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Where Industry Meets Policy

TREM 11

“Linking the Supply Chain: Strategies
Beyond the Mine”

Patrick Wong, CEO Innovation Metals Corp.
Rare Earths – A New Beginning

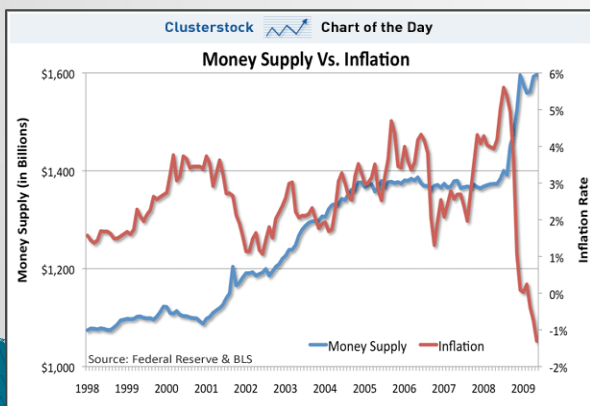
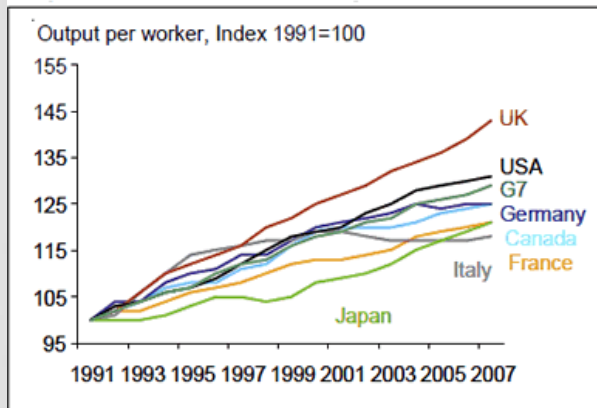
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A New Dawn is upon us



Constraints

- Resources
- Time



Era of Productivity
Gains is Peaking

*New Era of Efficiency
is upon us*



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Largest Arbitrage in Human History



Henry Hub Natural Gas Spot



WTI Spot Crude



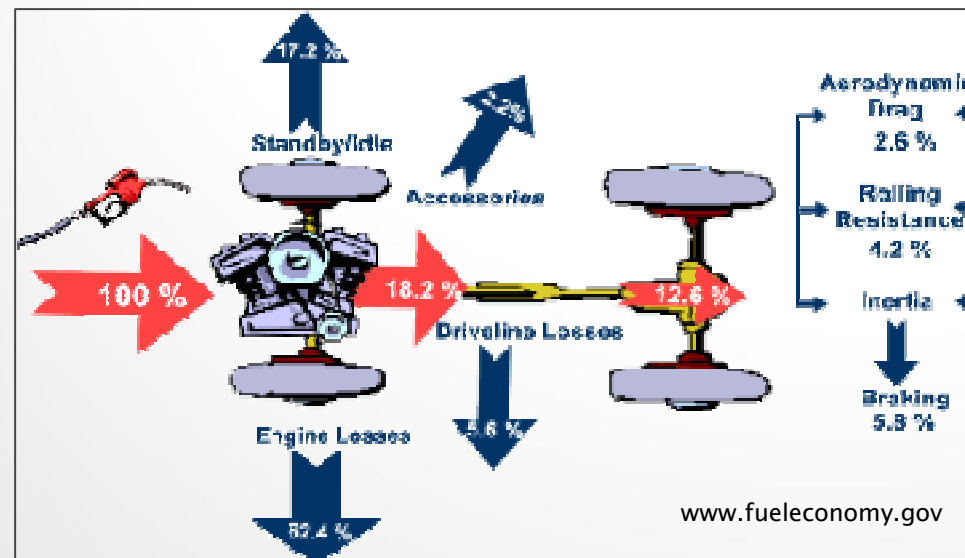
- Energy Equivalent ratio of Natural Gas to Oil approx 6:1
 - Price ratio currently stands at over 25:1
 - Gap caused by inability to substitute



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Changing Transportation Fuels



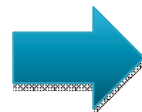
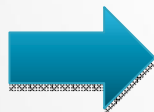
- Typical gas combustion engine is very inefficient
- Electric engines are more than 400% more efficient on a BTU basis (refer to Appendix)



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Not just a Fad



- US\$200B+ in annual savings
- A Brave New World – no dependency on foreign oil
- Reduced Carbon Emissions
- Reduced Volatility on Power Grid
- Technology exists today
- little capital spending required

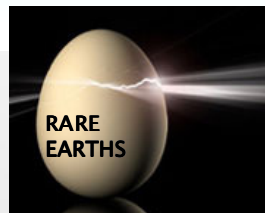
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Barriers to Conversion



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Ex-China Rare Earth Industry Issues

- ▶ Finding Rare Earth deposits is not an issue. Being 'economic' is a misplaced concept
- ▶ Very little expertise outside of China. Most management teams in Rare Earth companies have little experience in the Industrial Metals market
- ▶ Industry has very little price transparency and China is the basis for pricing. This should change as production dilutes China's influence from 97%
- ▶ Financing mines is difficult and unproven. Indexed contracts cannot represent a large portion of financing
- ▶ Mining companies have a high cost of capital making investment into a refining process that only earns 12-15% destroys shareholder value
- ▶ Due to the critical nature of these elements, international trade guidelines are extremely important but difficult to uphold. There is need to support an industry arbitration process
- ▶ A new transparent pricing model is needed



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The Cost of Volatility

- ▶ Critical Supply Chain risk in relatively small industry
- ▶ Boom–Bust Cycle not conducive to long term planning
- ▶ Product Extinction, unrelated products affect one another
- ▶ Higher Cost of Capital impedes new supply
- ▶ Perceived benefits of competition amongst RE producers is outweighed by these costs



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Rare Earth Mines may be reduced to Neodymium Mines

- ▶ Neodymium will be the overriding element in making a LREE project economic
- ▶ Projection for 2015 Nd demand is approximately 55,000tpa
- ▶ If full production targets are met by the current LREE projects, it is still not enough to satisfy the forecasted Nd demand
- ▶ With this scenario, the amount of La and Ce produced would be more than 300% greater than current demand
- ▶ Over 80% of Export Quotas are used to ship La and Ce products. Given upcoming production, Export Quotas will become irrelevant
- ▶ Export Quota surcharges and taxes represent approximately 90% of FOB La₂O₃ pricing



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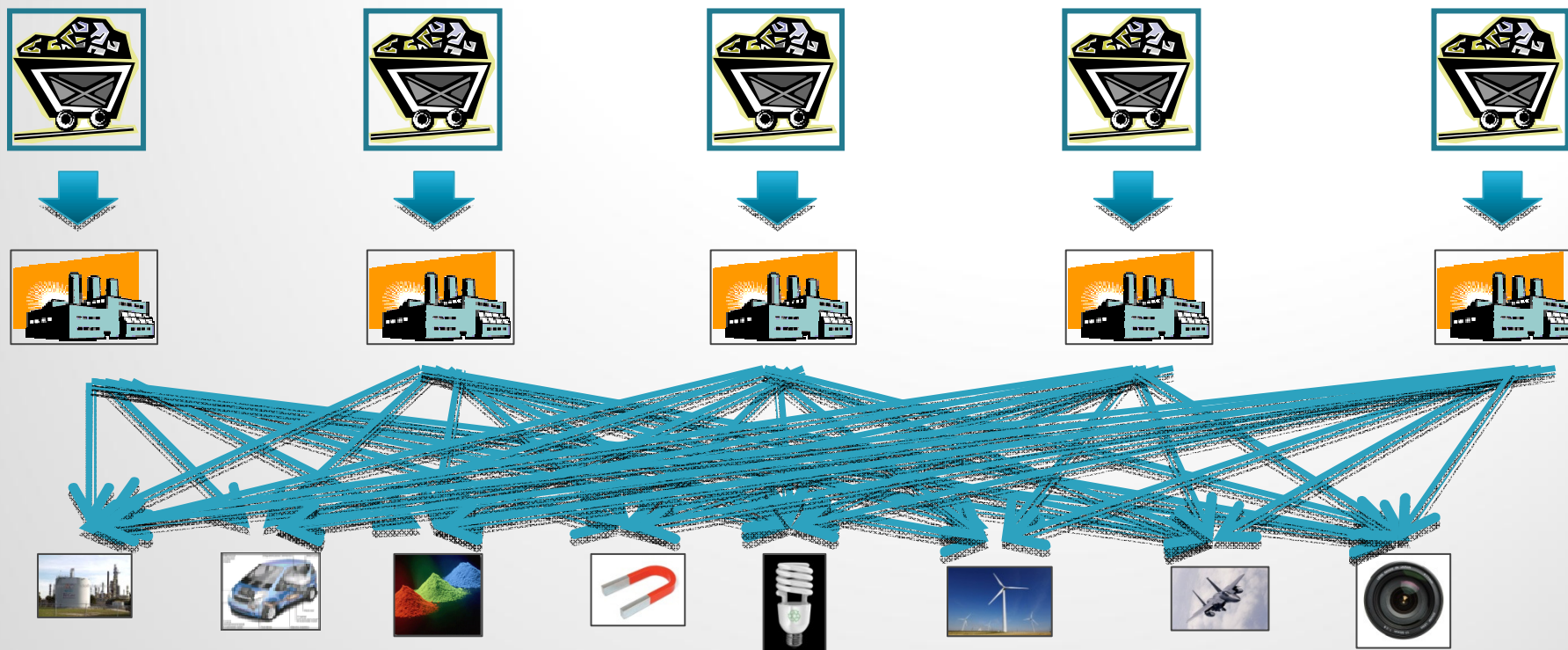
Why OEMs should NOT buy RE mines

- ▶ Rare Earths are complicated deposits of many elements
- ▶ No one customer will represent a large portion of the resource value
- ▶ Partnership in mines can lead to additional liability– environmental, health and safety, reclamation etc.
- ▶ Stakeholders would rather see management focus on their core competencies. It is also difficult to assess partner management quality because the OEM does not know mining well enough to make qualified judgements
- ▶ Partnerships sound good on paper but the “Devil is in the Details”. Transfer pricing, unmarketed material, contingent liabilities and many others are real issues
- ▶ Source Dependency– partnerships can impede sourcing flexibility



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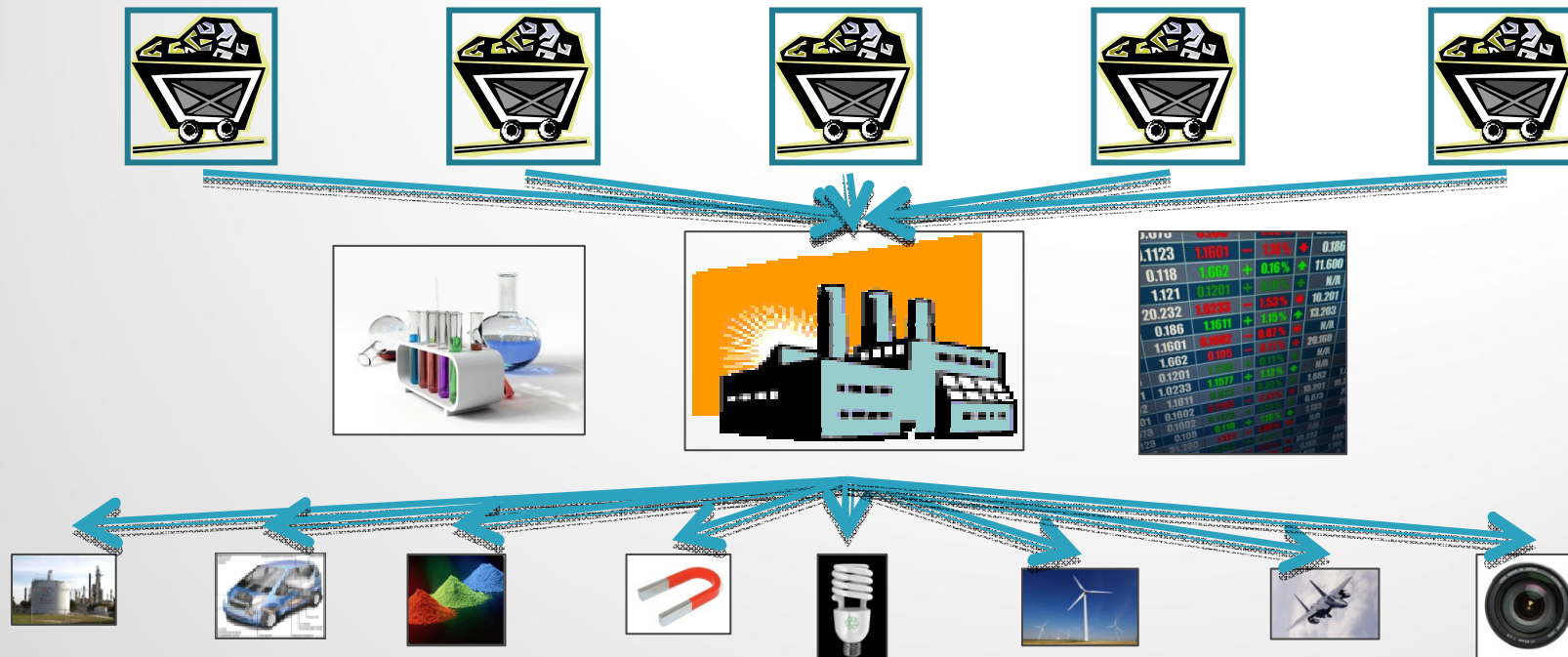
Rare Earths at a Crossroads



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Centralized Strategic Refinery





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Centralized Strategic Refining Facility

- ▶ Producers and Consumers are represented on the Board of Directors
- ▶ New Price Discovery System
- ▶ Introduction of a Marketing Board consisting of representatives from Producers and Consumers
- ▶ Low priced Tolling structure is possible due to lower cost of capital
- ▶ Managed by Chinese partners with superior technology
- ▶ Centralized, large scale R&D Scope
- ▶ Customers own refining capacity of ONLY the product they require
- ▶ Customer led solution leads to better planning to satisfy their stringent industrial needs
- ▶ Customers banding together will create a more stable environment and protect against self-interests from other parties



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Appendix

EV

ICE

1 contract NG = 10,000
mmBTU
1 contract NG= \$38,000
\$3.80/MBTU

Natural Gas	1 million BTUs	Oil	1 million BTUs
Energy left after generation (58% efficiency)	580,000 BTUs	Energy left after refining (92% efficiency)	920,000 BTUs
Energy left after charging losses (88% efficiency)	>510,000 BTUs	Energy left after transport (95% efficiency)	874,000 BTUs
BTUs per kilowatt-hour	3412 BTUs	BTUs per gallon of gasoline	115,400 BTUs
Electricity available	149 kWhr	Gallons available	7.6 gallons
Energy efficiency	0.19 kWhr/mile	Fuel economy>	24 mpg
Miles per million BTUs	787 miles	Miles per million BTUs	183 miles

1 BOE = 5.8M BTU
1 BOE= \$101 WTI
\$17.41/MBTU



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- ▶ IMC intends to focus on Rare Earth Separation and developing products designed to mitigate Supply Chain Risk as well as establish a New Pricing methodology and Marketing Board
- ▶ IMC will support a large R&D budget to assist both Producers and Consumers find new ways of using RE's and more efficient RE production methods
- ▶ The 2 main assets will be a partnership in a LREE Separation facility in South East Asia with a large Japanese consortium and a HREE Strategic Tolling Facility to be placed in North America.



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- ▶ A Feasibility Study for the HREE Separation Plant is being done by a major Engineering firm and is due to be completed within 18 months
- ▶ We will establish new Government Stockpile assistance programs and reserve 30% of the HREE refining capacity for such a program
- ▶ An Investor Seed Round of financing is targeted to close in April and a \$10M IPO is planned soon after (3-4 months)
- ▶ Funding will only occur once concentrate contracts are in place. Path Dependency places too much risk on less efficient model



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IMC Management

Patrick Wong, CEO

Mr. Wong was most recently the Co-founder and Chief Investment Officer of Dacha Strategic Metals (TSX.V: DSM, OTCQX: DCHAF), a unique investment vehicle that invests in physical rare-earths. He is a recognized authority in the REE industry, having co-founded a strategic-metals investment company, authored several research articles and participated on industry panels as a guest speaker at various events. Mr. Wong is a Senior Editor and Analyst for RareMetalBlog.com and also serves on the Advisory Board for Medallion Resources. Patrick is a seasoned hedge-fund manager, with over 15 years of experience in various trading strategies, including capital-structure arbitrage. Prior to Dacha, he was President of a natural-gas trading company that created models to trade physical gas. Mr. Wong has an Honours BA from the Richard Ivey School of Business at the University of Western Ontario.

Gareth P Hatch, President

Dr. Hatch is a Founding Principal of Technology Metals Research, a well-known consulting firm within the industry, focused on the development of market intelligence and analysis of the rare-metals sector. He was previously Director of Technology at Dexter Magnetic Technologies and holds 5 patents on a variety of magnetic devices. A two-time graduate of the University of Birmingham in the UK, Dr. Hatch has a B.Eng. (Hons) in Materials Science & Technology and a Ph.D. in Metallurgy & Materials, focused on rare-earth permanent-magnet materials. He is a Fellow of the Institute of Materials, Minerals & Mining, a Fellow of the Institution of Engineering & Technology, a Chartered Engineer and a Senior Member of the Institute of Electronic and Electrical Engineers.



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IMC Management

Furkhat Faizulla, Director

Furkhat Faizulla was one of the original founding partners of Advanced Materials of Japan Corporation (AMJC), one of the largest traders of Rare Earths in the world. Mr. Faizulla is currently head of AMJC's overseas trading department and specializes in trading Rare Earths as well as other critical metals such as Tungsten. Furkhat brings over 30 years of trading experience and contacts to IMC and is fluent in many languages including Japanese, Mandarin, English, and Uzbek.

John Veltheer, Director

Dr. Veltheer is a chemist and professional public company director who is singularly focused on building and protecting stakeholder value. He currently sits on the Board of Directors of a number of public and private companies including Rara Terra Capital Corp. (TSX-V: RTX), Texada Ventures Inc. (OTCBB: TXVN), Orange Minerals Corp. (a private exploration company) and Critical Minerals Inc. (a private exploration asset accumulator). Dr. Veltheer obtained his Bachelor of Science in Chemistry (Honours) from Queen's University in 1988 and his Ph.D. (Inorganic Chemistry) from the University of British Columbia in 1993.



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Thank you!

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