suite 1740, 121 King Street West  
Toronto, Ontario  
M5H 3T9 Canada

To the Board of Directors:

GMP Securities L.P. (“**GMP**”) understands that Neo Material Technologies Inc. (“**Neo**” or the “**Corporation**”) and Molycorp, Inc. (“**Molycorp**”) have entered into an agreement dated March 8, 2012 respecting a plan of arrangement (the “**Arrangement**”) pursuant to which MCP Exchangeco Inc. (formerly 0934634 B.C. Ltd.) (the “**Purchaser**”), a wholly-owned subsidiary of Molycorp, will acquire all of the outstanding common shares in the capital of the Corporation (each, a “**Neo Common Share**”) for consideration valued at \$11.30 per Neo Common Share.

For each Neo Common Share, a shareholder of Neo (a “**Neo Shareholder**”) will have the election of receiving (the “**Consideration**”) either:

- (a) \$11.30 in cash (the “**Cash Amount**”);
- (b) 0.4242 common shares (the “**Equity Amount**”) in the capital of the Purchaser (each, an “**Exchangeable Share**”), with each one whole Exchangeable Share being exchangeable, at the holder’s option, into one common share in the capital of Molycorp (each, a “**Molycorp Common Share**”), subject to certain terms and restrictions as more fully set forth in Appendix I to the Arrangement, “Provisions Attaching to the Exchangeable Shares”; or
- (c) any combination of the above;

in all instances subject to an aggregate maximum Cash Amount and an aggregate maximum Equity Amount equal to 71.24% and 28.76%, respectively, of the aggregate Consideration payable pursuant to the Arrangement.

The Board of Directors of the Corporation (the “**Board**”) has requested GMP’s opinion (the “**GMP Fairness Opinion**”) with respect to the fairness, from a financial point of view, of the Consideration to be received under the Arrangement by Neo Shareholders. GMP has been advised by the Corporation that the Arrangement shall be completed by way of plan of arrangement governed by the *Canada Business Corporations Act*. The GMP Fairness Opinion is provided pursuant to GMP’s engagement by the Board and the Special Committee of the Board under a letter agreement dated January 24, 2012 (the “**Engagement**”).

## **GMP ENGAGEMENT**

Under the Engagement, GMP agreed to provide, among other things, the GMP Fairness Opinion, and will receive a fee from the Corporation for such opinion. GMP’s compensation with respect to the delivery of the GMP Fairness Opinion is not contingent upon the successful completion of the Arrangement. GMP will receive certain other fees in respect of the Engagement, including a fee contingent upon successful

completion of the Arrangement. In addition, the Corporation has agreed to indemnify GMP, its affiliates and their respective directors, officers, employees, partners, agents, advisors and shareholders against certain liabilities that may arise from the Engagement, and to reimburse GMP's reasonable out-of-pocket expenses.

## **RELATIONSHIPS WITH INTERESTED PARTIES**

Neither GMP nor any of its affiliates is an insider, associate or affiliate (as such terms are defined under applicable securities legislation) of Neo, the Purchaser, Molycorp or any of their affiliates or associates. Except as set forth in the Engagement and relating to the Arrangement, there are no understandings, agreements or commitments between GMP and any of Neo, the Purchaser, Molycorp or any of their respective affiliates or associates with respect to any future business dealings. However, GMP may in the future, in the ordinary course of business, seek to perform financial advisory or investment banking services for any of them from time to time.

GMP acts as a trader and investment dealer, both as principal and agent, in all major Canadian financial markets and, accordingly, GMP and its clients may have, or may in the future have, long or short positions in securities of Neo, the Purchaser, Molycorp or their respective affiliates or associates and, from time to time, GMP may have executed or may execute transactions on behalf of Neo, the Purchaser, Molycorp or on behalf of other clients for which it receives compensation. As an investment dealer, GMP conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including matters involving an investment in Neo, the Purchaser, Molycorp or any of their affiliates or associates.

## **CREDENTIALS OF GMP SECURITIES L.P.**

GMP is a wholly-owned subsidiary of GMP Capital Inc. which is a publicly traded company listed on the Toronto Stock Exchange. GMP has offices in Toronto, Calgary and Montreal, Canada. GMP is one of the largest independent Canadian investment banking firms involved in corporate finance, mergers and acquisitions, equity sales and trading and investment research. As part of its investment banking activities, GMP is regularly engaged in public offerings and private placements of listed and unlisted securities, in the evaluation of securities and the provision of fairness opinions in connection with mergers and acquisitions, and in market making, underwriting and secondary trading of securities in connection with a variety of transactions. GMP is not in the business of providing auditing services and is not controlled by a financial institution.

## **SCOPE OF REVIEW**

In connection with the GMP Fairness Opinion, GMP has reviewed and relied upon, among other things, the following:

1. management's internal operating and financial projections for each of Neo and Molycorp and their respective operating divisions, in each case on a standalone and consolidated basis;
2. audited consolidated financial statements of each of the Corporation and Molycorp and related management's discussion and analysis for the fiscal years ended December 31, 2011 and December 31, 2010;

3. management's representation as to the number of outstanding Neo Common Shares, Molycorp Common Shares and securities convertible into or exercisable for Neo Common Shares or Molycorp Common Shares, as applicable, as of the date hereof;
4. published research and industry reports in respect of the Corporation and Molycorp;
5. public information relating to the business, operations, financial performance and stock trading history of each of the Corporation and Molycorp and other selected public companies considered by GMP to be relevant;
6. press releases issued by the Corporation and Molycorp;
7. public filings submitted by the Corporation and Molycorp to securities commissions or similar regulatory authorities and stock exchanges in Canada or the U.S., as applicable;
8. public information with respect to other transactions considered by GMP to be relevant;
9. discussions with senior officers and directors of the Corporation and Molycorp;
10. the arrangement agreement with respect to the Arrangement;
11. representations contained in the certificate of the Chief Executive Officer and the Chief Financial Officer of the Corporation dated as of the date hereof (the "**Officers' Certificate**") and addressed to us, as described below; and
12. such other corporate, industry and financial market information, investigations and analyses as GMP considered necessary or appropriate in the circumstances.

GMP has not, to the best of its knowledge, been denied access by the Corporation or Molycorp to any information requested. GMP did not meet with the auditors of the Corporation or Molycorp and has assumed the accuracy and fair presentation of the audited consolidated financial statements of the Corporation and Molycorp, respectively, and the reports of the auditors thereon. Subject to the assumptions and limitations expressed herein, GMP is not aware of any information of a material nature that has not been considered in the preparation of the GMP Fairness Opinion.

The GMP Fairness Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada (the "**Organization**") but the Organization has not been involved in the preparation or review of the GMP Fairness Opinion.

#### **FAIRNESS CONSIDERATIONS**

The assessment of fairness, from a financial point of view, must be determined in the context of the particular transaction. In its assessment, GMP used several techniques and a blended approach to arrive at its opinion on the fairness, from a financial point of view, of the Consideration to be received under the Arrangement by Neo Shareholders. GMP based the GMP Fairness Opinion upon a number of quantitative and qualitative factors including, but not limited to:



- 1 the amount and form of the Consideration to be received under the Arrangement by Neo Shareholders;
- 2 historical acquisitions completed and pending in the rare earths and specialty materials processing industries and comparative valuation metrics;
- 3 the trading metrics of selected publicly-traded, comparable entities for the Corporation;
- 4 the qualitative and quantitative assessments and determinations made by GMP regarding the Corporation's expected future operating results; and
- 5 an assessment of the sensitivity of the key variables considered by GMP to the general results determined by GMP's analyses.

In considering the fairness, from a financial point of view, of the Consideration to be received under the Arrangement by Neo Shareholders, GMP was not asked to assess and did not assess any income tax consequences that the Corporation or any Neo Shareholder may face as a result of the Arrangement.

#### **ASSUMPTIONS AND LIMITATIONS**

GMP has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, valuations, appraisals, opinions or representations obtained by it from the Corporation, Molycorp and their respective consultants and advisors (collectively, the “**Information**”) or public sources. The GMP Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgement and except as expressly described herein, GMP has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

The Chief Executive Officer and the Chief Financial Officer of the Corporation have represented to GMP in the Officers' Certificate, among other things, that (i) the Information provided orally by, or in the presence of, an officer or director of the Corporation or in writing by the Corporation, Molycorp or their respective agents to GMP relating to the Corporation, Molycorp and the Arrangement for the purpose of preparing the GMP Fairness Opinion, at the date the Information was provided to GMP, and, except as has been disclosed in writing to GMP, at the date hereof, was and is, and in the case of Information relating to Molycorp, to such Neo officers' knowledge, was and is, complete, true and correct in all material respects, did not and does not contain any untrue statement of a material fact (as such term is defined in the *Securities Act* (Ontario) (the “**Act**”)) in respect of the Corporation, Molycorp or their respective subsidiaries, or the Arrangement, and did not and does not omit to state any material fact necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; and (ii) since the dates on which the Information was provided to GMP, except as publicly disclosed or disclosed in writing to GMP, there has been no material change (as such term is defined in the Act), financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Corporation or any of its subsidiaries, or to such Neo officers' knowledge, Molycorp or any of its subsidiaries.

With reference to any budgets and forecasts provided by the Corporation or Molycorp to GMP and used in its analyses, GMP notes that projecting future results of any entity is inherently subject to uncertainty. It has been represented to GMP by the Chief Executive Officer and the Chief Financial Officer of the Corporation in the Officers' Certificate that such officers have no reason to believe that any such budgets and forecasts delivered were not prepared using the assumptions identified therein which, in the

reasonable belief of such officers, are (or were at the time of GMP's receipt) reasonable in the circumstances.

The GMP Fairness Opinion is rendered on the basis of securities and commodities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Corporation, Molycorp and their respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to GMP in discussions with management of the Corporation and Molycorp. In its analyses and in preparing the GMP Fairness Opinion, GMP made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of GMP or any party involved in the Arrangement, and, while reasonable under current circumstances, may prove to be incorrect.

The GMP Fairness Opinion is not, and should not be construed as, a valuation or appraisal of Neo, Molycorp or any of their respective assets or securities. Furthermore, the GMP Fairness Opinion is not, and should not be construed as, advice as to the price at which the Neo Common Shares or Molycorp Common Shares (before or after announcement or completion of the Arrangement) may trade at any future date.

The GMP Fairness Opinion has been provided for the information, assistance and use of the Board in connection with its consideration of the Arrangement, and such opinion does not constitute a recommendation as to how any Neo Shareholder should vote or make any election in respect of the Arrangement, and may not be used or relied upon by any other party without GMP's express written consent. The GMP Fairness Opinion is given as of the date hereof and GMP disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the GMP Fairness Opinion that may come or be brought to GMP's attention after the date hereof. Without limiting the foregoing, in the event that there is a material change in any fact or matter affecting the GMP Fairness Opinion after the date hereof, GMP reserves the right to change, modify or withdraw the GMP Fairness Opinion.

GMP believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by GMP, without considering all factors and analyses together, could create a misleading view of the process underlying the GMP Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

## **CONCLUSION**

Based on and subject to the foregoing, GMP is of the opinion that, as of the date hereof, the Consideration to be received under the Arrangement by Neo Shareholders is fair, from a financial point of view, to Neo Shareholders other than Molycorp and its affiliates.

Yours very truly,



**APPENDIX I**  
**SECTION 190 OF THE CBCA**

**190. (1) Right to Dissent** – Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

**(2) Further right** – A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**(2.1) If one class of shares** – The right to dissent described in subsection (2) applies even if there is only one class of shares.

**(3) Payment for shares** – In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**(4) No partial dissent** – A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**(5) Objection** – A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

**(6) Notice of resolution** – The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

**(7) Demand for payment** – A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

(8) **Share certificate** – A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) **Forfeiture** – A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) **Endorsing certificate** – A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) **Suspension of rights** – On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) **Offer to pay** – A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) **Same terms** – Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) **Payment** – Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) **Corporation may apply to court** – Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) **Shareholder application to court** – If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) **Venue** – An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) **No security for costs** – A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) **Parties** – On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) **Powers of court** – On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) **Appraisers** – A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) **Final order** – The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) **Interest** – A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) **Notice that subsection (26) applies** – If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) **Effect where subsection (26) applies** – If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) **Limitation** – A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities

(This page intentionally left blank)

**APPENDIX J**  
**NEM CORPORATE GOVERNANCE DISCLOSURE**

**1. BOARD OF DIRECTORS**

- (a) *Disclose the identity of directors who are independent.*

The following current directors of NEM are independent: Gary E. German, Ho Soo Ching, Claire M.C. Kennedy, William Macfarlane, Peter O'Connor, John Pearson, and James J. Jackson.

- (b) *Disclose the identity of directors who are not independent, and describe the basis for that determination.*

Constantine Karayannopoulos is not independent. Mr. Karayannopoulos is and has been employed by NEM in the capacity of an executive officer for more than 10 years.

- (c) *Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of directors (the Board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.*

As recommended in the Guidelines, the Board is constituted with a majority of independent directors. The Board believes that the current composition of the Board serves NEM and its shareholders well and that all of its directors make a valuable contribution to the Board, NEM and its subsidiaries. The non-independent director possesses an extensive knowledge of NEM's business and extensive experience in the industry, which has proven to be beneficial to the other directors, and his participation as a director contributes to the effectiveness of the Board.

- (d) *If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors are directors of other reporting issuers:

Name	Issuer	Exchange
Gary E. German	Jaguar Mining Inc. Nevsun Resources Ltd. MagIndustries Corp.	TSX, NYSE TSX, AMEX TSX
Ho Soo Ching	Hersing Corporation Limited	Singapore
James J. Jackson	Duluth Metals Limited Miocene Metals Limited	TSX TSX Venture
Constantine Karayannopoulos	Lithium Americas Corp.	TSX
Peter E. O'Connor	Advance Developing Markets Fund plc	LSE

- (e) *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.*

The Board of NEM will continue its practice of meeting without management when in- person Board meetings are held. In the event that the Board determined during such a meeting that only independent directors should be present for the discussion, it would excuse the director that is not

independent. Since January 1, 2011, there have been seven such meetings that have occurred at the conclusion of duly organized Board meetings, six of which occurred in 2011.

- (f) *Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.*

The Chairman of the Board is independent.

- (g) *Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.*

	2011 Board/Committee Meeting Attendance <sup>(1)</sup>							
	Board		Audit Committee		Compensation Committee		Corp. Governance Committee	
German, Gary	8 of 8	100%			6 of 6	100%		
Ho, Soo Ching	8 of 8	100%						
Jackson, James	8 of 8	100%	4 of 4	100%			2 of 2	100%
Karayannopoulos, Constantine	8 of 8	100%						
Kennedy, Claire	8 of 8	100%	4 of 4	100%				
Macfarlane, William	8 of 8	100%	4 of 4	100%	6 of 6	100%		
O'Connor, Peter	8 of 8	100%					2 of 2	100%
Pearson, John	7 of 8	88%			5 of 6	83%	2 of 2	100%

Notes:

- (1) Directors who are not members of Board Committees are invited to attend, but their attendance has not been shown above. Typically, Peter O'Connor, James Jackson and Constantine Karayannopoulos attends the majority of committee meetings held where they are not a member.

2. *Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.*

The text of the mandate of the Board is attached hereto as Schedule "A".

3. *Position Descriptions*

- (a) *Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.*

The Board has developed and approved formal position descriptions for the Chairman of the Board and the Chair of each Board committee. The Board has adopted mandates for each of the Audit Committee, the Corporate Governance Committee and the Compensation Committee, each of which provide for a Chair to be appointed and act in such capacity.

- (b) *Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.*

The Board has developed a formal position description for the CEO. Formal corporate objectives outlined in NEM's corporate plan and budget are reviewed and approved by the Board on an annual basis. The CEO is responsible for meeting these objectives. The Board and the CEO



engage in regular dialogue regarding the performance of the senior management team, including the CEO, in achieving NEM's strategic objectives as determined by the management and the Board.

4. *Orientation and Continuing Education*

- (a) *Briefly describe what measures the Board takes to orient new directors regarding*
- (i) *the role of the Board, its committees and its directors, and*
  - (ii) *the nature and operation of the issuer's business.*

New directors are supplied with the charters of the Board and committees of the Board. They are also expected to visit NEM's larger production sites accompanied by senior management who give them an in-depth understanding of NEM's business. All of the directors have visited the R&D facility in Singapore and at least two of the three production sites in China.

- (b) *Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

NEM's management ensures that the Board has timely access to the information it needs to carry out its duties. Directors receive a comprehensive package of information prior to each Board and committee meeting. To ensure their understanding of NEM's business and regulatory environment remains current, directors are given information packages and presentations during regularly scheduled Board and committee meetings. Board members have a membership with the Institute of Corporate Directors which entitles them to receive regular updates on corporate governance matters as well as access to various resources. In addition, NEM circulates analyses on a periodic basis to its directors covering corporate governance, regulatory and financial accounting changes and issues.

James Jackson and Claire Kennedy are graduates of the Directors Education Program at the Institute of Corporate Directors and hold the ICD.D designation. William Macfarlane is expected to complete the program in 2012.

5. *Ethical Business Conduct*

- (a) *Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:*
- (i) *disclose how a person or company may obtain a copy of the code;*
  - (ii) *describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and*
  - (iii) *provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

The Corporate Governance Committee and the Board have adopted a written code of business conduct for the directors, officers and employees of NEM. A copy of the code of business conduct may be downloaded from <http://www.bb-neomaterials.com>. NEM has engaged a third party service provider, EthicsPoint, Inc. (<http://www.ethicspoint.com>), to receive complaints both of a financial and non-financial nature. Complaints of a financial nature are directed only to the

Chair of the Audit Committee and complaints of a non-financial nature are directed only to the Corporate Secretary.

- (b) *Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

As noted above, the Board meets from time to time and in appropriate circumstances without management and non-independent directors present.

- (c) *Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.*

Open lines of communication are encouraged between the Board and senior management. Senior management attend all meetings of the Board and the Board has the opportunity to have open discussions with senior management both at and outside the meetings of the Board on all corporate issues including ethical business conduct.

## 6. *Nomination of Directors*

- (a) *Describe the process by which the Board identifies new candidates for Board nomination.*

Prior to their standing for election, new nominees to the Board are reviewed by the entire Board. The Corporate Governance Committee has the responsibility of making recommendations to the full Board new nominees to the Board and for assessing directors on an on-going basis.

- (b) *Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage to objective nomination process.*

The Corporate Governance Committee is composed of three independent directors and makes recommendations to the Board on the nomination of new directors.

- (c) *If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.*

Refer to answers immediately above.

## 7. *Compensation*

- (a) *Describe the process by which the Board determines the compensation for the issuer's directors and officers.*

On a regular basis the Board reviews the adequacy and form of director's compensation. This review is completed with reference to independent compensation consultants, outside surveys and other available data regarding director's compensation for corporations of similar size and complexity. During 2011, the Compensation Committee engaged Roger Gurr & Associates to perform a review of director compensation.

- (b) *Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.*

The Compensation Committee is composed of three directors, all of whom are independent and makes recommendations to the full Board on compensation policies and practices.

- (c) *If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

The Compensation Committee reviews and makes recommendations to the Board on the compensation packages for the CEO and other senior officers, as well as evaluating annually the performance of the CEO. The Compensation Committee meets at least annually to discuss compensation issues but also meets from time to time as necessary.

- (d) *If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

During 2011, the Compensation Committee engaged Roger Gurr & Associates to perform a review of director and executive compensation.

8. *Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

On December 15, 2011, the Board formed a special committee of independent directors for the purposes of considering strategic alternatives for NEM, responding to such enquiries, and overseeing NEM's initiation of potential significant acquisition transactions.

9. *Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.*

It is the responsibility of the Corporate Governance Committee to assess the effectiveness of the Board as a whole and the committees of the Board. In the first quarter of 2011, the Committee undertook a formal extensive assessment procedure and the results were summarized by the Board chair for the Board. The last formal assessment took place in 2009.

**SCHEDULE "A" to APPENDIX "J"**  
**OF THE INFORMATION CIRCULAR OF THE CORPORATION DATED APRIL 30, 2012**

**NEO MATERIAL TECHNOLOGIES INC.**  
**CHARTER OF THE BOARD OF DIRECTORS**

**General**

**2. PURPOSE AND RESPONSIBILITY OF THE BOARD**

By approving this Charter, the Board explicitly assumes its statutory responsibility for the stewardship of NEM and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board's statutory responsibility to manage or supervise the management of NEM business and affairs.

**3. REVIEW OF CHARTER**

The Board shall periodically review and assess the adequacy of this Charter and at such other times as it considers appropriate, shall consider such amendments to this Charter as the Corporate Governance Committee of the Board shall recommend, and shall make such amendments to this as it considers necessary or appropriate.

**4. DEFINITIONS AND INTERPRETATION**

4.1 *Definitions*

In this Mandate:

- (a) "**Board**" means the board of directors of NEM;
- (b) "**CEO**" means NEM's chief executive officer;
- (c) "**Corporation**" means Neo Material Technologies Inc.;
- (d) "**Chairman**" means the Chairman of the Board;
- (e) "**Charter**" means this charter, as amended from time to time;
- (f) "**Director**" means a member of the Board; and
- (g) "**Stock Exchanges**" means, at any time, any stock exchange on which any securities of NEM are listed for trading at the applicable time.

4.2 *Interpretation*

This Charter is subject to and shall be interpreted in a manner consistent with NEM's articles, by-laws, the *Canada Business Corporations Act* (the "**CBCA**"), and any other applicable legislation.

**Constitution of the Board**

**5. ELECTION AND REMOVAL OF DIRECTORS**

5.1 *Number of Directors*

The Board shall consist of such number of Directors as the shareholders (or the Board as authorized by the shareholders) may determine from time to time, within any range as may be set out in NEM's articles at such time.

## 5.2 *Election of Directors*

Directors shall be elected by the shareholders annually for a one year term, but if Directors are not elected at any annual meeting, the incumbent Directors shall continue in office until their successors are elected.

## 5.3 *Vacancies*

The Board may appoint members to fill vacancies which occur in the Board between annual elections of Directors, to the extent permitted by the CBCA.

## 5.4 *Ceasing to Be a Director*

A Director will cease to hold office upon:

- (a) delivering a resignation in writing to NEM;
- (b) being removed from office by an ordinary resolution of the shareholders;
- (c) his or her death; or
- (d) becoming disqualified from acting as a Director.

## 5.5 *Deemed Resignation*

A Director shall submit his or her resignation to NEM (which resignation may or may not be accepted) if that Director changes his or her principal occupation.

# 6. **CRITERIA FOR DIRECTORS**

## 6.1 *Qualifications of Directors*

Every Director shall be an individual who is at least 18 years of age, has not been determined by a court to be of unsound mind and does not have the status of bankrupt.

## 6.2 *Residency*

At least 25% of the Directors shall be resident Canadians.

## 6.3 *Independence of Directors*

- (a) The composition of the Board shall comply with all statutory and regulatory requirements to which NEM is subject. Without limiting the generality of the foregoing, at least one-third of the Directors shall not be officers or employees of NEM or any of its affiliates.
- (b) At least a majority of the Directors shall be independent as "independence" is defined for the purposes of board composition under applicable Canadian securities laws.

## 6.4 *Other Criteria*

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should be selected based upon contributions they can make. Directors should plan to make a significant time commitment to NEM. The Board may establish other criteria for Directors as contemplated in this Charter.

## **7. BOARD CHAIRMAN**

### *7.1 Board to Appoint Chairman*

The Chairman shall be an independent Director, unless the Board should otherwise determine. If the Chairman is not an independent Director of NEM, then the Board will appoint an independent member of the Board as Lead Director.

### *7.2 Chairman to Be Appointed Annually*

The Board shall appoint the Chairman annually at the first meeting of the Board or by written resolution signed by all the Directors after a meeting of the shareholders at which Directors are elected. If the Board does not so appoint a Chairman, the Director who is then serving as Chairman shall continue as Chairman until his or her successor is appointed.

## **8. REMUNERATION OF DIRECTORS AND RETAINING ADVISORS**

### *8.1 Remuneration*

Members of the Board, the Vice-Chairman and the Chairman shall receive such remuneration for their service on the Board as the Board may determine from time to time, in consultation with the Compensation Committee of the Board.

### *8.2 Retaining and Compensating Advisors*

Each of the Board, the Audit Committee and such other committees as the Board may determine, shall have the authority to retain outside counsel and any other external advisors from time to time as appropriate.

### **Meetings of the Board**

## **9. MEETINGS OF THE BOARD**

### *9.1 Time and Place of Meetings*

Meetings of the Board shall be called and held in the manner and at the location contemplated in NEM's by-laws.

### *9.2 Frequency of Board Meetings*

The Board shall meet at least four times per year on a quarterly basis.

### *9.3 Quorum*

In order to transact business at a meeting of the Board:

- (a) at least a majority of Directors then in office shall be present; and
- (b) at least 25% of the Directors present must be resident Canadians (or, if this is not the case, a resident Canadian Director who is unable to be present and whose presence at the meeting would have resulted in the required number of resident Canadian Directors being present, must approve the business transacted at the meeting, whether in writing, by phone or otherwise).

### *9.4 Secretary of the Meeting*

The Corporate Secretary or someone designated from time to time by the Chairman shall act as Secretary of any meeting of the Board.

## 9.5 *Right to Vote*

Each member of the Board shall have the right to vote on matters that come before the Board.

## 9.6 *Invitees*

The Board may invite any of NEM's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

## 10. **IN CAMERA SESSIONS**

### 10.1 *In Camera Sessions of Independent Directors*

At the conclusion of each face-to-face meeting of the Board, a meeting will be held of the independent Directors without any member of management or any non-independent Director being present.

### **Delegation of Duties and Responsibilities of the Board**

## 11. **DELEGATION AND RELIANCE**

### 11.1 *Delegation to Committees*

The Board may establish and delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind NEM, except to the extent that such authority has been expressly delegated to such committee by the Board.

### 11.2 *Requirement for Certain Committees*

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable legal and Stock Exchange listing requirements and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate:

- (a) Audit Committee;
- (b) Corporate Governance Committee; and
- (c) Compensation Committee.

### 11.3 *Composition of Committees*

The Board will appoint and maintain in office, members of each of its committees such that the composition of each such committee is in compliance with listing requirements of the Stock Exchanges and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate and shall require the Corporate Governance Committee to make recommendations to it with respect to such matters.

### 11.4 *Review of Charters*

The Corporate Governance Committee will regularly review the charters of each committee of the Board. The Board will consider any amendments recommended by the Corporate Governance Committee and approve those changes to the charters that it determines are appropriate.

### 11.5 *Delegation to Management*

Subject to NEM's articles and by-laws, the Board may designate the offices of NEM, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of NEM, except to the extent that such delegation is prohibited under the CBCA or limited by the articles or by-laws of NEM or by any resolution of the Board or policy of NEM.

### 11.6 *Limitations on Management Authority*

The following matters shall require the approval of the Board (or the approval of a committee to which it has delegated authority with respect to such matters):

- (a) all decisions which are outside of the ordinary course of NEM's business (including, without limitation, material financings, material acquisitions, material dispositions, material licensing and material new commercial relationships);
- (b) any non-budgeted expenditures above an amount specified by the Board from time to time;
- (c) appointment of officers; and
- (d) such other matters as the Board may determine from time to time.

### 11.7 *Reliance on Management*

The Board is entitled to rely in good faith on the information and advice provided to it by NEM's management.

### 11.8 *Reliance on Others*

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

### 11.9 *Oversight*

The Board retains responsibility for oversight of any matters delegated to any committee of the Board or to management.

## **Duties and Responsibilities**

### **12. DUTIES OF INDIVIDUAL DIRECTORS**

#### 12.1 *Fiduciary Duty and Duty of Care*

In exercising his or her powers and discharging his or her responsibilities, a Director shall:

- (a) act honestly and in good faith with a view to the best interests of NEM; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### 12.2 *Compliance with CBCA and Constatng Documents*

A Director shall comply with the CBCA and the regulations to the CBCA as well as with NEM's articles and by-laws.



### 12.3 *Compliance with NEM's Policies*

A Director shall comply with all policies of NEM applicable to members of the Board as approved by the Board.

## **13. RESPONSIBILITIES OF DIRECTORS**

### 13.1 *Responsibilities Set out in Charter*

A Director shall participate in Board matters as necessary in order for the Board to discharge the duties and responsibilities set out in accordance with the Charter.

### 13.2 *Orientation and Education*

A Director shall participate in the orientation programs developed by NEM for new Directors and shall apprise himself or herself of any information relevant to the business and regulatory environment in which NEM operates that NEM shall provide to the Director from time to time.

### 13.3 *Meeting Preparation and Attendance*

A Director shall endeavour to:

- (a) be well prepared for each meeting of the Board and
- (b) attend each meeting in person to the extent practicable (unless the meeting is scheduled to be held by phone or video-conference).

### 13.4 *Assessment*

A Director shall participate in such processes as may be established by the Board for assessing the Board, its committees and individual Directors.

### 13.5 *Other Responsibilities*

A Director shall perform such other functions as may reasonably be delegated to that Director by the Board or any committee of the Board from time to time.

## **14. BOARD RESPONSIBILITY FOR SPECIFIC MATTERS**

### 14.1 *Responsibility for Specific Matters*

The Board explicitly assumes responsibility for the matters set out in Sections 14 to 18 of this Charter, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and the Stock Exchanges and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the management of NEM's business and affairs.

### 14.2 *Delegation to Committees*

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to below, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

## **15. CORPORATE GOVERNANCE GENERALLY**

### *15.1 Governance Practices and Principles*

The Board shall be responsible for developing NEM's approach to corporate governance. In furtherance of this, the Board may direct the Corporate Governance Committee to consider the matters contemplated in this Section 14 and to report and make recommendations to the Board with respect to these matters.

### *15.2 Governance Disclosure*

The Board shall approve disclosure about NEM's governance practices in any document before it is delivered to NEM's shareholders or filed with securities regulators or with the Stock Exchanges (provided NEM has been given sufficient time by the regulators to obtain the approval).

## **16. RESPONSIBILITIES RELATING TO MANAGEMENT**

### *16.1 Integrity of Management*

The Board shall seek to satisfy itself:

- (a) as to the integrity of the CEO and other senior officers; and
- (b) that the CEO and other senior officers create a culture of integrity throughout the organization.

### *16.2 Senior Management; Succession Planning*

The Board shall be responsible for appointing senior management and succession planning.

### *16.3 Executive Compensation Policy*

The Board shall receive recommendations of the Compensation Committee and make such determinations as it considers appropriate with respect to:

- (a) CEO's compensation level;
- (b) other senior officer compensation;
- (c) director compensation;
- (d) incentive-compensation plans; and
- (e) equity-based plans.

## **17. OVERSIGHT OF THE OPERATION OF THE BUSINESS**

### *17.1 Risk Management*

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of NEM's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

### *17.2 Strategic Planning Process*

The Board shall adopt a strategic planning process and shall approve, on at least an annual basis, a strategic plan and budget which takes into account, among other things, the opportunities and risks of NEM's business.

### 17.3 *Internal Control and Management Information Systems*

The Board shall annually review with the Audit Committee the sufficiency of NEM's internal control and management information systems.

### 17.4 *Communications Policy and Feedback Process*

- (a) The Board shall review and, if determined appropriate, approve a communication policy for NEM for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public. The Board shall consider, among other things, the recommendations of management and the Corporate Governance Committee with respect to this policy.
- (b) The Board shall establish a process pursuant to which the Board can receive feedback from securityholders and other stakeholders.
- (c) The Board shall review, and, if determined appropriate, approve the disclosure in any prospectus or information circular prepared by management of NEM before it is delivered to existing or prospective securityholders, or filed with securities regulators or with the Stock Exchanges.

### 17.5 *Financial Statements*

- (a) The Board shall receive regular reports from the Audit Committee with respect to the integrity of NEM's financial reporting system and its compliance with all regulatory requirements relating to financial reporting.
- (b) The Board shall review the recommendation of the Audit Committee with respect to the financial statements of NEM and any related Management's Discussion and Analysis and press release, and if appropriate, the Board shall approve such financial statements and related disclosure prior to release.

### 17.6 *Code of Business Conduct and Ethics*

The Board will review and approve a Code of Business Conduct and Ethics for NEM. In adopting this code, the Board will consider the recommendations of the Corporate Governance Committee concerning its compliance with applicable legal and Stock Exchange listing requirements and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate.

### 17.7 *Compliance and Disclosure*

The Board will direct the Corporate Governance Committee to monitor compliance with the Code of Business Conduct and Ethics and recommend disclosures with respect thereto. The Board will consider any report of the Corporate Governance Committee concerning these matters, and will approve the form and nature of any disclosure of the Code of Business Conduct and Ethics and of any waiver granted to a Director or senior officer of NEM from complying with the Code of Business Conduct and Ethics, if determined appropriate.

## **18. NOMINATION OF DIRECTORS**

### 18.1 *Nomination and Appointment of Directors*

- (a) The Board shall nominate individuals for election as Directors by the shareholders and shall require the Corporate Governance Committee to make recommendations to it with respect to such nominations.

- (b) The Board shall adopt a process recommended to it by the Corporate Governance Committee pursuant to which the Board shall:
  - (i) consider what competencies and skills the Board, as a whole, should possess; and
  - (ii) assess what competencies and skills each existing Director possesses.

## **19. BOARD EFFECTIVENESS**

### *19.1 Position Descriptions*

The Board shall review and, if determined appropriate, approve the recommendations of the Corporate Governance Committee concerning formal position descriptions for:

- (a) the Chairman of the Board, the Lead Director (if any) and for the Chairman of each committee of the Board; and
- (b) the CEO.

### *19.2 Director Orientation and Continuing Education*

The Board shall review and, if determined appropriate, approve the recommendations of the Corporate Governance Committee concerning:

- (a) an orientation program for new Directors; and
- (b) any information relevant to the business and regulatory environment in which NEM operates that is to be provided to the Directors.

### *19.3 Board, Committee and Director Assessments*

The Board shall review and, if determined appropriate, adopt a process recommended by the Corporate Governance Committee for assessing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis.

### *19.4 Annual Assessment of the Board*

Each year, the Board shall assess its performance and effectiveness in accordance with the process established by the Corporate Governance Committee.

March 2007

















Any questions and requests for assistance may be directed to the  
Proxy Solicitation Agent:



The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario  
M5X 1E2  
[www.kingsdaleshareholder.com](http://www.kingsdaleshareholder.com)

**North American Toll Free Phone:**

**1-888-518-1561**

**Email: [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)**

**Facsimile: 416-867-2271**

**Toll Free Facsimile: 1-866-545-5580**

**Outside North America, Banks and Brokers Call Collect: 416-867-2272**