



**ANNUAL INFORMATION FORM**

**NEO PERFORMANCE MATERIALS INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**MARCH 14, 2024**

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Unless otherwise noted or the context indicates otherwise, "Neo" refers to Neo Performance Materials Inc. and includes the businesses carried on by its direct and indirect subsidiaries.

## FORWARD-LOOKING INFORMATION

This annual information form ("AIF") contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements other than statements of historical fact are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Neo believes the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this AIF should not be unduly relied upon. All forward-looking information speaks only as of the date of this AIF.

In particular, this AIF contains forward-looking information pertaining to, but not limited to, the following:

- Neo's expectations regarding certain of its future results and information, including, among other things, revenues, expenses, sales growth, capital expenditures, operations and use of future cash flow;
- Neo's anticipated cash needs and its need for additional financing;
- expectations regarding industry trends, overall market growth rates and Neo's future growth rates, plans and strategies;
- general business and economic conditions;
- new and emerging markets;
- competition and changes in the competitive landscape;
- projections of market prices and costs;
- expected revenues;
- ability to maintain profitability;
- Neo's goal of creating shareholder value; and
- the plans, costs, and timing for future business prospects, including the costs and potential impact of complying with existing and proposed laws and regulations.

Such forward-looking information is based on a number of assumptions that may prove to be incorrect. In addition to any other assumptions identified in this AIF, assumptions have been made regarding, among other things:

- the ability of Neo to generate cash flow from operations and obtain necessary financing on acceptable terms;
- the ability of Neo to maintain relationships with current and new clients and partners;
- currency, exchange and interest rates;
- general economic, financial market, regulatory and political conditions in which Neo operates;
- the impact of increasing competition;
- the continuity of existing business relationships;
- anticipated and unanticipated costs;
- the ability of Neo and its partners to obtain and retain qualified staff and services in a timely and cost effective manner;

- the ability of Neo to enter into contracts with target companies;
- Neo's ability to maintain adequate internal control over financial reporting and disclosure controls and procedures;
- the ability to complete announced transactions; and
- the ability to obtain all necessary regulatory approvals.

Actual results could differ materially from those anticipated in such forward-looking information as a result of the risk factors set forth below and elsewhere in this AIF, including, but not limited to, risk factors relating to:

- risks related to other geopolitical factors such as the current conflict in Ukraine, including risks associated with procuring raw material from various regions of the world, including Russia;
- risks relating to a global pandemic;
- volatility of the price of the Common Shares;
- the dividend policy of Neo;
- financial reporting and other public company requirements;
- forward-looking information;
- difficulty in enforcing judgments;
- significant shareholder(s) of Neo;
- future sales of Common Shares;
- dilution;
- quarterly operating results varying from quarter to quarter;
- board discretion;
- analyst reports;
- international operations;
- intellectual property protection;
- intellectual property litigation;
- supply of raw materials;
- customer's supply chain issues;
- currency risk;
- changes in China's regulation of the rare earths industry;
- unauthorized use of corporate chops of Neo's subsidiaries in China;
- emerging market considerations;
- customer dependence;
- general economic conditions;
- competition;
- uncertainty regarding Chinese withholding tax and indirect transfers of Chinese enterprises by non-Chinese residents;
- environmental liability exposure;
- supplies of raw materials;
- fluctuations in demand for, and prices of, certain critical minerals products;
- product recalls;

- rapid technological change;
- changes in tax laws;
- risks of operations and insurance;
- additional financing requirements;
- inability to effectively manage Company growth;
- potential for incurring unexpected costs or liabilities as a result of acquisitions;
- ability to maintain obligations under the EDC Facility and other debt instruments;
- risks associated with the planned relocation of Neo's production facility in Zibo;
- construction development risks at the Company's new production facility in Zibo and the new European magnet facility;
- land use rights in China and the renewal thereof;
- dependence on good relations with employees;
- reliance on key personnel;
- information technology and cybersecurity; and
- the other factors discussed under "*Risk Factors*".

**Readers are cautioned that the foregoing lists of factors are not exhaustive. Should one or more of these risks and uncertainties materialize, or should Neo's estimates or underlying assumptions prove incorrect, actual results, performance or achievements may vary materially from those described in forward-looking statements. Neo cannot guarantee future results, levels of activity, performance, or achievements. Moreover, Neo does not assume responsibility for the outcome of the forward-looking information. Accordingly, readers are advised not to place undue reliance on forward-looking information.**

**The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Neo does not undertake any obligation to publicly update or revise any forward-looking information except as expressly required by applicable securities laws.**

#### CURRENCY EXCHANGE RATES

Unless otherwise indicated, all dollar amounts in this AIF are presented in United States dollars. All references to "\$" or "US\$" in this AIF, unless otherwise indicated, refer to United States dollars (or U.S. dollars) and Canadian dollars are referred to as "C\$". The following table sets out the exchange rates for Canadian dollars per United States dollar in effect at the end of the following periods based on the Bank of Canada closing exchange rate.

	Year Ended December 31,		
	2023	2022	2021
Closing	1.3226	1.3544	1.2678
High	1.3875	1.3856	1.2942
Low	1.3128	1.2451	1.2040
Average	1.3497	1.3013	1.2535

## CORPORATE STRUCTURE

### Name and Incorporation

Neo was incorporated under the OBCA on September 12, 2017. Neo's registered and head office is located at 121 King Street West, Suite 1740, Toronto, Ontario M5H 3T9. On November 30, 2017, Neo completed the Arrangement with Neo Cayman and on December 8, 2017, completed the IPO whereby the Common Shares were listed on the TSX.

### Corporate History

Neo's operations trace back to AMR Technologies Inc. ("AMR"), which began operating in China in 1994 after acquiring majority interests in two joint ventures in China (ZAMR and JAMR, see "*Intercorporate Relationships*"). AMR was listed on the TSX in 1995.

In 2005, AMR completed the acquisition of Magnequench, Inc. combining the critical minerals processing business of AMR and the magnetic powder production businesses of Magnequench, Inc., which had been designing and manufacturing magnetic powder since 1985. In June 2006, AMR changed its name to NEM.

From 2009 to 2011, NEM underwent a period of expansion, acquiring a rare metals producer with facilities in Ontario and Utah, acquiring majority interests in additional rare metals production facilities in Oklahoma and Sagard, Germany, and completing the construction of a new production facility in Hyeongok, South Korea.

In 2012, NEM was acquired by Molycorp for \$1.3 billion. Following the Molycorp Acquisition, the NEM business continued to be operated substantially as an independent business as Molycorp's management was focused on executing a \$1.7 billion project (primarily funded with debt) to expand and modernize its rare earth mine in Mountain Pass, California. In late 2009, China placed restrictions on the export of REEs, causing prices of REEs to increase significantly on the international market, which incentivized development of higher cost global reserves, including Mountain Pass. In December 2014, China eased its restrictions on exports of REEs and pricing deteriorated, rendering Mountain Pass' mining operations uneconomic.

In June 2015, Molycorp, together with certain of its subsidiaries, filed a voluntary petition of reorganization under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court of the District of Delaware. In July 2015, Oaktree provided debtor-in-possession financing to Molycorp. After filing for Chapter 11 bankruptcy protection, Molycorp suspended operations at the Mountain Pass mine in October 2015. NEM continued to grow under Molycorp's ownership, with auto catalyst products, the launch of a water treatment phosphate removal business and MQU (a new proprietary magnetic powder formulation).

In the Reorganization process, Molycorp's Mountain Pass mine and processing facility were separated from the businesses of NEM, so that the NEM business no longer had any connection to Molycorp's Mountain Pass mine and facility. On August 31, 2016, pursuant to the terms of the Fourth Amended Plan of Reorganization, certain of Molycorp's subsidiaries emerged from Chapter 11 protection, and \$1.7 billion of Molycorp's debt (which included debt owed to Oaktree) was settled in exchange for equity of the reorganized business, and Molycorp was liquidated. The newly reorganized Neo business comprised essentially the original business of NEM (as it existed prior to the completion of the Molycorp Acquisition), with the addition of Molycorp's Silmet facility located in Sillamäe, Estonia. The businesses of NEM were organized under a number of direct and indirect subsidiaries held by Neo Cayman, which, following the completion of the Arrangement, is controlled by Neo. Neo Cayman emerged from the Reorganization with an improved capital structure and renewed focus on expanding its business. The NEM businesses consistently generated positive cash flow during the Reorganization process.

## ***The Arrangement***

On November 30, 2017, Neo and Neo Cayman completed the Arrangement, pursuant to which, Neo acquired all of the outstanding ordinary shares of Neo Cayman in exchange for an aggregate of 39,878,383 Common Shares. The effect of the Arrangement was that Neo Cayman became a wholly-owned subsidiary of Neo and now carries on the business of Neo Cayman as carried on immediately prior to the Arrangement.

## ***The Initial Public Offering and Securities Offerings***

On December 8, 2017, Neo completed the IPO whereby Oaktree sold an aggregate of 11,115,000 Common Shares to the public and Neo listed the Common Shares on the TSX under the ticker symbol "NEO". On January 8, 2018, Oaktree sold an additional 1,110,000 Common Shares to the public.

On December 22, 2020, February 17, 2021, April 27, 2021, Neo completed secondary offerings of Common Shares whereby Oaktree sold an aggregate of 13,707,500 Common Shares to the public. On November 16, 2021, Neo completed a treasury and secondary offering of Common Shares whereby the Company issued and sold an aggregate of 2,598,000 Common Shares to the public and Oaktree sold an additional 2,631,000 Common Shares to the public.

On September 16, 2022, Neo completed a bought deal financing of an aggregate of 4,506,734 Common Shares issued from treasury.

On October 14, 2022, a subsidiary of Hastings Technology Metal Limited ("**Hastings**") purchased an aggregate of 8,974,127 Common Shares from Oaktree, representing approximately 19.87% of the then outstanding Common Shares.

## **Intercorporate Relationships**

The following chart identifies Neo's subsidiaries (including jurisdiction of formation). All entities are wholly-owned, directly or indirectly, by Neo, except where indicated. Outlined below is information related to Neo's subsidiaries and associates at December 31, 2023:

	<b>Place of business</b>	<b>Entity type</b>	<b>Economic interest</b>	<b>Jurisdiction of Incorporation</b>
Buss & Buss Spezialmetalle GmbH	Germany	Subsidiary	50.004%	Germany
Gan Zhou Ke Li Rare Earth New Material	China	Joint venture	25%	China
GQD Special Material (Thailand) Co., Ltd.	Thailand	Joint venture	20%	Thailand
Jiangyin Jiahua Advanced Material Resources Co., Ltd.	China	Subsidiary	95%	China
Magnequench GmbH	Germany	Subsidiary	100%	Germany
Magnequench International Trading (Tianjin) Co., Ltd.	China	Subsidiary	100%	China
Magnequench International, LLC	United States	Subsidiary	100%	Delaware
Magnequench Japan, Inc.	Japan	Subsidiary	100%	Japan
Magnequench (Korat) Co., Ltd.	Thailand	Subsidiary	100%	Thailand
Magnequench Limited	Barbados	Subsidiary	100%	Barbados
Magnequench, LLC	United States	Subsidiary	100%	Delaware
Magnequench Magnetics (Chu Zhou) Co., Ltd.	China	Subsidiary	100%	China
Magnequench Neo Powders Pte. Ltd.	Singapore	Subsidiary	100%	Singapore

	<b>Place of business</b>	<b>Entity type</b>	<b>Economic interest</b>	<b>Jurisdiction of Incorporation</b>
Magnequench (Tianjin) Company Limited	China	Subsidiary	100%	China
Magnet Ventures Pte. Ltd.	Singapore	Subsidiary	100%	Singapore
Neo Cayman Holdings Ltd.	Cayman Islands	Subsidiary	100%	Cayman Islands
Neo Chemicals & Oxides (Europe) Ltd.	United Kingdom	Subsidiary	100%	United Kingdom
Neo Chemicals & Oxides, LLC	United States	Subsidiary	100%	Delaware
Neo International Corp.	Barbados	Subsidiary	100%	Barbados
Neo Japan, Inc.	Japan	Subsidiary	100%	Japan
Neo Jia Hua Advanced Materials (Zibo) Co., Ltd.	China	Subsidiary	98%	China
Neo Magnequench Distribution, LLC	United States	Subsidiary	100%	Delaware
Neo North Star Holdings, LLC	United States	Subsidiary	100%	Delaware
Neo North Star Resources, Inc.	United States	Subsidiary	66.67%	Delaware
Neo Performance Materials (Beijing) Co., Ltd.	China	Subsidiary	100%	China
Neo Performance Materials Korea Inc.	South Korea	Subsidiary	100%	South Korea
Neo Performance Materials (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%	Singapore
Neo Performance Materials ULC	Canada	Subsidiary	100%	British Columbia
Neo Rare Metals (Korea) Inc.	South Korea	Subsidiary	80%	South Korea
Neo Rare Metals (Oklahoma), LLC	United States	Subsidiary	80%	Delaware
Neo Rare Metals (USA), LLC	United States	Subsidiary	100%	Utah
Neo US Holdings, Inc.	Canada	Subsidiary	100%	Delaware
Neo Ventures Europe Limited	United Kingdom	Subsidiary	100%	England
Neo Water Treatment LLC	United States	Subsidiary	100%	Delaware
NMT Holdings GmbH	Germany	Subsidiary	100%	Germany
NPM C&O Europe OÜ	Estonia	Subsidiary	100%	Estonia
NPM Holdings (US), Inc.	United States	Subsidiary	100%	Delaware
NPM Narva OÜ	Estonia	Subsidiary	100%	Estonia
NPM Poland sp, z o.o	Poland	Subsidiary	100%	Poland
NPM Silmet OÜ	Estonia	Subsidiary	100%	Estonia
SG Magnets, Inc.	United States	Subsidiary	90%	Michigan
SG Tec (SEA) Pte. Limited	Singapore	Subsidiary	90%	Singapore
SG Technologies Group Limited	United Kingdom	Subsidiary	90%	England
SG Technologies Limited	United Kingdom	Subsidiary	90%	England
Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.	China	Joint venture	33%	China
Xin Bao Investment Limited	Hong Kong	Subsidiary	100%	Hong Kong



	Place of business	Entity type	Economic interest	Jurisdiction of Incorporation
Zibo Jiahua Advanced Material Resources Co., Ltd.	China	Subsidiary	98%	China
Zibo Jia Xin Magnetic Materials Ltd.	China	Subsidiary	100%	China
Zibo Shijia Trading Co., Ltd.	China	Subsidiary	59.6%	China

## RECENT DEVELOPMENTS

### 2021

At the end of January 2021, the Company completed the transfer of the business carried on by ZAMR, other than the rare earth separation business, into a newly formed subsidiary, NAMCO, which has the same ownership structure as ZAMR. The rare earth separation business carried out by ZAMR remains in ZAMR.

On February 17, 2021, Neo completed a secondary offering of Common Shares whereby Oaktree sold an aggregate of 5,175,000 Common Shares to the public.

On April 27, 2021, Neo completed a secondary offering of Common Shares whereby Oaktree sold an aggregate of 4,600,000 Common Shares to the public.

On June 1, 2021, the Company announced its intention to commence a normal course issuer bid between June 4, 2021 and June 3, 2022 for up to 2,111,758 Common Shares through the facilities of the TSX and entered into an automatic share purchase plan with its designated broker to allow for purchases of Common Shares. This normal course issuer bid effectively renewed the normal course issuer bid of the Company that expired on May 18, 2021. No Common Shares were repurchased for cancellation as at June 3, 2022.

Effective July 1, 2021, MQTJ, MQTJ2, JAMR, ZAMR, MQCZ and NAMCO, six of the Company's Chinese subsidiaries, entered into a US\$30,000,000 revolving credit facility with HSBC Bank (China) providing these Chinese subsidiaries with a revolving credit facility (the "**HSBC Facility**") which may be drawn down in accordance with the provisions of the HSBC Facility to fund working capital requirements. The HSBC Facility is cross-guaranteed by each of the foregoing Chinese subsidiaries and by the Company. The HSBC Facility contains a number of financial and commercial covenants, including specific terms relating to the timing, interest payable and maturity terms of each draw on the HSBC Facility.

On July 7, 2021, the Company announced that it had entered into a definitive supply agreement with Energy Fuels Inc., creating an initiative to produce value-added rare earth products from natural monazite sands, a by-product of heavy mineral sands mined in the southeastern United States. Pursuant to the agreement, Energy Fuels will process the monazite sands into a mixed rare earth carbonate in Utah for use as feed material for Neo's value-added separated rare earth production plant in Estonia.

On August 16, 2021, the Company announced that it had become a participant in the United Nations Global Compact, and committed to implementing the Global Compact's 10 Principles on human rights, labour, environment and anti-corruption.

On November 16, 2021, Neo completed a secondary offering of Common Shares whereby Oaktree sold an aggregate of 2,631,000 Common Shares to the public and Neo issued an aggregate of 2,598,000 Common Shares from treasury.

In December 2021, NPM Silmet entered into a \$7.5 million (€7.0 million) credit facility with OP Corporate Bank plc Eesti filial ("**OP Bank**") to finance working capital and other investments at NPM Silmet. On December 29, 2021, part of the credit facility was assigned to a bank guarantee related to the disposal of naturally occurring radioactive materials

("NORM") residue disposal, thus temporarily reducing the credit facility by \$2.5 million (€2.3 million) to a net \$5.0 million (€4.7 million) credit facility. On August 2, 2022, OP Bank released the \$2.5 million (€2.3 million) from the bank guarantee. As part of the facility agreement, Silmet pledged certain security as collateral in favour of OP Bank.

## 2022

See " *Macroeconomic, Geopolitical and Other Challenges and Uncertainties Globally Could Have a Negative Impact on Neo's Businesses and Results of Operations*" for a discussion of the potential impact of the ongoing conflict with Russia in Ukraine.

The joint venture agreement in respect of ZAMR, which was originally set to expire in 2023, has been extended until 2043. The joint venture agreement in respect of JAMR, which was originally set to expire in 2023, has been extended and may only be terminated in accordance with the provisions of such agreement.

In May 2022, Neo announced the publication of its inaugural Sustainability Report which provided information to shareholders, customers, industry partners, employees and other stakeholders on the Company's environmental, social and governance performance in 2021. The report also launched a formal reporting process that helps to explain and document Neo's ongoing efforts to product the advanced materials that help the world transition to a more sustainable and less carbon-centric future.

In August 2022, the directors appointed Yadin Rozov and Zhe Zhao as directors of the Company to fill the vacancies resulting from the resignations of Brook Hinchman and Gregory Share. Ms. Zhao subsequently resigned from the board on October 18, 2022.

In August 2022, the Company, as borrower, entered into a loan agreement with Export Development Canada ("**EDC**") for a term loan of up to US\$75 million (the "**EDC Facility**"), to be advanced in three tranches of US\$25 million, to finance the relocation, expansion and sustainability upgrades to the NAMCO plant. The EDC Facility matures in August 2027, with principal payments beginning in August 2024. The outstanding principal carries an interest rate equal to the secured overnight financing rate, as administered by the Federal Reserve Bank of New York, plus an applicable margin. A number of the Company's subsidiaries provided a guarantee and/or security in favour of EDC pursuant to the EDC Facility.

On September 16, 2022, Neo completed a bought deal financing of an aggregate of 4,506,734 Common Shares for aggregate gross proceeds of approximately \$67.6 million.

On September 20, 2022, Neo entered into a shareholder rights plan with Computershare Investor Services Inc., as rights agent, subject to applicable regulatory and shareholder approvals. The shareholder rights plan was subsequently amended and restated (the "**Rights Plan**") and approved by shareholders at the 2023 annual general and special meeting of shareholders. The terms of the Rights Plan are summarized in the section entitled "*Description of Share Capital – Rights Plan.*"

On October 14, 2022, a subsidiary of Hastings purchased an aggregate of 8,974,127 Common Shares from Oaktree, representing approximately 19.87% of the then outstanding Common Shares.

On October 14, 2022, Neo entered into a non-binding memorandum of understanding with Australian Rare Earths Ltd. ("**AR3**") that provides for the parties to enter into a joint development agreement pursuant to which Neo will provide technical and material testing support to AR3 and collaborate on future rare earth projects, including separation capabilities, in Australia. In return, Neo will receive options on AR3 stock, and rights to purchase 50% of the initial production from AR3's Koppamurra rare earth project in Australia. Neo's participation is in the early phases and no capital has been spent on this project other than an investment in AR3 of \$0.8 million made on June 30, 2021.

On November 22, 2022, Neo announced that, effective January 1, 2023, Rahim Suleman would assume the role of President and Interim Chief Financial Officer. Mr Karayannopoulos would remain as Chief Executive Officer.

On December 13, 2022, Buss & Buss obtained an additional \$7.4 million (€7.0 million) revolving line of credit to fund its working capital requirement which brought its total revolving line of credit to \$13.3 million (€12.5 million). The revolving line of credit can be drawn either in Euros or USD. The bank is entitled to revise the interest rate if the three-month Euro Interbank Offered Rate average rate changes by more than 0.25%, up to a maximum of 0.1% plus the actual change in average rate. The security for the revolving line of credit includes a directly enforceable guarantee of the non-controlling shareholder of Buss & Buss amounting to \$0.3 million (€0.3 million) as well as a lien amounting to \$0.5 million (€0.5 million) on certain property, plant and equipment. The remainder of the revolving line of credit is secured by certain working capital of Buss & Buss.

## **2023**

On April 18, 2023, the Company announced that has acquired a controlling interest in SG Technologies Group Limited ("SGTec"), one of Europe's leading, advanced, speciality manufacturers of rare-earth based and other high-performance magnets for industrial and commercial markets.

On April 24, 2023, Neo North Start Resources Inc. ("NNSR") completed the purchase of the license from Hudson for the agreed- upon total compensation of US\$3.5 million. On May 3, 2023, the license has been transferred to NNSR, after receiving endorsement from the government of Greenland. See "*Sourcing and Rare Earths Supply Strategy*" below.

Rahim Suleman became President and Chief Executive Officer of the Company effective July 7, 2023 following the retirement of Constantine Karayannopoulos. Jonathan Baksh was appointed Executive Vice President and Chief Financial Officer of Neo, effective June 19, 2023.

On June 12, 2023, the Company announced that it had entered into a subscription agreement providing for the purchase of up to US\$84.7 million of ordinary and preference shares of its wholly-owned direct subsidiary, Magnet Ventures Pte Ltd., over the course of several tranches. Magnet Ventures is the sole shareholder of NPM Narva OU.

On June 14, 2023, the Company announced its intention to commence a normal course issuer bid between June 19, 2023 and June 18, 2024 for up to 3,585,011 Common Shares through the facilities of the TSX and entered into an automatic share purchase plan with its designated broker to allow for purchases of Common Shares. To date, the Company has purchased the maximum number of Common Shares under the normal course issuer bid.

On July 7, 2023, Neo announced that it had broken ground on construction of the first rare earth magnet manufacturing facility in Europe designed to produce specialized rare earth permanent magnets for use in electric vehicles, wind turbines, and other clean energy technologies.

On October 25, 2023, Neo announced the appointment of Hua Du to the board of directors of the Company and on November 1, 2023, Neo announced the appointment of Mohamad El-Mahmoud as Executive Vice President, Rare Metals.

On November 8, 2023, Neo announced the publication of its updated Sustainability Report which provides information to shareholders, customers, industry partners, employees and stakeholders of the Company's environmental, social and governance performance in 2022.

On December 15, 2023, Neo announced that the Rare Metals operations at its Silmet plant in Estonia will shift its focus away from midstream towards downstream operations which is expected to diversify feedstock supply, reduce working capital requirements and reduce volatility by lowering inventory volumes and holding times.

### *NAMCO Relocation*

Neo is relocating its environmental emissions catalyst manufacturing facility in China, NAMCO, to a new facility in a dedicated industrial park in Zibo that features upgraded infrastructure, transportation, and wastewater treatment capabilities. The new facility will have additional capacity for environmental catalysts and capacity for new products under development. It will also benefit from an improved manufacturing layout, automation, and environmental management systems.

The engineering and construction for the new plant is on budget and slightly behind schedule, with a target date for site commissioning in late March 2024. Subject to certain customer qualifications and approvals, NAMCO is expected to be running at full production levels in the second half of 2024. Neo estimates that the expansion, upgrade and relocation of the NAMCO production facility will cost approximately US\$75 million, which is in line with the initial budget for the project. As at December 31, 2023, Neo had spent approximately US\$33.6 million (before capitalized interest) since inception of the project on the relocation efforts, including approximately \$4.4 million to secure a 50 year land lease at the new site. The remaining cost to complete is expected to be spent in 2024. In addition, responding to customers' requests, Neo is building an inventory bank to maintain continuity of supply of its environmental catalyst products during the transition and re-qualification period.

To assist with the funding of the new manufacturing facility, in August 2022, Neo entered into the EDC Facility. As of December 31, 2023, \$25.0 million had been drawn against this facility. On January 11, 2024, the second tranche of \$25.0 million was drawn by Neo.

Neo does not intend to invest to relocate the light rare earths separation business in Zibo Jiahua Advanced Material Resources Co., Ltd. ("**ZAMR**").

See "*Risk Factors – NAMCO Relocation Risks*" and "*- Construction and Development Risks*".

### *Rare Earth Magnet Plant in Europe*

Neo is investing in a new venture to manufacture and distribute rare earth magnets in Europe. These magnets are critical to many future facing applications, such as traction motors for electric vehicles and generators for wind turbines. Magnet production, rare earth supply chain security, and diversification of supply are considered critical elements to all OEM's strategies on electric vehicles. On June 28, 2023, Neo officially initiated the plant's construction which was memorialized with a groundbreaking event that included a wide range of attendees including government officials and potential customers.

Neo is taking a phased approach to investing in magnet capacity levels in Europe, with a Phase 1 expected to be able to produce 2,000 tonnes per year of magnet block capacity with the intent to expand in future years. The facility is located in Narva, Estonia, near Neo's existing rare earth separation and metal making facility in Sillamäe, Estonia. In order to further expand the business magnet production footprint, Neo may increase the capacity at the Narva facility to 5,000 tonnes and may expand into North America. The overall strategy includes considerations for rare earth supply, manufacturing and technical capabilities, competitiveness, customer commitments and funding sources (both company funded and government supported).

On November 9, 2022, Neo announced it had been awarded a grant of up to \$20.7 million (€18.7 million) from the Government of Estonia under Europe's Just Transition Fund ("**JTF**") for eligible project costs of up to \$108.6 million (€98.0 million). The terms of the award are guided by the Government of Estonia's regulations on general conditions for granting and using funds from the operational program of the EU cohesion and internal security policy funds for the period 2021-2027 and related regulations, and include factors such as total eligible costs incurred and employment created. The grant to Neo is the first such award to any critical materials company in the EU under the JTF program.

As of December 31, 2023, the project is on budget and on schedule. Neo estimates that capital spent for Phase 1 of the new rare earth magnet facility in Europe will cost approximately US\$75 million (prior to the JTF grant). As of December 31,

2023, Neo has capitalized approximately US\$9.0 million of expenditures; the majority of the remaining estimated cost to complete of US\$66.0 million is expected to be spent throughout 2024 and early 2025. In addition, Neo has spent approximately US\$1.4 million in out-of-pocket expenses on this project and has allocated significant internal resources for its preparation and execution.

See "*Risk Factors – Construction and Development Risks.*"

#### *Potential Impact of China Export Restrictions*

In January 2023, China announced revisions to the Catalogue of Technologies Prohibited or Restricted from Exporting. This update included the addition of rare earth magnet technology and was finalized and made effective in December 2023. These export restrictions are anticipated to create incremental barriers for new companies attempting to enter the rare earth magnet industry outside of China.

Neo continues to monitor and actively manage potential implications of these export restrictions on Neo's rare earth magnet facility in Narva, Estonia which is currently under construction. With Neo's history and experience producing rare earth magnets both inside and outside of China, the management team is confident in its ability to execute the project in Estonia. See "*Rare Earth Magnet Plan in Europe.*"

#### *Acquisition of SGTec*

On April 19, 2023, Neo, through its subsidiary in the UK, Neo Venture Europe Limited, completed its acquisition of 90% of the outstanding share capital of SGTec, one of Europe's leading advanced, specialty manufacturers of rare-earth-based and other high-performance magnets for industrial and commercial markets. The remaining 10% of SGTec will continue to be owned by two members of the previous management team that are continuing at SGTec.

The purchase further expands Neo's rare earth processing and magnet manufacturing footprint in Europe in strategic alignment with Neo's plans to launch production in 2025 of permanent rare earth magnet manufacturing in Estonia for the electric vehicle, electronics, energy-saving specialized motor applications markets, as well as other high-growth potential nascent technology applications that are critical to current global energy transition trends.

Neo made an initial cash payment of 11.6 million GBP (US\$14.4 million) upon completion of the acquisition, a portion of which was held in escrow, and was subsequently released on January 3, 2024 after certain terms and conditions were met. In addition, Neo is contingently required to make a future cash payment based on SGTec's financial performance during its fiscal years ending March 31, 2024, March 31, 2025, and March 31, 2026. The amount of the payment will be between a minimum of nil and a maximum of 5.4 million GBP, and the payment will be made in 2026.

SGTec continues to perform in line with expectations while making strong progress on integrating back-office functions including information technology, finance, human resources, and employee health and safety. In addition, the business has successfully driven operational improvement projects such as adjusting shift patterns, increasing operator scope, and right sizing its cost base to align with demand.

#### *Sourcing and Rare Earth Supply Strategy*

Neo is among the most geographically diverse rare earth value-add companies in the world. Neo has rare earth separation capacity and magnetic powder manufacturing capabilities inside and outside of China. This allows Neo to offer parallel supply chains to some customers for a number of our products. In addition, Neo maintains a global network of recycled scrap metal suppliers supporting its Rare Metals product portfolio. Neo is committed to maintaining sourcing strategies tailored to its business units and end markets which meet its global customers' growing demands for geographically diverse sources.

The C&O business is focused on its upstream sourcing strategy to secure continued access to rare earth material, inside and outside of China. C&O currently receives its rare earth feedstocks from numerous geographies including China, Myanmar, Russia, and the United States. The business is actively involved in geographically diverse resource projects to ensure adequate access to distributed global rare earth supplies for C&O's separation and value-add capabilities. Notable projects in the exploration and development stage include:

- Neo North Star Resources Inc. ("**NNSR**") - a special-purpose entity jointly owned by Neo (44%) and three other third-party investors established to fund the purchase of the license and the exploration of the Sarfartoq Carbonatite Complex in southwest Greenland.
- Australian Rare Earths Limited - On October 14, 2022, Neo entered into a non-binding memorandum of understanding with Australian Rare Earths Ltd. (AR3.AX) ("**AR3**") that provides for the parties to enter into a joint development agreement in AR3's Koppamurra rare earth project in Australia.
- Hastings Technology Metals - On June 12, 2023, Neo and Hastings Technology Metals signed a non-binding Heads of Agreement for rare earth concentrate offtake and downstream collaboration on Hastings Stage 1 of the Yangibana Rare Earths Project.

Magnequench is focused on flexibility within its sourcing strategy to ensure resilience across its supply chain. Magnequench sources magnetic rare earths oxides from third party critical minerals processors inside and outside of China. The business sources 5% to 15% of its magnetic rare earth oxides internally from the C&O separation business in Sillamäe, Estonia providing a vertically integrated supply chain and further sourcing optionality for the business. Magnequench uses strategic joint venture partners to convert oxides to metal before putting it through the Magnequench production process. The business can also source metals directly providing further flexibility in its supply chain and reducing dependency on procuring oxides.

Rare Metals is focused on maintaining a diverse supply of low-cost recycled scrap metal sources while continuing to shift focus from midstream to downstream operations to further diversify raw material supply and focus on value-add operations. In executing this strategy, the business achieved a major milestone in the fourth quarter of 2023 with closure of hydrometallurgical processing at its facility in Sillamäe, Estonia. This will allow the business to move from a single source of niobium and tantalum bearing ores to several sources of niobium and tantalum oxides and recycled materials. Consistent with the business' strategy, this change is expected to increase sourcing optionality while reducing working capital requirements.

#### *Potential Impact of Ongoing Conflict with Russia in Ukraine*

The actions of Russian military forces in Ukraine have escalated tensions between Russia and Ukraine, the European Union, the North Atlantic Treaty Organization, United Kingdom, the United States, Canada and other countries. Several countries have imposed a series of sanctions targeting Russia, two separatist pro-Russian regions in Ukraine and certain individuals, banks and corporations that are seen as allies to the administration in Russia. Through the end of fiscal 2023, there has been no significant impact on Neo's operations.

For the C&O business unit, Neo's Silmet facility sources the majority of its rare earth feedstock from a Russian supplier. As at the date hereof, Neo has not had significant issues securing raw material.

With the assistance of two advisory firms with expertise in global sanctions Neo continues to monitor the impact of these sanctions on its business including purchases and sales to entities that may have connections to Russia. In addition, Neo's advisors have analyzed each of the source materials that Neo purchases as input and Neo's products with respect to their source and destination. Neo is not currently aware of any import bans or controls relating to the supply of rare earth feedstocks for any of its production facilities.

Neo continues to develop additional sources for raw material, including new sources going into Silmet. However, at present production levels, alternative sources would not be sufficient to replace the existing Russian feedstock. Until alternative sources can supply enough additional material, a significant reduction or suspension of Silmet's Russian feedstock source would result in Silmet's rare earth separation operations decreasing capacity significantly, which, in turn, could have a material impact on the Company's results of operations and financial results.

The C&O business unit, as a whole, could continue to serve all of its auto-catalyst customers, water treatment customers as well as many of its customers who currently purchase separated rare earths from C&O's China-based facilities. Other business units, including Magnequench and Rare Metals, would remain largely unaffected by the loss of the Russian feedstock.

Neo continues to monitor the impact of sanctions on its business. Neo currently expects, but cannot be certain, that these sanctions will not materially affect its access to the inputs it needs to operate.

The cost of energy in Europe has increased in recent periods and Neo believes this is partially related to the impact of sanctions. Ancillary supplies, including re-agents, have increased related to Neo's suppliers also managing increasing energy costs and general inflationary increases.

The removal of Russian banks from the SWIFT messaging system has made it more difficult for Neo to pay its Russian supplier (who is not currently restricted by sanctions) and Neo continues to work with global banks to facilitate these allowable payments. Neo cannot be assured that viable payment pathways will exist in the future, as financial institutions limit their business with Russian clients out of caution.

Counter-measures taken by Russia, and any further sanctions imposed by various countries and governments, could have negative impacts on regional and global financial markets and economic conditions. The situation is continually changing, and Neo cannot be certain on the extent of the conflict and the related government actions will impact Neo's material sourcing or global markets in the future. See "*Risk Factors*".

## **DESCRIPTION OF THE BUSINESS**

### **Overview of the Business**

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. The Company's advanced industrial materials – magnetic powders and magnets, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. Neo's products help to deliver the technologies of tomorrow to consumers today.

Neo has a global platform that includes ten manufacturing facilities located in China, the United States, Germany, Estonia, the United Kingdom, Canada and Thailand, and one dedicated R&D centre in Singapore. Since 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets, establishing the #1 global market position for powders used in bonded and hot-deformed, fully dense NdFeB or neo magnets, a top three global market position in auto emission control catalysts, a leading global producer of GaCl<sub>3</sub> for LEDs and creating growth opportunities into end markets such as wastewater treatment and superalloys for aerospace and other applications.

Neo's unique technical expertise and strategic geographic presence has allowed Neo to become an industry leader in key markets with a proven, consistent product offering. This, combined with long-term collaborative customer relationships, creates significant barriers to entry.

Neo's products are used in numerous end-use applications including micro motors, traction motors, auto catalysts, water emission-controls, healthcare (such as medical imaging), aerospace, clean energy technologies (such as HEVs and EVs), consumer electronics (such as smartphones and tablets), fibre optics, HDDs and a number of other applications.

Neo's business is organized into three operating business segments (Magnequench, C&O and Rare Metals) as well as a corporate segment. Each segment is run on a standalone basis under the leadership of a business segment head. These segments are responsible for their own production, R&D, sales and marketing and raw materials procurement. The segments benefit from common ownership as a result of Neo's global platform, options for raw material sourcing, opportunities to share intellectual property and best practices, and the ability to cross-sell to certain customers.

### ***Magnequench***

The Magnequench segment manufactures bonded NdFeB powders and bonded permanent magnets. With over thirty years of manufacturing experience, Magnequench is the world leader in the production of magnetic powders used in bonded and hot-deformed fully dense neo magnets. These powders are formed through Magnequench's market-leading technology related to the development, processing, and manufacturing of magnetic powders. Magnequench uses a proprietary process to manufacture Magnequench Powders using a blend of various inputs. These powders are used in the production of bonded permanent magnets that are components in automotive motors, pumps, micro motors, traction motors, sensors and other applications requiring high levels of magnetic strength, improved performance, and reduced size and weight.

Magnequench also produces bonded magnets (Magnequench Magnets) made from its various Magnequench powder grades, which are used in applications substantially similar to those listed above. Magnequench Magnets are produced by combining Magnequench powders with a binder to form a compound, then compaction pressing, curing and coating the compound into a final magnet shape.

### ***Chemicals & Oxides***

The C&O segment manufactures and distributes a broad range of advanced industrial materials that have become an indispensable part of modern life. Neo's world-class processing and advanced materials manufacturing capabilities enable Neo to meet increasingly demanding specifications from manufacturers that need custom engineered materials. Applications from these products include auto catalysts, consumer electronics, petroleum refining, hybrid and electric vehicles and municipal and industrial wastewater treatment.

### ***Rare Metals***

The Rare Metals segment sources, produces, reclaims, refines and markets high-value rare metals and their compounds. These products include both high temperature metals (tantalum, niobium, hafnium and rhenium) and electronic metals (gallium and indium). Applications from products made in this segment primarily include superalloys for jet engines and medical imaging. Other applications include their use in batteries, solar and wind power generation, alloy additives, displays and electronics applications.

### ***Corporate***

Neo's head office is in Toronto, Ontario, Canada, with additional corporate offices in Greenwood Village, Colorado, U.S., Singapore and Beijing, China. The functions of this group include finance, administration, information technology, accounting and legal.



## Neo Business Segment Overview



### Corporate

<b>Principal Activity</b>	<ul style="list-style-type: none"> <li>• Producer of magnetic powders for bonded and hot deformed fully dense NdFeB magnets</li> </ul>	<ul style="list-style-type: none"> <li>• Separator and processor of critical minerals concentrate into advanced industrial materials</li> </ul>	<ul style="list-style-type: none"> <li>• Producer, reclaimer, refiner and marketer of high-value rare metals and their compounds</li> </ul>	<ul style="list-style-type: none"> <li>• Finance, administration, information technology, accounting and legal</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>• Magnetic powders (Magnequench Powders)</li> <li>• Magnets (Magnequench Magnets)</li> <li>• Soft magnetic components</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced industrial materials</li> </ul>	<ul style="list-style-type: none"> <li>• Rare metals such as tantalum, niobium, gallium, hafnium, rhenium and indium</li> </ul>	
<b>Applications</b>	<ul style="list-style-type: none"> <li>• Automotive motors</li> <li>• Traction motors</li> <li>• Micro motors</li> <li>• Sensors</li> <li>• Fuel injectors</li> </ul>	<ul style="list-style-type: none"> <li>• Auto catalysts</li> <li>• Consumer electronics</li> <li>• Magnets</li> <li>• Wastewater treatment</li> </ul>	<ul style="list-style-type: none"> <li>• Superalloys for jet engines</li> <li>• Medical imaging</li> <li>• Wireless technologies</li> <li>• LED lighting</li> <li>• Alternative energy</li> <li>• Alloy additives</li> </ul>	
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• Tianjin, China</li> <li>• Korat, Thailand</li> <li>• Chuzhou, China</li> <li>• Essex, UK</li> </ul>	<ul style="list-style-type: none"> <li>• Zibo, China</li> <li>• Sillamäe, Estonia</li> <li>• Jiangyin, China</li> </ul>	<ul style="list-style-type: none"> <li>• Sillamäe, Estonia</li> <li>• Sagard, Germany</li> <li>• Peterborough, ON Canada</li> <li>• Quapaw, OK, U.S.</li> </ul>	<ul style="list-style-type: none"> <li>• Toronto, Canada head office</li> <li>• Regional corporate offices</li> </ul>

### Magnequench Segment

#### Overview

The Magnequench segment manufactures bonded NdFeB powders and bonded permanent magnets. With over thirty years of manufacturing experience, Magnequench is the world leader in the production of magnetic powders used in bonded and hot-deformed fully dense neo magnets. These powders are formed through Magnequench's market-leading technology related to the development, processing and manufacturing of magnetic powders. Magnequench uses a proprietary process to manufacture Magnequench Powder using a blend of various inputs. These powders are used in the production of bonded permanent magnets that are components in automotive motors, pumps, micro motors, traction motors, sensors and other applications requiring high levels of magnetic strength, improved performance and reduced size and weight.

Neodymium and/or praseodymium metal are the primary raw materials in Magnequench Powders. They are alloyed with iron and boron prior to being processed into a metal powder, which is the precursor to bonded and hot-deformed NdFeB

magnets. Other elements (such as zirconium or cobalt) are sometimes added to the alloy in small quantities to achieve certain characteristics.

During the powdering process, molten NdFeB is quenched via propulsion onto a cold surface, rapidly cooling the material and locking in the atomic configuration in a process known as melt spinning or jet casting. The material is then coarse ground and formed into a magnet using compression molding, injection molding, hot deformation, extruding or calendaring. After the desired shape has been achieved the resultant metal is then magnetized.

In August 2019, Magnequench completed the acquisition of the assets of SAMAG, which was previously a customer of Magnequench. This acquisition has enabled Magnequench to quickly enter the bonded magnet market and to further Magnequench's strategy of collaborating with magnet users, such as companies that produce motors and sensors.

Magnequench also completed the construction of a magnet facility in Tianjin, China, co-located with its Magnequench Powder production site in Tianjin, China. Both facilities utilize similar manufacturing processes to produce compression molded Magnequench Magnets, enhancing production efficiencies.

In April 2023, Magnequench acquired a 90% equity stake in SGTec, a leading European manufacturer of high-performance, rare earth-based magnets and soft magnetic components. This acquisition not only strengthens Magnequench's presence in the European market, but also complements its Korat's facility powder supply. This strategic acquisition establishes a diversified supply chain for bonded magnets, extending beyond China.

In June 2023, Magnequench commenced construction of a state-of-the-art rare earth permanent magnet manufacturing facility in Narva, Estonia. The Narva facility is designed to produce specialized rare earth permanent magnets for use in electric vehicles, wind turbines, and other clean technologies. The Narva facility, which is expected to start production in 2025, positions Magnequench as a critical player in the European market for specialized magnets used in electric vehicles and clean energy technologies. With an initial production capacity sufficient for approximately 1.5 million electric cars, with the potential to expand to 5,000 tonnes/year, this facility is expected to significantly escalate Magnequench's production capabilities.

Located near Neo's rare earth separations plant in Sillamäe, Estonia, the Narva facility will benefit from a streamlined supply of high-purity magnetic rare earth oxides. The overall strategy includes considerations for rare earth supply, manufacturing and technical capabilities, competitiveness, customer commitments and funding sources (both company funded and government supported). This pioneering approach in Europe not only enhances Magnequench's production efficiency but also aligns with the European Union's carbon neutrality goals by supporting technologies that reduce carbon emissions and increase energy efficiency.

## ***Products***

Neo produces Magnequench Powders used in the production of both bonded and hot-deformed NdFeB permanent magnets. Neo also produces Magnequench Magnets, which are bonded NdFeB permanent magnets. Bonded magnets consist of magnetic powder combined with a binding agent, which results in a slight reduction of the magnetic strength of the material but allows it to be formed into a variety of shapes without further processing. Hot deformed magnets do not require a binding agent and are instead heated and pressed to form particular sizes and shapes.

Magnequench produces over 30 grades of Magnequench Powders, each with specific magnetic properties and performance characteristics to meet the needs of its customers. The powders cover a wide range of magnetic properties which have become the standard in the industry. Magnequench is continuously improving the magnetic characteristics of its powder in order to meet the constantly evolving technical demands of its customers.

Magnets produced using Magnequench Powders increase efficiency and enable reductions in the size and weight of motors relative to iron-based ferrite magnets, which are the most common permanent magnet material. These magnets also allow

for net shape pressing, which provides greater flexibility to form a wide variety of shapes and sizes without further processing. These factors make magnets utilizing Magnequench Powders better suited for applications that require small sizes or complex shapes.

Magnequench works closely with motor and sensor manufacturers to design Magnequench Magnets into a broad range of applications which require various magnetic and mechanical properties. Magnequench Magnets use newly developed and/or optimized Magnequench Powders in order to ensure the greatest value is provided to its customers.

Magnequench is also focused on developing grades of powder designed specifically for certain applications by improving the powder's physical or mechanical properties, such as thermal stability. Superior thermal stability is particularly important for magnets subjected to higher than room temperature environments. Such materials maintain their magnetic properties in these relatively high temperatures (such as under the hood of a car) and are also ideal for automotive applications, an area identified by Magnequench as a potential growth opportunity.

At its Essex facility, Magnequench manufactures soft magnetic components. These components are cutting-edge material technology that employs coated iron particles to achieve multi-dimensional magnetic properties in parts used for electric drive motors and rapid-action solenoids.

### ***Applications***

Magnequench's products are ultimately incorporated into a wide range of end-market applications. In the automotive industry, these include components such as motors and sensors for power steering, seat adjustment, trunk motors, LiDAR systems, traction motors, fuel and water pumps, valves and steering position sensors. Magnequench products are also integral for computer and office equipment such (i.e. HDD and multifunction printers), as well as home appliances (i.e. vacuum cleaners, hairdryers, fans, refrigerators and air conditioners), residential heating and cooling circulation systems, consumer electronics (i.e. smartphones) and industrial applications (i.e. factory automation robotics).

For example, NdFeB magnets are used in traction motors in hybrid and pure electric vehicles. They allow for greater energy efficiency by improving the precision of motor operations in automotive electronic power steering and improving the torque density of motors used in various automotive pump systems. NdFeB magnets also reduce overall vehicle weight, while the smaller size of the motors allows for increased functionality and comfort within the passenger compartment.

The combination of the magnetic intensity and manufacturability of bonded NdFeB magnets creates potential uses that cannot be economically achieved by other types of permanent magnets, an aspect that is expected to drive future growth.

### ***Customers***

Longstanding customer relationships position Magnequench to identify future uses for its products and capitalize on these trends by utilizing Neo's global sales force and R&D capabilities. This is evident in the case of the HDD market segment, which was historically the primary end market for Magnequench Powders. As this market slowed, Magnequench was able to identify new automotive applications and maintain financial strength in the segment.

In 2023, Magnequench's top 10 customers accounted for over 67% of total segment's sales, with the largest customer accounting for approximately 25%. Longstanding customers of the Magnequench segment include Daido Electronics Co., Ltd., Grundfos Operations A/S and MATE Co., Ltd., among others.

### ***Sales and Marketing***

Magnequench maintains a local sales force presence in all major geographic areas in which Neo operates in order to serve regional supply chains. There are a total of 17 people on the sales and marketing team. All of the frontline sales managers have technical backgrounds which ensures immediate response to customers' technical enquiries.

The sales group demonstrates the benefits of Neo's products to customers and helps develop solutions for magnet makers and magnet users. This group is paired with a highly skilled applications team that leads technical marketing efforts.

### ***Competition***

Within the NdFeB magnet industry, Magnequench is specifically focused on bonded and hot deformed magnets. Hot deformed magnets compete directly with sintered magnets, which are the most common form of NdFeB magnet. Bonded magnets primarily compete with ferrite magnets. The market for bonded magnets is, in part, a result of end applications' requirements to improve performance, while also reducing size and weight. For example, ferrite magnets are used in the majority of automotive seat motors. However, as automobile manufacturers increase the functionality of car seats, the number of motors in the seat proliferates, and smaller sizes of motors are often preferred to larger ferrite-based motors. Sintered magnets, on the other hand, have higher magnetic properties and are found in applications without size or shape constraints. Sintered magnets, which compete directly with hot deformed magnets, are used in applications such as HEV traction motors and wind turbines. Within the ferrite magnet market, Neo primarily competes with TDK Corporation, Proterial, Ltd. and Beijing General Research Institute of Metals & Metallurgy. Within the sintered magnet market, Neo primarily competes with ShinEtsu Chemical, Proterial, Ltd. and Beijing San Huan New Material Hi-Tech, Ltd.

Prior to the expiration of patents protecting the production process of Magnequench Powders in 2014, management believed it accounted for approximately 90% of magnetic powders in the bonded and hot deformed magnetic powder market. Since the expiration of those patents, according to management estimates, Magnequench's market share has stabilized at approximately 50% to 55% market share in the bonded NdFeB market. The majority of this market share loss was in lower technology applications. Magnequench remains the leader in higher value, higher technical applications, including applications to support the electrification of automobiles. The remainder of the market is supplied by various Chinese producers. Within the hot deformed and bonded magnet markets, Neo primarily competes with Jiangwu Rare Metals New Material Co. Ltd. and Beijing Sanjili New Materials Co. Ltd.

Magnequench Magnets, in addition to competing with other magnetic materials, competes with companies like Zhejiang Innuovo Magnetics Co., Ltd., Ningbo Yunsheng Co., Ltd. and Chengdu Galaxy Magnets Co., Ltd.

### ***Research and Development***

Magnequench has industry-leading R&D facilities, enabling continued technical advancement as well as the expansion of the use of bonded and hot deformed NdFeB magnets in new end applications. The R&D group has 21 members and is comprised of a materials science team, a polymer development team, an applications technology team and a magnet process development team.

Magnequench focuses on the rapid innovation of new compositions of its Magnequench Powders by leveraging its materials science and polymer development teams in Singapore, Tianjin, China and Korat, Thailand. These teams design new powders to meet specific market needs, typically by modifying alloy compositions to alter the magnetic or mechanical attributes of the powder. Rapid sampling of new possible Magnequench Powder grades is carried out in Singapore on a lab scale and then transferred to the production facilities in China and Thailand. These teams also lead the efforts to improve the understanding of fundamental Magnequench rapid quenching technology and then push the boundaries of the NdFeB alloy system. The polymer development team modifies both the composition and the process of compounding metal powder with plastic binders, which enhances certain mechanical and thermal resistance properties of the resultant magnets, enabling magnets to work in harsher environments without breakage or degradation of magnetic properties.

The applications technology team works with motor manufacturers to design and optimize bonded NdFeB magnets for their applications. The team works closely with micro motor designers in order to take market share from ferrite and sintered, as well as improve the performance of existing micro motors. The applications technology team interacts closely with the materials science and magnet business teams to enable new applications for bonded NdFeB magnets. The cooperation between the R&D teams ensures that the latest Magnequench material, polymer, and magnet design developments are

"designed in" at the beginning of the motor design phase. Current projects slated for this team in 2024 include various customer led initiatives aimed at designing and optimizing motors used in vacuum cleaners, hair dryers, seats, pumps, door and trunk lift assemblies for automobiles.

Magnequench's magnet team develops and optimizes magnet designs to ensure their manufacturability and cost-performance. The magnet team previously concentrated on producing and providing magnet samples to prove the concepts of the designs developed by the applications technology team and motor manufacturers, thereby linking the various Magnequench R&D teams with the motor customers. This team is now part of the larger Magnequench Magnet effort, bringing its application knowledge and Magnequench Powder expertise to hasten the development of the magnet business. This team is also responsible for continuing to identify and develop new manufacturing technologies and other magnet making process improvements.

### ***Sourcing of Raw Materials***

Magnequench's Tianjin facility sources its Nd and Pr raw materials primarily from Chinese critical minerals processors, while its Korat, Thailand operation sources material from NPM Silmet and third parties outside China. The main material sourced from NPM Silmet is neodymium oxide. This oxide must be converted into metal form before it can be utilized by Magnequench. The conversion process is outsourced to a related third party pursuant to a toll processing agreement with GQD Special Material (Thailand) Co. Ltd. ("**GQD**"), a Thai joint venture in which Neo owns a 20% interest (see "*Corporate Structure – Intercorporate Relationships*"), which operates a production facility in Rayong, Thailand. At the Tianjin facility, much of the raw material that goes into the production of Magnequench Powders is stored at its facilities on a consignment basis and purchased as consumed.

From a supply chain perspective, Magnequench benefits from several competitive advantages that help contribute to its market leading position in bonded and hot deformed NdFeB magnets. Magnequench's longstanding relationships with its key suppliers in China, as well as its alternative source of supply through internal procurement and from outside of China, provide it with a balanced supply chain. Magnequench also has the ability to source its supply from C&O. Customers value the security provided by this ability to source material from both inside and outside of China. In addition, the consignment agreements at Tianjin allow Magnequench to maintain a highly efficient supply chain, and volatility of input costs is managed through pricing mechanisms that allow Magnequench to pass input costs on to customers with short lag times.

The Magnequench Magnet business uses Magnequench Powders as its primary raw material input.

### ***Production Facilities***

	<b>Tianjin</b>	<b>Korat</b>	<b>Chuzhou</b>	<b>Essex</b>
<b>Location</b>	• Tianjin, China	• Korat, Thailand	• Chuzhou, China	• Essex, UK
<b>Type</b>	• NdFeB Powder manufacturing	• NdFeB Powder manufacturing	• NdFeB Magnet manufacturing	• NdFeB Magnet and soft magnetic component manufacturing
<b>Products</b>	• NdFeB powders and magnets	• NdFeB powders	• NdFeB Magnets	• NdFeB Magnets and soft magnetic components

	Tianjin	Korat	Chuzhou	Essex
<b>Nameplate Capacity</b>	• 7,200	• 1,800		
<b>Powder (mT)</b>				
<b>Magnets &amp; Components (million pieces)</b>	• 18		• 180	• 60
<b>Primary Applications</b>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• HDD</li> <li>• Factory automation</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• HDD</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer electronics</li> <li>• Automotive</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer electronics</li> <li>• Automotive</li> </ul>
<b>Certifications</b>	<ul style="list-style-type: none"> <li>• IATF16949:2016</li> <li>• ISO 9001:2015</li> <li>• ISO 14001:2015</li> <li>• ISO/IEC 27001:2013</li> <li>• OHSAS18001:2007</li> <li>• IECQ HSPM QC080000:2017</li> <li>• RoHS Directive 2002/95/E</li> <li>• EcoVadis – Silver</li> <li>• Accredited by SGS &amp; BSI</li> </ul>	<ul style="list-style-type: none"> <li>• IATF16949:2016</li> <li>• ISO45001:2018</li> <li>• ISO 9001:2005</li> <li>• ISO 14001:2015</li> <li>• ISP 50001:2018</li> <li>• IECQ HSPM QC 080000:2017</li> <li>• EcoVadis – Gold</li> <li>• GLP</li> </ul>	<ul style="list-style-type: none"> <li>• ISO9001:2015</li> <li>• IATF16949:2016</li> </ul>	<ul style="list-style-type: none"> <li>• IATF16949:2016</li> <li>• ISO14001:2015</li> <li>• ISO 9001:2015</li> </ul>
<b>Neo Ownership</b>	• 100%	• 100%	• 100%	• 90%

### *Tianjin Facility*

The Tianjin facility is a NdFeB magnetic powder, magnetic compound, and magnet manufacturing facility situated on approximately 15 acres of land in Tianjin, China about 90 kilometres south-east of Beijing. The magnetic powder manufacturing facility utilizes 12 proprietary, highly sophisticated melt spinning machines or jet casters. Magnequench's magnet business team and its development laboratory are located at the Tianjin facility. Magnequench (Tianjin) Co., Ltd., the entity that operates the Tianjin facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

### *Korat Facility*

The Korat facility is a NdFeB magnetic powder and compound manufacturing facility situated on approximately six acres of land in Korat, Thailand, about 250 kilometres northeast of Bangkok. The NdFeB magnetic powder manufacturing facility utilizes three proprietary, highly sophisticated melt spinning machines or jet casters. Magnequench (Korat) Co. Ltd., the entity that operates the Korat facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

Both the Tianjin and Korat facilities have the capability to manufacture the full suite of Magnequench NdFeB magnetic powder and compound products, giving Neo flexibility to allocate production as needed.

### *Chuzhou Facility*

The Chuzhou facility is a NdFeB magnet manufacturing facility situated on approximately four acres of land located approximately 385 kilometres northwest of Shanghai in the city of Chuzhou, Eastern Anhui Province, China. Magnequench

Magnetics (Chu Zhou) Co., Ltd., the entity that operates the Chuzhou facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

### *Essex Facility*

The Essex facility is a NdFeB magnet and soft magnetic composite component manufacturing facility situated on approximately four acres of land located approximately 16 kilometres east of the City of London, UK. SGTec, the entity that operates the Essex facility, is 90% owned subsidiary of Neo. See "*Corporate Structure - Intercorporate Relationships*".

## **Chemicals and Oxides Segment**

### ***Overview***

The C&O segment manufactures and distributes a broad range of advanced industrial materials that have become an indispensable part of modern life. The primary focus of the C&O segment is the production of specialty chemicals and advanced industrial materials for use in auto catalysts, wastewater treatment, medical, petroleum refinement, chemical catalysis, advanced electronics, and other end market applications, including the production of cerium, lanthanum, neodymium, praseodymium and zirconium oxides and salts.

From Neo's ZAMR and NPM Silmet production facilities in Zibo, China and Sillamäe, Estonia, Neo produces advanced industrial materials for use in auto catalysts, stationary catalysts, petroleum refining and other chemical catalysts, magnets, hybrid and electric vehicles, water treatment, consumer electronics, and a number of other applications.

### ***Products***

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Neo's advanced industrial materials are critical to the performance of many everyday products and emerging technologies. These include environmental emission-control catalysts for automobiles and LDVs, magnetics, crude oil refining, advanced and consumer electronics (including smartphones), high efficiency lighting, high-precision lenses and optics, superalloys, engineered ceramic, lithium ion batteries and many others.

Neo also produces specialty chemicals used in wastewater treatment systems. Neo's proprietary product is a high-performance, water-soluble coagulant that has a very strong attraction to phosphorus. Neo's wastewater treatment products generate less chemical sludge than other coagulants and are comprised of a non-hazardous solution that does not stain or discolour facility structures or equipment in comparison to the current treatment methods used in most facilities.

### ***Applications***

Neo's products in the C&O segment are used in a wide array of applications including catalysts, magnets, phosphors, glass, ceramics, electronics, energy storage and others (including wastewater treatment).

### ***Auto Catalysts***

Neo's products are used to improve the catalytic activity and thermal stability of auto emission catalysts. Catalytic functionality is provided by a mixture of PGM and a washcoat that includes alumina, barium, certain critical minerals, zirconia and other inorganics. The system is under continual development in order to provide for enhanced performance as well as more efficient use of the PGM. The largest markets for auto catalysts are North America, Europe and Japan, China, India, Thailand and the rest of the world is increasing due to increasingly stringent environmental standards.

### *Magnetics*

Neo's products are used in both sintered and bonded NdFeB magnet applications. Neo takes advantage of the vertical integration of its business model and manufactures certain material inputs to sell to the Magnequench segment in the event that these material inputs are not sold to third party customers.

### *Glass and Ceramics (Electronics)*

High purity lanthanum is used in glass formulations for photography, security video cameras, photocopiers, eyeglasses and high-precision lenses. Lanthanum gives certain desirable properties to glass, including a high refractive index and a high degree of transparency and light transmission. Gadolinium is also used for specialty applications such as lenses for high-definition cameras.

Neo's specialty chemicals are also used in a variety of electronic ceramic (dielectric) components. The flow of electrical signals on every printed circuit board used in electronic devices is regulated and controlled by the use of dielectric chips known as MLCCs. A large portion uses Neo's formulations containing dysprosium and neodymium of high purity and other precisely engineered physical properties. Other applications using Neo's specialty chemicals include microwave filter chips for mobile communication devices, such as smartphones and other handheld devices. Neo's high purity yttrium has recently been approved for use in lithium ion batteries for electric vehicles helping to extend battery life.

### *Customers*

C&O derives significant value from its longstanding customer relationships and experience built over the last three decades. Its R&D activities have played an important role in building these relationships and are important to C&O's client acquisition and retention strategy. As a result of close collaboration with customers, C&O enjoys preferred supplier status on competitive new business and contract renewals.

In 2023, C&O's top 10 customers accounted for approximately 59% of the total C&O segment's sales, with the largest customer accounting for approximately 17%. Longstanding customers include BASF, Johnson Matthey, the Mitsubishi group of companies, the Mitsui group of companies, Murata Manufacturing Co., Ltd., and Umicore.

### *Sales and Marketing*

The C&O sales organization consists of 16 people located across three continents in order to support customers on a local level. The primary sales activities are deployed on a regional basis while certain large multinational customers are managed globally. The sales team members report to a sales director who has responsibility for the segment's global sales.

Ten members of the sales team focus exclusively on sales for the C&O business segment while the remainder also provide support for the Rare Metals or Magnequench segments. This integration allows for continuity of customer coverage across all three business segments. The customer service function and sales and inventory management are co-located in the sales offices in North America, China, Estonia, Japan and South Korea. Each local sales office has customer service support staff to facilitate customer orders.

### *Competition*

Neo has made significant investments in state-of-the-art analytical, quality and process control systems and procedures to differentiate itself from its competitors. Neo was the first international producer in China to achieve certain international ISO certifications for quality, safety and environmental. Another key competitive advantage that Neo has over its competitors is its extensive global marketing and sales support team, which is indispensable in terms of Neo's relationships with its customers. These operations provide development and applications engineering support for customers' current and future requirements, resulting in market leading products and services. Neo's unique positioning provides competitive



advantages over competitors by allowing for superior products and services while abiding by a high standard of corporate governance.

Neo has the advantage of being a lower-cost producer of its specialty chemicals and advanced industrial materials by virtue of its unique access to high-quality critical mineral reserves in China supported by that nation's lower operating cost structure. At the same time, Neo is able to produce products that meet the most stringent standards of its customers. Relative to its competitors, it has a combination of lower costs with equivalent or higher quality products and multi-lingual sales engineers located globally in Neo's target market areas.

Neo competes with companies that operate in both the specialty chemical and advanced industrial materials markets.

In advanced industrial materials markets, Neo currently competes in the auto catalyst segment with Rhodia S.A. ("**Rhodia**", a division of Solvay S.A.), Magnesium Elektron Ltd. (a division of the Luxfer Group) and Daiichi Kigenso Kagaku Kogyo Co. Ltd. ("**DKKK**") and in other high value applications with ShinEtsu Chemicals Co., Rhodia and DKKK. Neo has been able to establish and grow its market share by leveraging the cost advantage of having its primary auto catalyst manufacturing facility in China. Neo has installed auto catalyst capabilities at its Silmet facility for continued product growth in Europe. In the specialty chemicals markets, Neo competes primarily with two state-owned enterprises in China as well as with Lynas Corporation Ltd.

### ***Research and Development***

Neo conducts the majority of its R&D internally. It collaborates with key customers who evaluate the materials and provide feedback. Collaboration with selected research and educational institutions further augments Neo's R&D capabilities. The vast majority of products are designed with specific client requirements in mind.

Commercialization of these materials vary by product, product line and target market based on the client's qualification process. The timing of commercialization can be shortened or lengthened depending on the degree of customization and the applications involved. For example, commercialization in auto catalyst applications can take up to four to five years. Neo's established relationships and qualifications have positioned C&O among the technology leaders in the critical minerals sector. These relationships are a barrier to entry for new competitors who must build relationships and go through extensive qualification periods in order to be competitive.

Neo's R&D centres work closely with customers and research institutions on applied research and novel product developments which, upon customer acceptance, are transferred to full production at Neo's manufacturing facilities. The C&O R&D tasks are distributed among 61 scientists in four global locations: Zibo, China, Jiangyin, China, Singapore and Sillamäe, Estonia. Application support is provided by region, expertise and market location. The ZAMR, JAMR and NPM Silmet R&D groups are attached to their respective production facilities, and in addition to applied research, they employ their expertise to product scale-up and process development.

The Singapore and Estonia groups are involved with customer applications and materials innovation for their respective markets. With the large growth and innovative product development in the European auto catalyst sector, the Estonian facility is involved in the development of specialty chemicals and advanced industrial materials for the auto catalyst market. Similarly, growth in the Asian auto catalyst and electronics applications markets are supported out of Singapore.

### ***Sourcing of Raw Materials***

The raw materials required for C&O are critical minerals that are obtained from China and non-China sources. In China, the ZAMR and JAMR facilities are subject to annual processing quotas in China, when domestic feedstock is used, of approximately 1,500 tonnes (REO) and 1,100 tonnes (REO), respectively. Both provide a degree of vertical integration as they have the ability to purchase and separate specialty chemicals for their own internal use and/or to sell to third parties. ZAMR and JAMR may use RE concentrates from outside China, which may enable them to produce more than the allotted

quota limits. The balance of the material inputs needed by C&O can be purchased from a number of alternative suppliers in Australia (via Malaysia), United States, Myanmar, Russia and China. Neo's ability to produce certain specialty chemicals is contingent upon quotas received from the Chinese government. See "*Risk Factors – Changes in China's Regulation of the Rare Earths Industry*".

### ***Production Facilities***

	<b>ZAMR/NAMCO</b>	<b>JAMR</b>	<b>Silmet</b>
<b>Location</b>	• Zibo, China	• Jiangyin, China	• Sillamäe, Estonia
<b>Type</b>	• Processor of critical minerals	• Processor of critical minerals	• Process of critical minerals
<b>Products</b>	• Specialty chemicals used in the production of auto catalysts, magnetic materials, glass formulations, water treatment and electronic components including MLCCs		
<b>Nameplate Capacity (mT)</b>	• 6,500	• 4,500	• 3,200
<b>Primary Applications</b>	• Auto catalysts	• Various	• Various
<b>Certifications</b>	• ISO/ATF16949:2016 • ISO14001:2016 • ISO45001:2016	• ISO9001:2015 • ISO14001:2016 • ISO45001:2016	• ISO9001:2016 • ISO14001:2016 • ISO45001:2016
<b>Neo Ownership</b>	• 98%	• 95%	• 100%

### ***ZAMR/NAMCO Facility***

ZAMR/NAMCO's critical minerals processing plant is located approximately 21 kilometres from the center of Zibo, an industrial center in Shandong Province, China. The plant site consists of 18 buildings on 15 acres. The ZAMR/NAMCO facility produces a variety of specialty chemicals and advanced industrial materials, including high quality zirconium products and auto (emission) catalysts. ZAMR's RE separation production capabilities currently exceed its allowed production quotas (from China raw material sources) and management believes that as the applicable government authorities continue their efforts to curtail unlicensed production or to continue to permit non-China material, this facility could benefit from an increase in the annual production quota and has excess capacity to accommodate higher volumes.

ZAMR is a joint venture in which Neo holds a 98% indirect interest with the remaining 2% owned by local management. See "*Corporate Structure – Intercorporate Relationships*". See also "*NAMCO Relocation*".

### ***JAMR Facility***

JAMR's critical minerals processing plant is located approximately 150 kilometres from Shanghai in the city of Jiangyin, Jiangsu Province, China. The plant consists of 25 buildings on approximately 20 acres. The JAMR facility refines various critical minerals to produce a range of specialty chemicals and advanced industrial materials for customers in the high-tech industries in international and Chinese markets. These customers, in turn, manufacture products such as permanent NdFeB magnets, electronic components, display phosphors, optical glass, contrast agents for medical injections and water treatment additives. The JAMR facility is located approximately three kilometres from the Yangtze River Port, which facilitates international shipments. This plant is in close proximity to a large thermal power plant run by Jiangsu Ligang Electric Power Co. Ltd., which provides sufficient power to JAMR. JAMR's production is currently equivalent to its licensed separation quotas, but with light and heavy rare earths being supplied from an international source, JAMR is producing over

quota limits. Management believes that as the applicable government authorities continue their efforts to curtail unlicensed production or to continue to permit non-China material, this facility could benefit from an increase in the annual production quota and has excess capacity to accommodate higher volumes. JAMR currently utilizes domestic and international critical minerals feedstock to maximize its processing capacity. JAMR is a joint venture in which Neo holds a 95% indirect interest with the remaining 5% owned by local management. See "*Corporate Structure – Intercorporate Relationships*".

### *Silmet Facility*

This facility consists of various manufacturing, research and administration buildings located on 67 acres of land in Sillamäe, Estonia, approximately 200 kilometres from Tallinn, the Estonian capital. At the Silmet facility, the C&O segment transforms critical minerals feedstock into various specialty chemicals. The Silmet facility is currently the only operating rare earth solvent extraction plant in Europe. The main equipment utilized for production at the Silmet facility include electron beam furnaces, shaft furnaces for aluminothermy reduction, rotary tube furnaces and various precipitation tanks. The Rare Metals segment also operates at the Silmet facility. See "*Rare Metals Segment – Silmet Facility*." NPM Silmet, the entity that operates the Silmet facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

The C&O business segment also operates sales and R&D offices through several subsidiaries.

## **Rare Metals Segment**

### *Overview*

The Rare Metals segment sources, produces, reclaims, refines and markets high-value rare metals and their compounds. These products include both high temperature metals (tantalum, niobium, hafnium and rhenium) and electronic metals (gallium and indium). Applications from products made in this segment primarily include superalloys for jet engines and medical imaging. Other applications include their use in batteries, solar and wind power generation, alloy additives, displays and electronics applications.

The Rare Metals segment has four production facilities across three continents in North America (Canada and the U.S.) and Europe (Estonia and Germany).

### *Products*

The rare metal-based products Neo produces include tantalum, niobium, gallium, hafnium, rhenium and indium. Rare Metals are physically and chemically different from rare earths. Unlike rare earths, rare metals are diverse and share few overarching similarities. These products are used in a broad range of end markets including aerospace, integrated circuits, superconductors, LED lighting, medical imaging and mobile communication, among others.

### *Applications*

Neo's refractory metals (tantalum, niobium, rhenium and hafnium) used in superalloys for turbine blades enable high temperature operation and efficient combustion of these advanced engines, resulting in a lower carbon footprint and improved fuel efficiency. Other applications for Neo's Rare Metals segment include medical imaging, solar and wind power generation, alloy additives and displays.

### *Customers*

In 2023, the Rare Metals segment's top 10 customers accounted for approximately 76% of the total segment's sales, with the largest customer accounting for approximately 28%. Longstanding customers include ICD Alloys, PCC Group, H.C.

Starck, Materion Corporation, Metalink Special Alloys, ATI Special Alloys, Sumitomo Electric and Tokyo Denkai Co., Ltd.

### ***Sales and Marketing***

Sales in this segment are handled by a dedicated team of eight local salespeople, with most members of the sales group having over 15 years of relevant industry experience.

As the closest market participants, Rare Metals' sales professionals also have responsibility for sourcing raw materials. The dual-role allows the Rare Metals segment to manage the impact of pricing volatilities across all markets. The Rare Metals segment sources its materials conflict-free from Africa, South America and Asia.

### ***Competition***

#### *Tantalum*

The tantalum market is mainly comprised of large, global companies that have a high degree of downstream vertical integration (i.e. processing and fabrication). However, these competitors do not mine raw materials, and thus source their key inputs from the same markets as Neo. Major competitors in the tantalum market include Ningxia Orient Group Co Ltd., Ulba, a Kazatomprom Company, H.C. Starck, Sumitomo Electric, AMG Brasil and Ximei.

#### *Niobium*

A major competitor in the niobium market is Companhia Brasileira de Metalurgia e Mineração, a privately held Brazilian company that is a leading niobium producer and the sole company present in all niobium market segments (including the ferro-niobium, superalloy and superconductive segments). Other major competitors to Neo in the niobium market include Ningxia Orient Group Co Ltd., AMG Brasil and Ximei.

#### *Gallium*

In the gallium business, there are six major competitors, with the majority located in Japan. The major competitors outside of Japan include Nanjing Jinmei Gallium, Vital Materials Co. Ltd., 5N Plus Inc., CMK Ltd. and Indium Corporation.

### ***Research and Development***

The dedicated Rare Metals R&D group at NPM Silmet consists of eight scientists, engineers and technicians who focus on the introduction of new feed materials and the development of rare metal oxides and superalloys additives. The group has historically focused on production, support and continuous process improvements, but has more recently transitioned to developing value-added products, as well as cost reduction improvements.

The Rare Metals segment also conducts R&D at their facility in Peterborough, Ontario. This group has seven scientists, engineers and technicians who focus on the production and recycling of minor metals such as rhenium, as well as indium and other electronic metals. This dedicated group works on technology and new product development, as well as process improvement and plant support. This group also does pre-development work for new flowsheets and is responsible for project management of new technological opportunities worldwide.

### ***Sourcing of Raw Materials***

The Rare Metals segment sources its materials conflict-free from Africa, South America and Asia. Neo has held a conflict-free certification from the EICC every year since 2014, when it received official certification for the period covering 2013. This certification is an important element of customer relations, as many customers consider the certification a key criterion

in determining their sourcing decisions. The certification is awarded annually and provides proof that Neo's products do not contain "conflict minerals" from the Democratic Republic of Congo or an adjoining country.

### ***Production Facilities***

	<b>Silmet</b>	<b>Buss &amp; Buss</b>	<b>Quapaw</b>	<b>Peterborough</b>
<b>Location</b>	<ul style="list-style-type: none"> <li>Sillamäe, Estonia</li> </ul>	<ul style="list-style-type: none"> <li>Sagard, Germany</li> </ul>	<ul style="list-style-type: none"> <li>Quapaw, Oklahoma</li> </ul>	<ul style="list-style-type: none"> <li>Peterborough, Ontario</li> </ul>
<b>Type</b>	<ul style="list-style-type: none"> <li>Refinery</li> </ul>	<ul style="list-style-type: none"> <li>Recycling and alloy production</li> </ul>	<ul style="list-style-type: none"> <li>Chemicals</li> </ul>	<ul style="list-style-type: none"> <li>Recycling</li> <li>Upgrading</li> <li>Chemicals</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>Nb</li> <li>Ta</li> </ul>	<ul style="list-style-type: none"> <li>Ta</li> <li>Re (metal &amp; salt)</li> <li>Hf compounds</li> </ul>	<ul style="list-style-type: none"> <li>GaCl<sub>3</sub></li> <li>Ga<sub>2</sub>O<sub>3</sub></li> <li>InCl<sub>3</sub></li> <li>TaCl<sub>5</sub></li> </ul>	<ul style="list-style-type: none"> <li>Ga</li> <li>In</li> <li>Ga(NO<sub>3</sub>)<sub>3</sub></li> </ul>
<b>Nameplate Capacity (mT)</b>	<ul style="list-style-type: none"> <li>Ta: 50</li> <li>Nb: 250</li> </ul>	<ul style="list-style-type: none"> <li>Ta: 40</li> <li>Re (metal): 4</li> <li>Hf: 20-25</li> </ul>	<ul style="list-style-type: none"> <li>GaCl<sub>3</sub>: 97</li> <li>Ga<sub>2</sub>O<sub>3</sub>: &gt;1</li> <li>InCl<sub>3</sub>: 2.5</li> <li>TaCl<sub>5</sub>: &gt;1</li> </ul>	<ul style="list-style-type: none"> <li>Ga /In: 25-35</li> <li>Ga(NO<sub>3</sub>)<sub>3</sub>: &gt;10</li> </ul>
<b>Primary Applications</b>	<ul style="list-style-type: none"> <li>Superalloys</li> <li>Superconductive wires</li> </ul>	<ul style="list-style-type: none"> <li>Superalloys</li> </ul>	<ul style="list-style-type: none"> <li>LED lighting (white LED)</li> <li>Li batteries</li> <li>IC chips</li> <li>Capacitors</li> </ul>	<ul style="list-style-type: none"> <li>LED lighting</li> <li>Recycled solar</li> <li>Li batteries</li> <li>Catalyst</li> </ul>
<b>Certifications</b>	<ul style="list-style-type: none"> <li>ISO9001</li> <li>ISO14001</li> <li>ISO45001</li> <li>Responsible Minerals Initiative</li> </ul>	<ul style="list-style-type: none"> <li>ISO9001</li> </ul>	<ul style="list-style-type: none"> <li>ISO9001</li> </ul>	<ul style="list-style-type: none"> <li>ISO9001</li> </ul>
<b>Neo Ownership</b>	<ul style="list-style-type: none"> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>50.1%</li> </ul>	<ul style="list-style-type: none"> <li>80%</li> </ul>	<ul style="list-style-type: none"> <li>100%</li> </ul>

### ***Silmet Facility***

This facility consists of various manufacturing, research and administration buildings located on 67 acres of land in Sillamäe, Estonia, approximately 200 kilometres from Tallinn, the Estonian capital. At the Silmet facility, the Rare Metals business segment has extensive experience manufacturing niobium and tantalum rare metal products. The main equipment utilized for production at the Silmet facility include e-beam furnaces. The C&O segment also operates at the Silmet facility. See "*C&O Segment – Silmet Facility.*" NPM Silmet, the entity that operates the Silmet facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships.*"

### ***Buss & Buss Facility***

Located in Sagard, Germany and approximately 300 kilometres north of Berlin, this facility recycles hafnium and tantalum scrap using primarily a pyrometallurgical process to produce tantalum metal. This plant also recycles rhenium from superalloys, producing both catalyst grade and high purity rhenium metal pellets. The plant site consists of two attached buildings on approximately 1.1 acres, and one leased building, opposite of the existing site. Neo indirectly owns 50.1% of the joint venture that owns this facility, with the remainder owned by one of the founders of the facility. See "*Corporate Structure – Intercorporate Relationships.*"

### *Quapaw Facility*

Located in Quapaw, Oklahoma, the plant site consists of three buildings on five acres of land. The facility, formerly known as Gallium Compounds, is recognized as a leading manufacturer of GaCl<sub>3</sub>. Neo Rare Metals (Oklahoma), LLC, the entity that operates the Quapaw facility, is an indirect 80% owned subsidiary of Neo with the remaining 20% owned by the founders of the Quapaw facility. See "*Corporate Structure – Intercorporate Relationships*".

### *Peterborough Facility*

Located in Peterborough, Ontario, approximately 140 kilometres northeast of Toronto, the plant site consists of one building on approximately 1.7 acres. The plant is a hydrometallurgical plant recovering gallium and indium rare metals from manufacturers waste and residue. The facility also upgrades these rare metals into the 6N to 8N purity range and produces gallium nitrate from recycled gallium. Neo Performance Materials ULC, the entity that operates the Peterborough facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

## **Corporate Segment**

Neo's head office is located in Toronto, Ontario, with additional corporate offices in Greenwood Village, Colorado, Singapore and Beijing, China. The functions of the head office include finance, administration, information technology, accounting and legal.

## **Environmental**

Neo's operations are subject to numerous detailed and increasingly stringent international, national, federal, provincial, state and local environmental laws, regulations and permits affecting the processing industry, including those pertaining to environmental permitting and licensing, air quality, greenhouse gas, water usage, wastewater, pollution, waste management, handling and disposal of radioactive materials and waste and groundwater quality and availability.

The Silmet facility operates under an Integrated Environmental Permit ("**IEP**") that regulates its air pollution, solid and hazardous wastes, water, and wastewater. The IEP is issued for an indefinite period and is reviewed if NPM Silmet expands its operations. Historically, NPM Silmet held several radiation practice licences related to its production of tantalum and niobium. NPM Silmet no longer processes feedstock that contains naturally occurring radioactive materials ("**NORM**"), but does produce tantalum and niobium using alternative feedstocks that it is permitted to process. See "*Risk Factors – Environmental Liability Exposure*".

Neo's joint ventures in China, JAMR, ZAMR and NAMCO, are subject to Chinese national and local environmental protection laws, regulations and permits, which currently impose a graduated schedule of fees for the discharge of waste substances, require the payment of fines for discharges exceeding prescribed standards, and provide for the closure of any facility that fails to comply with orders requiring it to cease or remedy certain activities causing environmental damage. JAMR and ZAMR produce wastewater from their mineral processing recovery operations. JAMR's wastewater currently meets applicable environmental standards. JAMR pays an agreed fee once a year for the discharge of its wastewater. In the case of ZAMR, the plant was designed to make use of wastewater discharge facilities of an adjacent petrochemical complex, and ZAMR pays a variable monthly charge based on usage. ZAMR and NAMCO are also obliged to pay a monthly environmental administration fee to the municipal government of Linzi.

### *Air Pollution Control*

The IEP issued to Silmet regulates air emissions from the facility. Neo's operations in China, Canada and Thailand are also subject to the air emission laws, regulations and permits of those countries.

### *Hazardous and Radioactive Substances and Wastes*

Neo generates and manages solid and hazardous wastes, which are governed by the IEP. The storage and disposal of low-level radioactive wastes at the Silmet facility are governed by the Radioactive Practice Licenses referenced above. The Silmet facility was constructed in 1948 and has since been used for, among other industrial purposes, the processing of uranium ore and alum shale. In addition, the long history of industrial operations at Silmet may have caused soil, surface water and groundwater contamination at and around the facility. Radioactive materials are present at the Silmet facility and Neo incurs costs to manage and dispose of such materials.

As part of the recycling of gallium and indium scrap into salable metal, waste material is generated during the leaching process. Neo has adequate procedures in place to ensure that these wastes are appropriately contained and disposed of. Neo's Canadian operations in Ontario are subject to federal, provincial, and local regulation and must periodically submit documentation to validate the waste disposal process throughout the year.

Like many other Chinese processors of critical minerals, JAMR generates and stores NORM residue derived from the processing of mineral inputs. JAMR is subject to Chinese national and local environmental protection regulations that govern the handling and storage of this NORM. The Chinese government has yet to finalize legal requirements for the ultimate disposition of NORM stored at JAMR, although management believes that the Chinese Ministry of Environmental Protection is considering various alternatives for the disposition of the NORM generated by all processors of mineral inputs.

### *Other Environmental Laws*

Neo is required to comply with numerous other international, national, federal, provincial, state and local environmental laws, regulations and permits in addition to those previously discussed. These additional laws include various Estonian, Chinese, Canadian, Thai, U.S. and European requirements.

### **Employment Matters**

Neo, its subsidiaries and joint ventures had an aggregate of 1,912 full-time employees worldwide as of December 31, 2023, including both corporate and plant level employees. Neo's operations in China and Estonia accounted for approximately 76% of employees.

### *Employee Headcount*

<b>By Geography</b>		<b>By Segment</b>		<b>By Function</b>	
Canada	59	Corporate	35	Executive	6
U.S.	39	C&O	736	Production	1,248
Europe	182	Magnequench	880	Logistics	97
Estonia	400	Rare Metals	261	Sales and Marketing	52
Japan	7			R&D	138
South Korea	4			Finance and Accounting	67
China	1,033			Administration	165
Singapore	32			Engineering	120
Thailand	131			Health & Safety	19
Germany	25				
<b>Total</b>	<b>1,912</b>	<b>Total</b>	<b>1,912</b>	<b>Total</b>	<b>1,912</b>

Pursuant to the Company Law of China, all Chinese businesses must have a legal representative who, according to Article 38 of the General Principles of Civil Law of China, "is the responsible person who acts on behalf of the legal person in exercising its functions and powers". The legal representative may take whatever actions are necessary for, among other things: (i) the general administration of the company (including the appointment and termination of any officer or employee); (ii) the consummation of legal transaction; or (iii) the allocation or acquisition of assets. The role of supervisor is to oversee the business and financial affairs of the applicable entity as well as supervising senior officers in performance of their duties. The applicable Chinese law, the articles of association and applicable shareholder agreements (or joint venture agreements, as applicable) specify how officers, directors and supervisors are appointed, elected and removed (being effected by resolution of the board or the decision of the shareholders of a particular entity, as the case may be), similar to the process set out in Canadian corporate statutes.

Jeff Hogan is the legal representative of JAMR, ZAMR and NAMCO; Greg Kroll is the legal representative of Magnequench (Tianjin) Company Limited ("**MQTJ**"), Magnequench International Trading (Tianjin) Co., Ltd. ("**MQTJ2**") and Magnequench Magnetics (Chu Zhou) Co., Ltd. ("**MQCZ**"); Michael Zhao, Financial Director of Magnequench, is the legal representative of Neo Performance Materials (Beijing) Co., Ltd. ("**Neo Beijing**"). Martin Sun, Chief Representative, is the supervisor of ZAMR, JAMR, NAMCO and Neo Beijing; Andy Zhang, Director of Engineering and Technology of Magnequench in China, is the supervisor of MQTJ; He Feng, MMS Director, R&D of Magnequench, is the supervisor of MQTJ2; and Emily Liu, Deputy Financial Director of Magnequench, is the supervisor of MQCZ. To mitigate against the risk that Neo may have difficulty terminating the legal representative for a particular entity, or the Chinese Subsidiaries losing effective control of its assets, each of the legal representatives and supervisors for Neo's material operating subsidiaries in China (being JAMR, ZAMR, MQTJ and MQTJ2) has signed and affixed the applicable Company Chop on an undated termination letter removing him or her as the legal representative, or supervisor, as applicable, which letter is being kept with Neo's corporate records at the Toronto offices of its legal counsel, Fogler, Rubinoff LLP. See "*Risk Factors – If the authorized users of our corporate chops fail to fulfill their responsibilities or misappropriate or misuse these corporate instruments, our business and operations could be materially and adversely affected*" for a description of the risks associated with the chops of Neo's subsidiaries in China.

### ***Occupational Health and Safety***

Neo actively promotes compliance with government requirements, international management standards (BSI-18001, ISO-14001 and OHSAS 18001/ISO 45001) and internal company standards that are developed when local standards are not found to be strong enough. Safety and environmental management standards are certified by external consultants and a formal, internal auditing system exists to promote compliance. Neo's accident rates indicate that Neo's performance is significantly better than the industry averages for comparable industries in the United States, and performance continues to improve.

## **DIVIDEND POLICY**

Neo has adopted a dividend policy, subject to the solvency restrictions in the OBCA, pursuant to which it anticipates, subject to applicable corporate and securities laws, paying cash dividends on the Common Shares to shareholders of Neo as of each dividend record date, targeted to be the last day of each calendar quarter. Since the second quarter of 2019, the quarterly dividend has been C\$0.10 per Common Share.

## **DESCRIPTION OF SHARE CAPITAL**

The following is a description of the material terms of the Common Shares and the Preferred Shares. The following description may not be complete and is subject to, and qualified entirely by reference to, the terms and provisions of Neo's articles of incorporation.



## Common Shares

Neo's authorized capital consists of an unlimited number of Common Shares without par value. The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Neo and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of Neo. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of Neo, are entitled to receive such dividends in any financial year as the Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Neo, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Neo, the remaining property and assets of Neo. As at the date of this AIF, there are 41,641,492 Common Shares issued and outstanding.

## Preferred Shares

The Board has the authority, without action by Neo's shareholders, to designate and issue an unlimited number of Preferred Shares in one or more series and to designate the rights, preferences and privileges of each series. The Preferred Shares of each series will rank on par with the Preferred Shares of every other series and, if so designated by the Board, will be entitled to preference over the Common Shares with respect to payment of dividends and distribution of any assets in the event of Neo's liquidation, dissolution or winding-up. Where Neo does not pay cumulative dividends in full with respect to a series of its Preferred Shares, the shares of all series of the Preferred Shares will participate rateably with respect to the accumulated dividends in accordance with the amounts that would be payable on those shares if all the accumulated dividends were paid in full.

The issuance of Preferred Shares and the terms selected by the Board could decrease the amount of earnings and assets available for distribution to holders of the Common Shares and/or adversely affect the rights and powers, including the voting rights, of the holders of the Common Shares without any further vote or action by the shareholders. Any series of Preferred Shares issued by the Board will have priority over the Common Shares in terms of dividend or liquidation rights or both. The issuance of Preferred Shares, or the issuance of rights to purchase Preferred Shares, could make it more difficult for a third party to acquire a majority of Neo's outstanding voting shares and thereby have the effect of delaying, deferring or preventing a change of control of Neo or an unsolicited acquisition proposal, and could make the removal of management more difficult. Additionally, the issuance of Preferred Shares may have the effect of decreasing the market price of the Common Shares. Neo has no current intention to issue any Preferred Shares.

## Rights Plan

Effective June 8, 2023 (the "**Effective Date**"), the Company adopted the Rights Plan.

The Rights Plan aims to require that take-over bids be made to all shareholders and to prevent a potential acquirer from entering into lock-up agreements with existing shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Rights Plan. The Rights Plan encourages fair treatment of all shareholders by providing shareholders with an equal opportunity to participate in a take-over bid. The Rights Plan encourages a potential acquirer to proceed by way of a take-over bid permitted by the Rights Plan (a "**Permitted Bid**"), which requires the take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board.

Pursuant to the Rights Plan, one right (a "**Right**") attached to each Common Share on the Effective Date. The Rights will separate from the Common Shares and will be exercisable ten trading days (the "**Separation Time**") after a person has acquired, or commences a take-over bid to acquire, 20% or more of the Common Shares, other than by a Permitted Bid. Each Right entitles the registered holder thereof to purchase from the Company one Common Share at an exercise price equal to five times the market price of a Common Share determined as at the Separation Time (the "**Exercise Price**").

The acquisition by any person (an "**Acquiring Person**") of 20% or more of the Common Shares, other than pursuant to certain exceptions in the Rights Plan, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person will

become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person) will entitle the registered holder to receive from the Company, upon payment of the Exercise Price, Common Shares having an aggregate market value equal to twice the Exercise Price. If a take-over bid is structured as a Permitted Bid, a Flip-in Event will not occur and the Rights will not become exercisable.

Until the occurrence of a Flip-in Event as to which the Board has not issued a waiver, the Board may elect to redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.000001 (subject to adjustment) per Right.

The Rights Plan will expire at the close of business on the date of the Company's 2026 annual meeting unless the continuation of the Rights Plan for an additional three-year period is approved by the Independent Shareholders (as defined in the Rights Plan) at that meeting. The forgoing summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual provisions of the Rights Plan, the full text of which is available on the Company's SEDAR+ profile located at [www.sedarplus.ca](http://www.sedarplus.ca).

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares are listed for trading on the TSX under the symbol "NEO".

The following table sets forth, for the calendar periods indicated, the high and low sale prices and composite volume of trading of the outstanding Common Shares as reported on the TSX.

Period	High (C\$/share)	Low (C\$/share)	Volume
<b>2023</b>			
December	7.78	6.97	1,394,507
November	7.60	6.71	1,420,818
October	8.36	6.70	1,512,841
September	9.50	7.99	1,178,711
August	9.25	8.00	1,190,489
July	9.20	8.29	1,382,055
June	8.80	7.97	1,236,445
May	9.15	7.17	1,987,569
April	9.41	8.82	1,787,380
March	10.64	8.66	2,807,375
February	12.15	10.28	1,584,503
January	11.63	9.50	1,124,829

### Prior Sales

The following table summarizes details of the Common Shares or securities convertible or exercisable into Common Shares issued by Neo during the year ended December 31, 2023:

Date of Issuance	Security	Issue / Sale / Exercise Price per Security	Number of Securities
November 22, 2023	Stock Options	C\$6.90	43,475

Date of Issuance	Security	Issue / Sale / Exercise Price per Security	Number of Securities
November 22, 2023	PSUs	Nil	30,435
November 22, 2023	RSUs	Nil	12,175
June 30, 2023	Common Shares <sup>(1)</sup>	Nil	16,661
June 23, 2023	Stock Options	\$8.55	359,090
June 23, 2023	PSUs	Nil	236,455
June 23, 2023	RSUs	Nil	94,595

**Notes:**

(1) Common Shares issued pursuant to the vesting of RSUs and PSUs.

### DIRECTORS AND EXECUTIVE OFFICERS

The articles of incorporation of Neo provide that the number of directors should not be fewer than three and no more than 15. Each director holds office until the close of the next annual general meeting of Neo, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Board currently consists of seven directors.

#### Name, Occupation and Security Holding

The following table provides the names of the directors and executive officers, their principal residence, respective positions and offices held with Neo, their principal occupations for the past five years and the date they were appointed as an executive officer and/or or a director of Neo, or a subsidiary of Neo, as applicable:

#### Directors

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<b>Claire M.C. Kennedy</b> <sup>(1)(3)(5)(7)</sup> Toronto, Ontario, Canada Chair <i>Independent Director</i>	Ms. Kennedy is a lawyer and Senior Advisor, Clients and Industries in the Toronto office of Bennett Jones LLP. Ms. Kennedy has been a director of Neo since October 2017. Ms. Kennedy was a member of the board of directors of NEM from February 2010 to June 2012 and served on the Audit Committee. Ms. Kennedy is Lead Director of the Bank of Canada. She is also a director of Alamos Gold Inc., and serves as Audit Committee Chair, and is a director of Constellation Software Inc. She is also a member of the Dean's Advisory Committee at the Rotman School of Management. Ms. Kennedy was formerly Chair of the Governing Council of the University of Toronto. Ms. Kennedy holds a Bachelor of Applied Science degree in chemical engineering from the University of Toronto, a law degree from Queen's University, and an honorary doctorate from U of T and has completed the University of Chicago's Booth School of Business Advanced Management Program. She was a partner of Bennett Jones LLP until July 2019 when she became Senior Advisor. She also holds the ICD.D designation from the Institute of Corporate Directors and the P.Eng. designation from Professional Engineers Ontario.	Company: October 2017 NEM: February 2010

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<b>Eric Noyrez</b> <sup>(1)(4)(6)</sup> Bidart, France <i>Lead Independent Director</i>	Mr. Noyrez has been an independent and Lead Director of Neo since October 2017, and prior to which he was an independent director of Neo C&O from August 31, 2016. Since October 2018, he has served as the Chief Executive Officer of, and later as an advisor to, Serra Verde Rare Earths, a company aiming at developing and producing a rare earths concentrate. Since 2014, he acted as a board member and advisor for various entities. From February 2010 to June 2014, he served successive roles from Chief Operating Officer to Director and Chief Executive Officer at Lynas Corporation, an integrated rare earth mining and separation company. Prior to Lynas, he served as President of the SILCEA division of Rhodia (named Solvay S.A. now) and before 2000, spent 11 years in different business leadership roles at Shell. Eric started his career as an automotive designer at Peugeot-Citroën. He holds a Master's Degree in Engineering (Meng) from École des Mines de Douai, France.	Company: October 2017 Neo Cayman: August 2016
<b>Rahim Suleman</b> <sup>(5)</sup> Toronto, Ontario, Canada <i>President, Chief Executive Officer and Director</i>	Mr. Suleman was appointed the President and Chief Executive Officer of Neo on July 7, 2023. Prior to which, he was the President and Interim Chief Financial Officer of Neo since January 1, 2023. Previously, he was the Executive Vice President and Chief Financial Officer of Neo from September 2017, and was the Executive Vice President and Chief Financial Officer of Neo Cayman from January 2017. Previously, Mr. Suleman was Chief Financial Officer at Stackpole International from 2010. From 2009 to 2010, he was Global Finance Manager with GE Digital Energy Protection and Control. Mr. Suleman is a Canadian Chartered Accountant holding a Masters of Accountancy and a Bachelor of Arts in Accountancy from the University of Waterloo.	Company: September 2017 Neo Cayman: January 2017
<b>G. Gail Edwards</b> <sup>(2)</sup> Toronto, Ontario, Canada <i>Independent Director</i>	Gail Edwards has been a director of Neo since June 2019 and is Chair of the Audit Committee. She is a C-suite financial and real estate executive who is currently a director of Amica Senior Lifestyles and Chair of the Audit Committee, as well as a director and Audit Committee Chair of Victory Holdco LLP, based in New York. Ms. Edwards is also a member of the Real Estate Advisory Committee (REAC) for OP Trust, which manages one of Canada's largest pension funds, and a member of the REAC of the New York State Common Retirement Fund which manages funds in excess of US\$250 billion. Ms. Edwards has held executive management positions with the Minto Group, JH Investments Inc., a New York based real estate developer, a NYSE listed entertainment company, a U.S. based global food service and hospitality company and a Canadian banking institution. Ms. Edwards has her ICD.D designation and is a Canadian Chartered Accountant holding a Bachelor of Science degree in Mathematics from the University of Western Ontario.	Company: June 2019
<b>Edgar Lee</b> <sup>(3)(8)</sup> Hunts Point, Washington, U.S. <i>Independent Director</i>	Mr. Lee has been a director of Neo since October 2017, and prior to which he was a director of Neo C&O from August 31, 2016. He is the Co-Founder and Managing Member of Sagent Group, a private investment firm. He has over 20 years of finance, mergers and acquisition and capital markets experience. Previously, Mr. Lee founded and was the portfolio manager of Oaktree's \$6 billion Strategic Credit strategy. He was also the CEO and CIO of three corporate and specialty finance companies including Oaktree Specialty Lending and Oaktree Strategic Income Corporations. Before joining Oaktree, Mr. Lee worked within the Investment Banking divisions at UBS Investment Bank in Los Angeles and Lehman Brothers, where he was responsible for advising clients on equity and debt financings and mergers and acquisitions. He received a B.A. degree in economics from Swarthmore College and his master's degree from Harvard University.	Company: October 2017 Neo Cayman: August 2016

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<b>Yadin Rozov<sup>(1)(7)</sup></b> Armonk, New York, U.S. <i>Independent Director</i>	Mr. Rozov has over 20 years of experience in capital markets, corporate finance, investment banking, and investment management, and serves as a board member for banking, insurance, chemicals, and pharmaceutical companies. Mr. Rozov is also the founder and Managing Partner of Terrace Edge Ventures LLC, and previously a Partner of GoldenTree Asset Management LLC, a leading global credit asset management firm. Additionally, he was a Partner and Managing Director at Moelis & Company, where he headed the Financial Institution Advisory Group and was one of the founders of College Ave Student Loans LLC. Mr. Rozov earned an M.Sc. in data science from Columbia University and a B.S. degree with highest honors in physics and materials engineering from Rutgers University.	<i>Company:</i> August 2022
<b>Hua Du<sup>(5)</sup></b> Kowloon, Hong Kong <i>Independent Director</i>	Hua Du has over 25 years of executive experience in a number of industries operating in Asian and global markets leading change in business models, overseeing plant construction, defining strategic plans and developing leadership teams. Mr. Du is currently serving as the Chief Executive Officer of a biotech-based animal nutrition business, with offices and operations across eight Asian countries. Previously, Mr. Du served for 11 years as President of Global Business Units and Executive Committee member at a leading global chemicals and materials company, including manufacturing and distribution of value-added rare earth products. There, he led several global business units with revenues of EUR 5 billion, more than 10,000 employees, and technologies covering a wide range of end markets. Before that, he worked at a specialty chemicals manufacturer for 13 years, driving growth in Asia for its Electronic Materials Group. Mr. Du graduated from Peking University in China and holds a Doctor of Philosophy (Ph.D.) in organic chemistry from the University of Illinois Urbana-Champaign.	<i>Company:</i> October 2023

**Notes:**

- (1) Member of the Audit Committee.
- (2) Chair and Member of the Audit Committee.
- (3) Member of the Compensation Committee
- (4) Chair and Member of the Compensation Committee
- (5) Member of the HESS Committee
- (6) Chair and Member of the HESS Committee
- (7) Member of the Corporate Governance and Nominating Committee
- (8) Chair and Member of the Corporate Governance and Nominating Committee

***Executive Officers***

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Officer Since
<b>Rahim Suleman</b> Toronto, Ontario, Canada <i>President, Chief Executive Officer and Director</i>	Mr. Suleman was appointed the President and Chief Executive Officer of Neo on July 7, 2023. Prior to which was the President and Interim Chief Financial Officer of Neo on January 1, 2023. Previously, he was the Executive Vice President and Chief Financial Officer of Neo from September 2017, and was the Executive Vice President and Chief Financial Officer of Neo Cayman from January 2017. Previously, Mr. Suleman was Chief Financial Officer at Stackpole International from 2010. From 2009 to 2010, he was Global Finance Manager with GE Digital Energy Protection and Control. Mr. Suleman is a Canadian Chartered Accountant holding a Masters of Accountancy and a Bachelor of Arts in Accountancy from the University of Waterloo.	<i>Company:</i> September 2017 <i>Neo Cayman:</i> January 2017

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Officer Since
<p><b>Jonathan Baksh</b> Kleinberg, Ontario, Canada <i>Executive Vice President and Chief Financial Officer</i></p>	<p>Mr. Baksh was appointed Executive Vice President and Chief Financial Officer of Neo on June 19, 2023. Mr Baksh's experience spans from being the financial steward of value-added manufacturing in the critical supply chains of semi-conductors to overseeing as Divisional CFO of a multi-billion dollar global business unit in the Electronic Manufacturing Services industry at Celestica's Advanced Technology Solutions (ATS). Earlier in his career, he delivered deployments of innovative finance operating and quoting standardization systems across multiple manufacturing businesses. He launched his career at General Electric's premier Internal Audit leadership program. He holds both the Chartered Professional Accountant and Chartered Management Accountant designations.</p>	<p><i>Company:</i> June 2023</p>
<p><b>Kevin D. Morris</b> Castle Pines, Colorado, U.S. <i>Executive Vice President and Chief Strategy Officer</i></p>	<p>Mr. Morris was appointed Executive Vice President and Chief Strategy Officer on January 1, 2023. Prior to which he was Executive Vice President and Chief Operating Officer of Neo since September 2017 and the Executive Vice President and Chief Operating Officer of Neo Cayman since August 31, 2016. Previously, he served as Executive Vice President and Chief Operating Officer of Molycorp from May 2016 which followed his earlier roles of Executive Vice President of Rare Metals and Administration from February 2015 and Senior Vice President of Rare Metals and Administration from June 2012. He joined Molycorp as Senior Vice President Administration in November 2011.</p>	<p><i>Company:</i> September 2017 <i>Molycorp:</i> November 2011</p>
<p><b>Jeffrey (Jeff) R. Hogan</b> Burton, Ohio, U.S. <i>Executive Vice President, C&amp;O</i></p>	<p>Mr. Hogan has been Executive Vice President, C&amp;O since August 31, 2016. Previously, he served as Executive Vice President, Resources of Molycorp from April 2013 which followed his earlier role as Vice President &amp; General Manager, C&amp;O of Molycorp from June 2012. Mr. Hogan served as Senior Vice President and General Manager of the Performance Materials division of NEM until Molycorp acquired Neo in June 2012. He joined NEM in June 1999.</p>	<p><i>Company:</i> September 2017 <i>NEM:</i> January 2006</p>
<p><b>Gregory K. Kroll</b> Singapore <i>Executive Vice President, Magnequench</i></p>	<p>Mr. Kroll was appointed the Executive Vice President, Magnequench on January 1, 2018. Prior thereto, he was the Senior Vice President, Magnequench from January 2015. Previously, he served as Director Sales and Marketing, Magnequench from April 2010. Mr. Kroll joined Magnequench in 2000 and has served in various marketing and business development capacities with Magnequench in Singapore since 2002.</p>	<p><i>Company:</i> January 2018 <i>Magnequench:</i> April 2010</p>
<p><b>Mohamad El-Mahmoud</b> Aachen, Germany <i>Executive Vice President, Rare Metals</i></p>	<p>Mr. El-Mahmoud was appointed the Executive Vice President, Rare Metals on November 1, 2023. Prior to which, he was Vice President at Stackpole International until September 2023. At Stackpole, Mr. El-Mahmoud held successively senior positions including Director of Business Development and General Manager of the European Technical Center in Germany. Mr. El-Mahmoud holds a Bachelor of Science degree in Aeronautics and Space Engineering from the Aachen University of Applied Science.</p>	<p><i>Company:</i> November 2023</p>

The following table provides the names of the directors and executive officers of Neo and the number and percentage of Common Shares owned, directly or indirectly, or over which control or direction is exercised, of voting securities of Neo, as of the date hereof:

Name	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>	% of Issued and Outstanding Common Shares
Claire Kennedy	15,983	0.038%
Eric Noyrez	18,715	0.045%
Rahim Suleman	170,864	0.407%
G. Gail Edwards	Nil	Nil
Edgar Lee	Nil	Nil
Yadin Rozov	42,925	0.102%
Hua Du	Nil	Nil
Jonathan Baksh	10,825	0.026%
Kevin Morris	75,053	0.179%
Jeff Hogan	67,973	0.162%
Greg Kroll	3,561	0.008%
Mohamad El-Mahmoud	Nil	Nil

Note:

(1) This number does not include convertible securities held by such persons.

As of the date of this AIF, the directors and executive officers of Neo beneficially own, directly or indirectly, as a group, 405,899 Common Shares, representing approximately 0.97% of all outstanding voting securities of Neo.

## **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

### ***Cease Trade Orders***

Other than as set out below, no director or executive officer of Neo is, as at the date of this AIF, or was within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Neo), that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to an order that was issued after the director or executive officer 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.

For the purposes of the preceding disclosure, an "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 days.

Each of Kevin Morris and Jeff Hogan were officers or directors of Molycorp, the predecessor company to Neo when Molycorp's common shares were cease traded and delisted from the New York Stock Exchange in connection with the Reorganization. See "*Corporate Structure – Corporate History*".

### ***Bankruptcies***

Other than as set out below, no director or executive officer of Neo, or a shareholder holding a sufficient number of securities of Neo to affect materially the control of Neo:

- (a) is, at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Neo) 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 within creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director, executive officer or shareholder.

Each of Kevin Morris and Jeff Hogan were directors or officers of Molycorp, the predecessor company to Neo, when Molycorp underwent the Reorganization. See "*Corporate Structure – Corporate History*".

### ***Penalties and Sanctions***

Other than as set out below, no director or executive officer of Neo, or a shareholder holding a sufficient number of securities of Neo to affect materially the control of Neo, has been subject to:

- (a) any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **Conflicts of Interest**

Certain of the directors and officers of Neo are also directors and officers of other companies. The directors of Neo are bound by the provisions of applicable corporate law to act honestly and in good faith with a view to the best interests of Neo and to disclose any interests, which they may have in any project or opportunity of Neo. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required to disclose his or her interest and abstain from voting on such matter.

To the best of Neo's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among Neo, its promoters, directors and officers or other members 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 Neo and their duties as a director or officer of such other companies.

### **AUDIT COMMITTEE DISCLOSURE**

Under National Instrument 52-110 – *Audit Committees*, we are required to include in this AIF the disclosure required under Form 52-110F1 with respect to the Audit Committee of the Board. The Audit Committee of Neo is responsible for its financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of Neo's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of Neo's external auditors. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors.

The full text of the charter of Neo's Audit Committee is attached hereto as Schedule "A".



## Composition of the Audit Committee

The Board members of Neo's Audit Committee are:

Name	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
G. Gail Edwards (Chair)	Yes	Yes
Claire Kennedy	Yes	Yes
Eric Noyrez	Yes	Yes
Yadin Rozov	Yes	Yes

- Notes:**
- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with Neo, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Neo's financial statements.

## Relevant Education and Experience

Name of Member	Relevant Experience and Qualifications
<b>G. Gail Edwards (Chair)</b>	Gail Edwards has been a director of Neo since June 2019 and is Chair of the Audit Committee. She is a C-suite financial and real estate executive who is currently a director of Amica Senior Lifestyles and Chair of the Audit Committee, as well as a director and Audit Committee Chair of Victory Holdco LLP, based in New York. Ms. Edwards is also a member of the Real Estate Advisory Committee (REAC) for OP Trust, which manages one of Canada's largest pension funds, and a member of the REAC of the New York State Common Retirement Fund which manages funds in excess of US\$250 billion. Ms. Edwards has held executive management positions with the Minto Group, JH Investments Inc., a New York based real estate developer, a NYSE listed entertainment company, a U.S. based global food service and hospitality company and a Canadian banking institution. Ms. Edwards has her ICD.D designation and is a Canadian Chartered Accountant holding a Bachelor of Science degree in Mathematics from the University of Western Ontario.
<b>Claire Kennedy</b>	Ms. Kennedy is a lawyer and Senior Advisor, Clients and Industries in the Toronto office of Bennett Jones LLP. Ms. Kennedy has been a director of Neo since October 2017. Ms. Kennedy was a member of the board of directors of NEM from February 2010 to June 2012 and served on the Audit Committee. Ms. Kennedy is Lead Director of the Bank of Canada. She is also a director of Alamos Gold Inc., and serves as Audit Committee Chair, and is a director of Constellation Software Inc. She is also a member of the Dean's Advisory Committee at the Rotman School of Management. Ms. Kennedy was formerly Chair of the Governing Council of the University of Toronto. Ms. Kennedy holds a Bachelor of Applied Science degree in chemical engineering from the University of Toronto, a law degree from Queen's University, and an honorary doctorate from U of T and has completed the University of Chicago's Booth School of Business Advanced Management Program. She was a partner of Bennett Jones LLP until July 2019 when she became Senior Advisor. She also holds the ICD.D designation from the Institute of Corporate Directors and the P.Eng. designation from Professional Engineers Ontario.
<b>Eric Noyrez</b>	Mr. Noyrez has been an independent and Lead Director of Neo since October 2017, and prior to which he was an independent director of Neo C&O from August 31, 2016. From October 2018, he served as the Chief Executive Officer of, and later as an advisor to, Serra Verde Rare Earth, a company aiming at developing and producing a rare earths concentrate. Since 2014, he acted as a board member and advisor to various entities. From February 2010 to June 2014, he served successive roles from Chief Operating Officer to Director and Chief Executive Officer at Lynas Corporation, an integrated rare earth mining and separation company. Prior to Lynas, he served as President of the SILCEA division of Rhodia (named Solvay S.A. now) and before 2000, spent 11 years in different business leadership roles at Shell.

<b>Name of Member</b>	<b>Relevant Experience and Qualifications</b>
	Eric started his career as an automotive designer at Peugeot-Citroën. He holds a Master's Degree in Engineering (Meng) from École des Mines de Douai, France.
<b>Yadin Rozov</b>	Mr. Rozov has over 20 years of experience in capital markets, corporate finance, investment banking, and investment management, and serves as a board member for banking, insurance, chemicals, and pharmaceutical companies. Mr. Rozov is also the founder and Managing Partner of Terrace Edge Ventures LLC, and previously a Partner of GoldenTree Asset Management LLC, a leading global credit asset management firm. Additionally, he was a Partner and Managing Director at Moelis & Company, where he headed the Financial Institution Advisory Group and was one of the founders of College Ave Student Loans LLC. Mr. Rozov earned an M.Sc. in data science from Columbia University and a B.S. degree with highest honors in physics and materials engineering from Rutgers University.

### ***Audit Committee Oversight***

Since the commencement of Neo's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### ***Pre-Approval Policies and Procedures***

In the event that Neo wishes to retain the services of its external auditors for any non-audit services, prior approval of the Audit Committee must be obtained.

### ***Audit Fees***

The aggregate fees billed by Neo's external auditor for audit fees in the last two fiscal years are approximately as follows:

<b>Financial Year Ended</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
December 31, 2023	\$1,915,105	\$2,715	\$228,792	nil
December 31, 2022	\$1,835,919 <sup>(1)</sup>	\$159,303	\$401,745	nil

**Note:**  
 (1) The fees for December 31, 2022 include fees associated with Neo's treasury and secondary offering, administrative and out-of-pocket expenses.

The nature of the category and description of fees is summarized below.

Audit Fees. The fees disclosed in the table above under the item "Audit Fees" represent fees billed for audit and interim review services performed in connection with Neo's consolidated financial statements, as well as consent procedures in respect of the treasury and secondary offerings.

Audit Related Fees. The fees disclosed in the table above under the item "Audit Related Fees" represent fees related to assurance, due diligence and related services not included in audit services, including transfer pricing.

Tax Fees. These fees were for tax compliance services and tax advice and planning.

### ***Orientation and Continuing Education***

New directors of Neo participate in an initial information session on Neo in the presence of its senior executive officers to learn about, among other things, the business of Neo, its financial situation and its strategic planning. In addition, new directors are furnished with appropriate documentation, providing them with information about, among other matters, the corporate governance practices of Neo, the structure of the Board and its committees, Neo's history, its commercial

activities, its corporate organization, the charters of the Board and its committees, Neo's articles of incorporation and by-laws, the Code of Conduct (as defined below) and other relevant corporate policies.

Neo encourages all directors to attend continuing education programs and facilitates such continuing education of its directors by providing them with information on upcoming courses and seminars that may be relevant to their role as directors or hosting brief information sessions during Board meetings by invited external advisors. In addition, Neo's management periodically makes presentations to the directors on various topics, trends and issues related to its activities during meetings of the Board or its committees, which are intended to help the directors to constantly improve their knowledge about Neo and its business.

## **RISK FACTORS**

In addition to other information contained in this AIF, prospective investors should carefully consider the following factors before making an investment in Common Shares. All risk factors should be considered because they could cause Neo's actual results or financial condition to differ materially from those projected in forward-looking statements contained elsewhere in this AIF. The following is not an all-inclusive listing of risks, although Neo believes these are the more material risks that Neo faces. Risks and uncertainties that are either not known to Neo or that Neo considers at this time to be immaterial or insignificant could also be detrimental to the ongoing affairs of Neo. If any of these risks occur, Neo's business, financial position, results of operations or cash flows could be materially adversely affected.

### **Risks Related to the Common Shares**

The holding of Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Common Shares should not be purchased or held by persons who cannot afford the possibility of the loss of their entire investment.

#### ***Volatility of Price of the Common Shares***

The market price of the Common Shares has in the past been, and may in the future be, subject to large fluctuations which may result in losses for investors. The factors which may contribute to market price fluctuations of the Common Shares include the following: actual or anticipated fluctuations in Neo's quarterly results of operations; consequences of government action in response to COVID-19 or other public health emergencies; regulatory and political changes affecting the Company's industry generally and its business and operations; recommendations by securities research analysts; changes in the economic performance or market valuations of companies in the industry in which the Company operates; addition or departure of the Company's executive officers and other key personnel; operating and financial performance that vary from the expectations of management, securities analysts and investors; announcements of developments and other material events by the Company or its competitors; fluctuations to the costs of vital production materials and services; changes in global financial markets and global economies and general market conditions,; potential conflict in eastern Europe, natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events or acts of terrorism; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public issuers and that have, in some cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of Common Shares may decline even if Neo's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Neo's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those

institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, Neo's operations and the trading price of the Common Shares may be materially adversely affected. There can be no assurance that the holders or purchasers of the Common Shares will be able to sell their shares at prices equal to or greater than their cost.

### ***Dividends***

The declaration and payment of future dividends will be at the discretion of the Board and may become subject to restrictions under any credit facilities that may be entered into by Neo and may be affected by various other factors, including, but not limited to, Neo's earnings, financial condition and legal or contractual restrictions. There can be no assurance that Neo will be in a position to pay dividends at the same rate (or at all) in the future.

Moreover, as Neo is a holding company for its operating subsidiaries and does not have any significant operations of its own, dividends or other distributions from its subsidiaries are Neo's principal sources of cash to fund its obligations, including the payment of dividends if declared. There are or may be statutory, contractual, tax or other limitations on the ability of Neo's subsidiaries to make distributions to Neo. If the cash Neo receives from its subsidiaries pursuant to such distributions is insufficient, or if the subsidiaries are unable to make such distributions, Neo may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets to fund its obligations. However, there can be no assurance that Neo would be able to raise cash by any of these means in a timely manner or on terms that are favourable to Neo.

### ***Financial Reporting and Other Public Company Requirements***

Pursuant to being a public company, Neo is subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Common Shares are then-listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on Neo's management, administrative, operational and accounting resources. In order to meet such requirements, Neo, among other things, has established systems, implemented financial and management controls, reporting systems and procedures and has, as necessary, hired qualified accounting and finance staff. However, if Neo is unable to accomplish any such necessary objectives in a timely and effective manner, Neo's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause Neo to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If Neo cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in Neo's reported financial information, which could result in a reduction in the trading price of the Common Shares.

Neo does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

### ***Forward-Looking Information***

The forward-looking statements relating to, among other things, future results, performance, achievements, prospects or opportunities of Neo included in this AIF, are based on opinions, assumptions and estimates made by Neo in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Neo believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results of Neo in the future may vary significantly from historical and estimated results and those variations may be material. There is no representation by Neo that actual results achieved by Neo in the future will be the same, in whole or in part, as those included in this AIF. See "*Forward-Looking Information*".

### ***Difficulty in enforcement of judgments***

Neo is a holding company, with many of its subsidiaries and the majority of its assets located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against Neo, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against Neo under Canadian securities laws or otherwise.

Neo has subsidiaries incorporated in Cayman Islands, China, Estonia, Germany, Barbados, South Korea, Thailand, Japan and certain U.S. States. Certain directors and officers reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against Neo's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in jurisdiction where Neo's subsidiaries are located. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

### ***Significant Shareholder***

Hastings and its affiliates hold significant voting power in Neo, and its interests may conflict with or differ from the interests of the other shareholders. As of the date of this AIF, management of Neo believes that Hastings holds approximately 21.46% of Neo's issued and outstanding Common Shares. Accordingly, the interests of Hastings may not be the same as those of Neo's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to Neo or Neo's other shareholders.

As long as Hastings continues to directly or indirectly own a significant amount of the voting power of Neo, it will continue to be able to strongly influence or effectively control the business decisions of Neo. Because Hastings may have interests that are different from those of the other shareholders of Neo, it may exercise its voting and other rights in a manner that may be adverse to the interests of such other shareholders.

In addition, this concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquiror from attempting to obtain control of Neo, which could cause the market price of the Common Shares to decline or prevent shareholders from realizing a premium over the market price for their Common Shares.

### ***Future Sales of Common Shares***

Sales of a substantial number of Common Shares in the public market, or the perception that large sales could occur, could depress the market price of Common Shares.

In the future, Neo may issue additional securities to raise capital. Neo may also acquire interests in other companies by using a combination of cash and Common Shares or just Common Shares. Neo may also issue securities convertible into Common Shares. Any of these events may dilute a shareholder's ownership interest in Neo and have an adverse impact on the price of the Common Shares. In addition, sales of a substantial amount of the Common Shares in the public market, or the perception that these sales may occur, could reduce the market price of Common Shares. This could also impair Neo's ability to raise additional capital through the sale of Neo's securities.

### ***Dilution***

Neo may issue additional Common Shares or Preferred Shares in the future, which may dilute a shareholder's holding in Neo. Neo's articles of incorporation permit the issuance of an unlimited number of Common Shares and an unlimited number of Preferred Shares, and shareholders will have no pre-emptive rights in connection with such further issuances. Subject to applicable law and the rules of any stock exchange upon which the Common Shares may then be listed, the directors of Neo have the discretion to determine if an issuance of Common Shares or Preferred Shares is warranted, the price at which any such issuance is effected and the other terms of issuance. Also, Neo may issue additional Common Shares upon the exercise of options or other convertible securities which will result in further dilution to shareholders.

### ***Quarterly Operating Results May Vary***

Neo's revenues and results of operations could vary significantly from quarter to quarter due to a variety of factors, many of which are outside of Neo's control. As a result, comparing Neo's results of operations on a period-to-period basis may not be meaningful. Factors that could cause Neo's quarterly results of operations to fluctuate, include, but are not limited to:

- achievement, or failure to achieve, technology or product development milestones needed to allow it to enter identified markets on a cost effective basis;
- changes in underlying critical minerals commodity prices;
- disruptions in the production process at any facility where it produces products;
- the timing, size and mix of sales to customers for its products;
- the effects of competitive pricing pressures, including decreases in average selling prices of its products;
- unanticipated expenses associated with changes in governmental regulations and environmental, health and safety standards and enforcement policies;
- departure of executives or other key management employees;
- business interruptions such as earthquakes and other natural disasters;
- its ability to integrate businesses that it may acquire;
- risks associated with litigation in which Neo may be involved from time to time, including intellectual property matters (see "*Risk Factors – Risks Related to Intellectual Property*");
- risks associated with the international aspects of its business; and
- changes in general economic, industry and market conditions, both domestically and in its foreign markets.

Due to these factors and others, the results of any quarterly or annual period may not meet management's expectations or the expectations of Neo's investors and may not be meaningful indications of future performance.

### ***Board Discretion***

Neo's Board can issue, without shareholder approval, Preferred Shares with voting and conversion rights and convertible debt that could adversely affect the voting power of the holders of Common Shares and reduce the likelihood that such holders will receive dividend payments or payments upon liquidation. Such issuance could have the effect of decreasing the market price of the Common Shares. The issuance of Preferred Shares and/or convertible debt or even the ability to issue Preferred Shares and/or convertible debt could also have the effect of delaying, deterring or preventing a change of control or other corporate action.

The Board and management have broad discretion to use cash reserves, and shareholders will be relying on their judgment regarding the application of this cash. The Board and management might not apply the cash in ways that increase the value of your investment. Until Neo uses the cash, it plans to invest it, and these investments may not yield a favourable rate of return. If Neo does not invest or apply the cash in ways that enhance shareholder value, Neo may fail to achieve expected financial results, which could cause its share price to decline.

### ***Analyst Reports***

Research analysts may publish their own quarterly projections regarding Neo's operating results. These projections may vary widely from one another and may not accurately predict the results Neo actually achieves. The trading price of the Common Shares may decline if Neo fails to meet securities research analysts' projections. Similarly, if one or more of the analysts who covers Neo downgrades the Common Shares or publishes inaccurate or unfavourable research about its business, the Common Share price could decline. If one or more of these analysts ceases coverage of Neo or fails to publish reports regularly, the Common Share price or trading volume could decline.

### **Risks Related to Business of Neo & Industry**

#### ***Global Pandemic***

The outbreak of another pandemic, such as the COVID-19 pandemic, would be expected to impact worldwide economic activity. The outbreak and the related mitigation measures of a pandemic may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which a new or continuing pandemic would likely have a future impact on, the Company's business activities will depend on future developments, such as the geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States of America and other countries to contain and treat the disease. These events would be highly uncertain and, as such, the Company cannot determine their financial impact at this time. The Company may face future disruption to operations, supply chain and/or production delays, travel and trade restrictions. The impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce and could be a major health-care challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by such a pandemic. There can be no assurance that the Company will not be impacted in the future by adverse consequences on global financial markets that may be brought about by a new or pandemic or a resurgence of the COVID-19 pandemic which may reduce resource prices, share prices and financial liquidity and thereby severely limit the financing capital available to the Company.

#### ***Macroeconomic, Geopolitical and Other Challenges and Uncertainties Globally Could Have a Negative Impact on Neo's Businesses and Results of Operations***

In addition to the significant macroeconomic challenges posed by the COVID-19 pandemic (see the risk factor regarding global pandemics), Neo has experienced, and could experience in the future, negative impacts to its businesses and results of operations as a result of other macroeconomic, geopolitical and other challenges, uncertainties and volatility. For example, the actions of Russian military forces in Ukraine have escalated tensions between Russia and Ukraine, the European Union, North Atlantic Treaty Organization, United Kingdom, the U.S. and other countries. Several countries

have imposed a series of sanctions targeting Russia, two separatist pro-Russian regions in Ukraine and certain individuals, banks and corporations that are seen as allies to the administration in Russia. Through to December 31, 2023, however, there has been no significant impact on Neo's operations.

Neo's Silmet facility sources the majority of its rare earth feedstock from a Russian supplier. Neo has eliminated sales going to Russian and certain other customers where Neo believes such customers have connections to Russia. With the assistance of an advisory firm, Neo continues to monitor the impact of these sanctions on its business. Neo currently expects, but cannot be certain, that these sanctions will not materially affect its access to the inputs it needs to operate.

The removal of Russian banks from the Swift messaging system has made it more difficult for Neo to pay its Russian supplier of rare earth materials (who is not currently restricted by sanctions) and Neo continues to work with global banks to facilitate these allowable payments. Neo cannot be assured that viable payment pathways will exist in the future, as financial institutions limit their business with Russian clients out of caution.

Neo and its suppliers procure natural gas and other energy products in Europe. While prices have increased significantly, supply disruptions have not otherwise affected Neo and its ability to obtain necessary inputs, such as reagents, from its European suppliers.

### ***Risks Associated with International Operations***

Neo conducts business on an international basis, with factories, offices, and customers in multiple countries, with the attendant difficulties and risks inherent in doing business internationally, including the following:

- burdens to comply with multiple and potentially conflicting foreign laws and regulations, including export requirements, tariffs and other barriers, environmental health and safety requirements and unexpected changes in any of these laws and regulations;
- to the extent cash is held outside of North America, Neo's repatriation of such cash may be subject to the approval of foreign governments and to the potentially adverse impact of foreign and domestic tax laws as well as changes in foreign exchange or capital controls;
- political and economic instability and disruptions, including the imposition of political and economic sanctions that could adversely affect the supply of Russian-sourced feedstock used by Neo's operations in Estonia or the importation of products from China;
- disadvantages of competing against companies from countries that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Public Officials Act (Canada)* ("CFPO");
- potentially adverse tax consequences due to overlapping or differing tax structures or changes in tax rates; and
- fluctuations in currency exchange rates.

To Neo's knowledge, it holds or has made applications for all material permits and licences and is in compliance in all materials aspects with applicable laws and regulations in the jurisdictions in which it operates. However, any of these risks could have an adverse effect on Neo's international operations by reducing the demand for its products, reducing the prices at which it can sell its products or increasing its costs, which could result in an adverse effect on the business, financial position, results of operations or cash flows of Neo or its ability to declare and pay future dividends.

In addition, Neo could be adversely affected by violations of the CFPO and similar worldwide anti-bribery laws. The CFPO and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-Canadian officials for the purpose of obtaining or retaining business. Neo's policies mandate compliance with these anti-bribery laws. Neo operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local business customs and practices. There can be no assurance that Neo's internal controls and procedures will protect Neo



from the reckless or criminal acts committed by employees, consultants or agents of Neo or otherwise ensure compliance with the CFPO. If Neo is found to be liable for CFPO violations or other applicable anti-bribery laws, it could incur criminal or civil penalties or other sanctions, which could have a material adverse effect on its business.

Additionally, certain customers of Neo have requested that it certify whether any "conflict minerals" (as such term is defined in Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*) used in some of its products come from the Democratic Republic of the Congo (or an adjoining country). The Silmet facility has received certifications from the Responsible Minerals Initiative ("RMI") that its management systems and sourcing practices are in conformance with RMI's Responsible Minerals Assurance Process ("RMAP"). The most recent RMAP Certification from RMI was issued to Silmet effective April 20, 2022. There can be no assurance that such RMAP Certification will be renewed in any given year.

Neo's international operations in China and Thailand are subject to a number of special risks including trade barriers, exchange controls and restrictions on currency conversion, political risks and risks of increased duties, taxes, tariffs and governmental royalties, as well as changes in laws, regulations and policies governing operations of foreign-based companies such as embargos. A change in policies by the Chinese or Thai governments could adversely affect Neo's investment in its production facilities by, among other factors, changes in laws or regulations or changes in the interpretation thereof. Despite the activity and progress in developing their legal systems, neither China nor Thailand has a system of laws as comprehensive and predictable as in Canada or the United States. Their legal systems also differ in other ways from the legal systems in Canada and the U.S. which may result in different outcomes than might be expected to occur in Canada or the U.S.

Historically China placed export quotas on the rare earths industry; such quotas were removed in December 2014. Neo remains subject to production quotas and export taxes in China. Further trade barriers or changes to the trade barriers to which Neo faces may adversely impact its business, financial position, results of operations or cash flow because such barriers may:

- limit Neo's inventory and result in decreased revenue;
- restrict Neo from removing product, including technology, from the respective country, resulting in decreased revenue;
- cause Neo to increase prices resulting in decreased revenue; or
- increase Neo's costs which would result in decreased profits for Neo.

Furthermore, if new trade barriers arise in Neo's key export markets, it may face difficulty in reallocating products to other markets on favourable terms.

Neo could be adversely affected by further changes in China's regulatory environment relating to the rare earths industry, including the imposition of new laws, regulations or policies, or changes in the interpretation thereof, which could restrict or eliminate its ability to continue to operate in China, or to export its products. The Magnequench segment and the production of certain advanced industrial materials by the C&O segment for use in auto catalysts are subject to lesser regulation in China than the production of certain specialty chemicals, which represents a smaller portion of Neo's business. Any changes or increases to the regulation of these industries could have a material adverse effect on Neo's business. See also "*Changes in China's Regulation of the Rare Earths Industry*".

Both China and Thailand impose foreign exchange controls and restrictions on currency conversion. In order to move money in or out of China and Thailand, Neo must comply with strict rules and procedures imposed by the respective governments, including timely reporting requirements and the provision of supporting documentation to the requisite authorities in order to obtain the necessary approvals. To date, Neo has not been impeded in its ability to repatriate funds from its operations in China or Thailand, however, Neo could be adversely affected by changes in foreign exchange, capital control or other laws, regulations or policies, or changes in the interpretation thereof, which could restrict its continued ability to do so.

Should there be any unexpected delays in processing these requests or any failure to receive the requisite approvals, this could adversely affect Neo's liquidity and its ability to plan for its future liquidity needs.

Political instability in either China or Thailand could have a material adverse effect on Neo. Neo has production facilities in Thailand, which in recent years has been subject to a coup d'état, political unrest, demonstrations, martial law and terrorism. Any succession crisis in the Kingdom of Thailand could cause new or increased instability and unrest. Neo also has production facilities in China, where the government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Political instability could result in changes to the laws and regulations affecting Neo and for the reasons noted above, may have a material adverse effect on Neo.

### ***Risks Related to Intellectual Property Protection***

Proprietary trade secrets and unpatented know-how are very important to Neo's business. Much of the technology used in the markets in which it competes is unprotected by patents, and the commercial success of Neo will depend primarily on its ability to obtain and maintain trade secret protection and confidentiality for Neo's products and methods. To compete in these markets, Neo relies primarily on a combination of trade secret protection, non-disclosure agreements and trademarks to establish and protect proprietary intellectual property rights, including proprietary production processes that are not patented or are otherwise not subject to robust intellectual property protection.

Neo relies on trade secrets to protect certain aspects of its technology, especially where management does not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Neo's employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose confidential information to competitors, and confidentiality agreements and non-disclosure agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential or proprietary information. Enforcing a claim that a third party illegally obtained and is using trade secrets is expensive and time consuming, and the outcome is unpredictable, particularly so in certain foreign jurisdictions. Moreover, competitors of Neo may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain trade secret protection could adversely affect Neo's competitive business position.

Where appropriate, Neo intends to rely on patented products and applications, such as using certain critical minerals for auto catalysts, water treatment and NdFeB bonded magnetic powders. Management is evaluating the current patent portfolio in order to focus its efforts on patents and patent applications that provide value to the businesses of Neo. As a result of this evaluation, Neo may abandon certain patents, decide not to pursue certain patent applications, or file new patent applications.

Neo's ability to obtain additional patents is uncertain and the legal protection afforded by these patents is limited and may not adequately protect its rights or permit it to gain or keep any competitive advantage. It is also costly to apply for and maintain patents in multiple jurisdictions. In addition, the scope and enforceability of patent claims is highly uncertain due to the complex nature of the relevant legal, scientific and factual issues. Changes in either patent laws or interpretations of patent laws may diminish the value of Neo's intellectual property or narrow the scope of its patent protection. Even if patents are issued relating to Neo's products and processes, competitors may challenge the validity of those patents. Patents also will not protect Neo's products and processes if competitors devise ways of making products without infringing such patents.

### ***Intellectual Property Litigation***

Neo's intellectual property rights and applications may be challenged, misappropriated or infringed upon by third parties, or Neo may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. Identifying unauthorized use of Neo's intellectual property may be difficult, and proceedings

to enforce or defend its intellectual property rights could result in substantial costs. The enforcement of intellectual property rights is subject to considerable uncertainty, and patent reform laws, and court decisions interpreting such laws, may create additional uncertainty around the ability to obtain and enforce patent protection for Neo's technologies. These associated challenges facing Neo are often amplified by the international scope of its operations and the differing application of intellectual property rights in various foreign jurisdictions. If Neo seeks to enforce its rights, it may also be subject to claims that its intellectual property rights are invalid or otherwise unenforceable. In addition, intellectual property may be subject to infringement or other unauthorized use. In such case, Neo's ability to protect its intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are undeveloped or do not recognize or protect intellectual property rights to the same extent as in North America. Unauthorized use of intellectual property rights or Neo's inability to preserve existing intellectual property rights could therefore adversely impact Neo's competitive position and results of operations. The loss of Neo's patents could also reduce the value of the related products.

In addition, the cost to litigate infringements of Neo's intellectual property, or the cost to defend it against intellectual property infringement actions by others, could be substantial.

There is a risk that Neo may infringe, or may be accused of infringing, the proprietary or intellectual property rights of third parties, including rights under patents and pending patent applications belonging to third parties. Neo is currently the subject of a number of patent infringement actions in Europe, the U.K. and China, and certain of its products have been found to infringe three expired patents in Germany and one unexpired patent in the United Kingdom, as set out in the section entitled "*Legal Proceedings and Regulatory Actions*". Because the patent application process can take several years to complete, and patent applications may remain unpublished for 18 months or more, there may be currently pending applications, including applications of which Neo is currently unaware, that may later result in issued patents that cover its products and processes. In addition, Neo's products and processes may infringe existing patents.

If Neo infringes, or is accused of infringing, the intellectual property rights of third parties, it may increase Neo's costs or prevent it from being able to sell its existing products or commercialize new products.

Defending the Company against third-party claims, including litigation in particular, would be costly and time consuming and would divert management's attention from the business of Neo. If third parties are successful in their claims, Neo may have to pay substantial damages or take other actions that are adverse to its business. As a result of intellectual property infringement claims, or to avoid potential claims, Neo may be:

- prohibited from, or delayed in, selling or licensing some of its products or using some of its processes unless the intellectual property holder licenses the applicable intellectual property to Neo, which it is not required to do;
- required to pay substantial damages or royalties or grant a cross license to Neo's intellectual property to another intellectual property holder;
- required to redesign a product or process so it does not infringe a third party's intellectual property, which may not be possible or could require substantial funds and time and ultimately result in an inferior product or process; or
- subject to adverse rulings from time to time that may have a material adverse effect upon Neo or upon its operations, cash flows, prospects or financial condition.

In addition, Neo could be subject to claims that its employees, consultants, advisors, and agents, or Neo, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of third parties.

If Neo is unable to resolve claims that may be brought against it by third parties related to their intellectual property rights on terms acceptable to Neo, in addition to paying substantial damages and royalties, it may lose valuable intellectual property rights and be precluded from offering some of its products or using some of its processes. Neo has been accused of, and in certain cases found to be, infringing certain patents. As is often the case with litigation, the final outcome of such proceedings is uncertain. See "*Legal Proceedings and Regulatory Actions*".

### ***Supplies of Raw Materials***

Neo is exposed to the volatility in the prices of raw materials because it does not generally have long-term supply contracts. Neo also has exposure to certain geo-political risks that could affect the supply of raw materials. Neo's operations in Estonia, for example, currently source most of its feedstock from North America, South America, Europe and Russia. Economic or political sanctions imposed on certain countries in these regions could adversely impact Neo's access to its supplies of feedstock. In addition, with respect to the sources of raw material for JAMR, ZAMR and NAMCO, the Chinese government is actively monitoring and regulating critical minerals mining operations. In some cases, it is shutting down or curtailing illegal or environmentally damaging mining activities. This could have an adverse impact on critical minerals raw material supply. Although Neo believes there is an adequate supply of critical minerals feedstock for its processing facilities, there is no assurance that the prices of such critical minerals feedstock will not rise dramatically, in which case the increased cost of production may have a material adverse effect on the profit margins of Neo. Such rises in the prices of critical minerals feedstock may be offset by increasing the prices of Neo's critical minerals related products, however, there is no assurance that the market will bear such price increases and even if the market will bear such increases, the Magnequench segment will have an increased cost of production since critical minerals are a primary raw material. In addition, if market prices for the C&O segment's critical minerals and zirconium products decline, there is no assurance that raw material prices will decline sufficiently or in tandem to offset the decline in selling prices. The above could have a material effect on Neo's profit margins. Neo is also dependent on being able to secure an adequate supply of gallium, indium or rhenium bearing scrap at economic prices to maintain and grow its recycling business in the Rare Metals segment.

### ***Customers' Supply Chain Issues***

The Company's customers' products are highly dependent on their suppliers to deliver raw materials and components in accordance with a production schedule and a shortage of raw materials or key components can disrupt the Company and the customer's production of products. The Company's customers' products contain components they source globally from suppliers, who in turn, source components from their suppliers. If there is a shortage of a key component in the supply chain, and the component cannot be sourced from an alternate supplier, the shortage may disrupt the production schedule, which could impact the demand for the Company's products. For example, the automotive industry continues to face a significant shortage of semiconductors, which has a complex supply chain with long lead time required to increase production and capacity. The shortage is due in large part to strong cross-industry demand, which has presented some of the Company's customers' challenges and production disruptions, which in turn affects the demand for Neo's products. A shortage of key components or raw materials as a result of disruptions in the supply chain, capacity constraints, competition for such items or otherwise can cause a significant disruption to Neo's production schedule, and may have a substantial adverse impact on Neo's financial condition or results of operations.

### ***Risks Relating to the Management of Joint Venture Relationships***

Neo is a party to a number of joint venture agreements (ZAMR, JAMR, NAMCO and Buss & Buss). The relationships with each of the joint venture partners is very important to Neo and the ongoing operations of each joint venture entity. The Company values these relationships and maintains productive relationships with each joint venture partner. Any deterioration in any of these relationships could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company.

### ***Currency Risk***

Neo's financial results are reported in U.S. dollars, which is subject to fluctuations in respect of the currencies of the countries in which it operates. Management expects revenues to continue to be earned in a number of different currencies. Accordingly, fluctuations in the exchange rates of world currencies could have a positive or negative effect on reported results on a consolidated basis. Given the constantly changing currency exposures and the substantial volatility of currency exchange rates, Neo cannot predict the effect of exchange rate fluctuations upon its future operating results. There can be no assurance that Neo will not experience losses in the future from currency devaluations or changes in exchange rates,

which could have a material adverse effect on the business, revenues, operating results and financial condition of Neo. In the event of a change in the value of the Renminbi relative to the U.S. dollar, there is no assurance, due to competitive pressure, of a corresponding change in selling prices of Neo's products. Neo exports a significant portion of its products produced in China. These exports are invoiced and paid for primarily in U.S. dollars. Neo does not hedge against the risk of revaluation of the Renminbi, the Yen or the Euro.

### ***Changes in China's Regulation of the Rare Earths Industry***

Neo has operations in China, which is considered to be the world's largest producer and exporter of certain critical minerals products. Nevertheless, citing environmental protection and a need to protect exhaustible natural resources, China has implemented a series of rigorous policies to manage critical minerals production and to control exports, through quotas, licenses and taxes. China continues to institute increasingly stringent environmental law, regulations and standards across its critical minerals industry, force industry consolidation, constrict critical minerals production and promote stockpiling, which, among other things, creates a general lack of certainty among critical minerals customers regarding the reliability of the future supply of such minerals. The Chinese Ministry of Industry and Information Technology, along with other relevant government departments, plays an active role in supervising and developing regulations affecting the critical minerals industry.

In December 2023, China updated its technology export regulations, which now includes restrictions on the export of technologies related to some rare earth magnetic materials, including NdFeB magnetic materials. With these recent changes, China is continuing to strengthen its position within the global rare earth industry. While we do not believe these restrictions will have a material impact on existing operations or plans to expand our business to serve our customers and targeted markets, Neo continues to work with our partners and suppliers and remains in close contact with the Chinese government to further understand and ensure compliance with the new restrictions.

Like other industry participants operating in China, Neo's ability to produce certain of its products is subject to certain production quotas and other aspects of China's rigorous regulation of critical minerals production. Historically, Neo has been able to secure sufficient quotas to meet its demands. Nevertheless, there can be no assurance that Neo will be able to continue to secure sufficient quotas or that its operations will not be adversely affected by China's ongoing regulation of critical minerals production and exports of materials and technology.

### ***Risks Relating to Unauthorized Use of Corporate Chops of Neo's Subsidiaries in China***

The chops of Neo's subsidiaries in China are essential to such entities' ability to enter into contracts, conduct banking activities and undertake day-to-day corporate and business activities. Each of Neo's subsidiaries in China uses five chops:

1. *Company Chop.* The Company Chop is used by the senior officer at each subsidiary in China and is required for the daily operations of each such entity. It represents the "signature" of each such entity on documents such as contracts, purchase orders, supply orders, customs and import/export documents or employment agreements. The use of the Company Chop alone is sufficient to bind an entity unless specifically required by a particular document to be accompanied by an authorized signature. The use of the Company Chop is logged and reviewed on a regular basis to ensure that no irregularities are evident.
2. *Legal Representative Chop.* The Legal Representative Chop is evidence of the Legal Representative's signature and may be substituted by the Legal Representative's actual signature. In order to bind each Chinese subsidiary, this chop must be used in conjunction with the Company Chop.
3. *Contract Chop.* The Contract Chop is used by the senior officer of the Chinese subsidiaries as a substitute for the Company Chop on certain ordinary course agreements with customers and suppliers within predetermined monetary authorization limits only. The use of the Contract Chop alone is sufficient to bind an entity unless specifically required by a particular document to be accompanied by an authorized signature.

4. *Finance Chop.* The Finance Chop is used on certain banking documents by the financial controller of each of Company's subsidiaries in China. Pursuant to the policies of certain banks in China, it must be used in conjunction with an authorized signature, and both are required to access such subsidiary's bank accounts. The Finance Chop is used by the chief finance officer at the particular subsidiary.
5. *Invoice Chop.* The Invoice Chop is used by accounting managers of the Chinese subsidiaries to stamp all invoices of the particular entities and is not required to be used in conjunction with other Chops. The Invoice Chop can be replaced by the Finance Chop.

In order to maintain the physical security of these chops, each chop is stored in a secured location accessible only to authorized personnel, who are members of the senior management appointed by Neo. These subsidiaries may also adopt other measures from time to time to protect the chops. Although Neo has implemented such internal control procedures as it feels necessary to monitor the authorized personnel and the use of the chops, there is no assurance that such procedures will prevent all instances of abuse or negligence. Accordingly, if any of Neo's subsidiaries in China authorized personnel misuse or misappropriate the chops, Neo could experience significant disruption to operations until the chops are replaced.

Under Chinese law, in the event a chop is lost, stolen or misplaced, the Legal Representative will: (i) cause the company who owned the lost chop in China to publish an announcement of the loss of chops in designated newspapers; (ii) apply to the local Public Security Bureau for the carving of new chops; and (iii) carve the new chops at places designated by the Public Security Bureau. While Neo and the China subsidiaries have procedures and recourse available to remedy any misuse or misappropriation of the chops, as the chop replacement process would take approximately five business days, there can be no assurance that there would be no adverse effect on the business, results of operations or financial condition of Neo due to such disruptions. The senior officers that are authorized to use the Company Chops at Neo's operating subsidiaries in China are as follows: Wang Dong, Head of the Administration Department at ZAMR and NAMCO; Xu Qiuxia, Head of the Administration Department at JAMR; Angie Fang, Head of the Administration Department at Magnequench (Tianjin) Co., Ltd. ("**MQTJ**") and Magnequench International Trading (Tianjin) Co., Ltd. ("**MQTJ2**"); and Dai Gengao, Head of Administration at MQCZ. Wei Changbao, Finance Controller, is authorized to use the Finance Chop at ZAMR and NAMCO; Zhang Huajun, Finance Manager, is authorized to use the Finance Chop at JAMR; Liu Zhenguo, Finance Manager, is authorized to use the Finance Chop at MQTJ and MQTJ2; and Aily Yan, GL Supervisor, is authorized to use the Finance Chop at MQCZ.

Each of Neo's material operating subsidiaries in China (being MQTJ, MQTJ2, JAMR, ZAMR and NAMCO) has entered into a stamp management agreement (collectively, the "**Custodian Agreements**") with licensed and internationally reputable third-party custodians. Beijing Weiheng (Tianjin) Law Firm has been engaged to act as custodian for MQTJ and MQTJ2 pursuant to Custodian Agreements dated January 1, 2024; Jiangyin Chengxin accounting firm has been engaged to act as custodian for JAMR pursuant to a Custodian Agreement dated November 29, 2017; Zibo Chen Guang accounting firm has been engaged to act as custodian for ZAMR and NAMCO pursuant to Custodian Agreements dated November 29, 2017 and July 3, 2020, respectively; and Jiangsu Suyuan Law Firm has been engaged to act as custodian for MQCZ pursuant to a Custodian Agreement dated January 1, 2024. The custodians were selected based on a number of factors, including a recommendation from Neo's legal counsel, that each of the custodians selected is licensed by applicable government authorities on an annual basis, as well as being registered by professional organizations, and the proximity to the plant locations on Neo's operating subsidiaries. Pursuant to the Custodian Agreements, these chops will be stored in separate locked safe boxes on the premises of the subsidiary and the access code for which is in the sole possession of the respective custodian. The Custodian Agreements may only be amended by Neo and the respective custodian. Although, Neo has established a custodial process where management and the employees of Neo's material operating subsidiaries in China do not have access to the Legal Representative Chop and the Company Chop without the Custodian being present in order to provide the same custody and safeguards as if the Company Chop and Legal Representative Chop were stored off-site, there is no assurance that such procedures will effectively prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our chops, we could experience significant disruption to our operations until our chops are replaced.

If, in particular, during any period Neo loses effective control of the China subsidiaries as a result of such misuse or misappropriation, the business activities and economic contribution of any such entity could be severely disrupted and Neo may not be able to recover corporate assets that are sold or transferred out of Neo's control in the event of such misappropriation and Neo may not have the financial resources to recover such assets or take appropriate legal action. Neo does generate a majority of its revenue from operations outside of China. As such, Neo expects to have the necessary financial resources to pursue the appropriate recourses to recover such corporate assets. If Neo loses effective control of the Finance Chop, the Legal Representative will promptly notify the relevant bank that the Finance Chop has been lost, misplaced or stolen and if one of the authorized signatories is implicated, that such individual is no longer an authorized signatory. In addition, Neo can assume control over the China subsidiaries' bank accounts through the combined use of the Company Chop and the Legal Representative Chop. Despite the foregoing, however, the China subsidiaries may experience temporary delays in accessing bank accounts in China. This risk is significantly mitigated by the requirement for the signatures in conjunction with the use of the Finance Chop in banking matters.

### ***Emerging Market Considerations***

The Company and its predecessors have operated as a global group of companies for over 25 years with a consistent and experienced executive management group and have developed and maintained close working relationships with local employees, management and bankers in order to develop and maintain control systems regarding asset management (including with respect to bank accounts).

The Company's operating entities in emerging jurisdictions are governed in accordance with applicable local laws and entity-wide governance principles. The directors of the Company's operating entities in emerging jurisdictions are generally comprised of a majority of senior management employees and where required by local laws, local residents, who are generally longstanding local management level employees, or local corporate counsel. The articles of association and joint venture agreements of certain entities specify how officers and directors are appointed, elected and removed. See "*Risk Factors – Risks Relating to Unauthorized Use of Corporate Chops of the Company's Subsidiaries in China*".

Neo has control over cash flows by ensuring that regular cash reports are reviewed by executive management and accounting personnel. Further, Neo implemented the use of a global banking platform with its global bank to monitor the movement of cash of its entities on a daily basis. Banking for the Company's significant operating subsidiaries is now active on this platform with access controls being administered at the head office level. Under the oversight of the Company's Chief Financial Officer, administration (including user access, types and amounts of cash movement, and daily limits) of these accounts is jointly administered by the Vice President, Taxation and Treasurer and the Vice President, Administration. The global banking platform provides additional controls to the organization's global bank accounts; however, at the current time, these accounts are not solely managed at the Company's head office.

The minute books, corporate records and corporate seals of these entities are maintained locally, with copies of material agreements, financial information and other material information and documents maintained at the Company's head office in Toronto, Ontario. In certain circumstances, corporate seals are maintained at the local entity level with appropriate security measures in place to safeguard such seals.

Each of the Company's executive officers and a number of its directors has experience as an executive officer and/or director of entities operating in the jurisdictions in which the Company operates. Each such person has been involved with the Company and/or its predecessor entities as an officer and/or director.

The Company provides new directors and officers with ongoing information sessions with senior executives in order to learn about the business of the Company, its financial situation, strategic planning, governance practices, local business customs and significant differences in legal regulatory structures. In addition, the Company regularly retains local counsel to provide specific advice with respect to local laws and regulations and maintains strong relationships with local ministries and regulatory bodies as well as Canadian embassies. Neo has employees that are charged with education and compliance with legal and regulatory issues in the jurisdictions in which it operates. Officers of the Company regularly visit foreign

operations and meet with local managers. The independent directors are expected to visit the principal business operations with local management at least once every two years.

A number of the Company's operating entities are subject to national, state and local laws and regulations in the jurisdictions in which they operate. The Company maintains open communications with such regulatory bodies and, where applicable, retains local counsel to provide advice with respect to new or evolving regulatory regimes.

The Company has operated in emerging jurisdictions for over 25 years and has experienced management that is sensitive to local business practices and customs. In addition, the Company has experienced local managers who are familiar with local practices and keep executive management apprised.

Translation services are provided in the Company's global locations to ensure clear communications between local management and executives, senior management and other employees. In addition, certain of the Company's executive team have proficiencies in certain of the languages used in these jurisdictions. Generally, local counsel in international jurisdictions function in English as well as the local language and, where necessary, professional translators are employed to translate corporate policies, health and safety regulations and legal documents.

### ***Customer Dependence***

Each of Neo's three business segments supply products to a limited number of key customers. While Neo's key customers do not overlap among Neo's key business segments, the loss of a key customer could have a material adverse effect on that segment's future performance and that of Neo.

### ***General Economic Conditions***

The business of Neo is subject to general economic conditions. Adverse changes in general economic and market conditions could adversely impact demand for Neo's products, prices, revenue, operating costs, results of financing efforts, and the timing and extent of capital expenditures.

### ***Competition***

Neo believes its ability to compete successfully depends upon a number of factors, including, but not limited to: global market presence, production facilities in cost-competitive locations, product quality and performance, access to capital, and the pricing policies of its competitors. Some of Neo's competitors have financial resources, and, in some cases, operational resources and strategic advantages, which are substantially greater than those of Neo.

### ***Uncertainty Regarding Chinese Withholding Tax on Indirect Transfers of Chinese Enterprises by Non-Chinese Residents***

Neo and its shareholders face uncertainties with respect to taxes imposed by Chinese authorities on previous and potential future indirect transfers of equity interests in enterprises resident in China or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies, such as Neo's operations in China.

There is uncertainty as to the application of Bulletin 7 (Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-Chinese Resident Enterprises) or previous rules under Circular 698 (Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Chinese Resident Enterprises). It is not clear how it will be implemented. Bulletin 7 (and the resultant taxation) may be determined by the tax authorities to be applicable to Neo's offshore restructuring transactions or sale of the Common Shares or those of Neo's offshore subsidiaries where non-resident enterprises, being the transferors, were involved.



### ***Environmental Liability Exposure***

Neo seeks to meet or exceed existing environmental legal requirements in the countries in which it operates. Present or future laws and regulations, however, may adversely affect Neo's operations. Future environmental costs may increase due to changing requirements or costs associated with developing, operating, and closing of production sites and the storage, management and disposal of hazardous materials and wastes, including radioactive materials and wastes.

Neo's C&O and Rare Metals business segments are subject to numerous and increasingly stringent international, national, federal, state, provincial and local laws, regulations and permits, including those pertaining to environmental permitting and licensing, air quality, greenhouse gas, water usage, wastewater, pollution, waste management and the handling, storage and disposal of hazardous or radioactive materials and wastes. Pursuant to certain environmental laws, regulations and permits, Neo may be subject to claims for toxic torts, natural resource damages and other liabilities, as well as for the investigation and remediation of soil, surface water, groundwater and other environmental media. Neo's failure to comply with these laws and regulations, or changes in such laws and regulations or the interpretation or enforcement thereof, and to obtain or renew any environmental permits, could have a material adverse effect on Neo's business, financial condition and results of operations.

Specifically, Neo is subject both to Chinese national and local environmental protection regulations that currently impose a graduated schedule of fees for the discharge of waste substances, require the payment of fines for discharges exceeding prescribed standards, and provide for the closure of any facility that fails to comply with orders requiring it to cease or remedy certain activities causing environmental damage. The Silmet facility, JAMR and ZAMR produce wastewater from their solvent extraction processes.

As part of the recycling of gallium, indium, and rhenium scrap into saleable metal, waste material is generated during the leaching and ion exchange process. Neo has adequate procedures in place to ensure that waste generated from these processes are appropriately contained and disposed of. Neo's Canadian operations are subject to provincial laws, regulations and permits and must periodically submit documentation to validate the waste disposal process throughout the year. Neo's operations may become subject to new or additional federal and local environmental laws, regulations and regulations from time to time which may have an impact on the operations of Neo.

Neo's operations have used and currently use hazardous materials and have generated and currently generate hazardous and NORM. The Silmet facility has a long history of industrial use, including uranium ore and alum shale processing, as a result of which its operations may have impacted the environment. In addition, some of Neo's operations require the management and disposal of radioactive materials as well as certain permits with respect to the management and disposal of radioactive materials and waste. There can be no assurance that any such permits will be acquired and / or renewed which may have a material impact on the results of operations and the financial condition of the Company. See "*Description of the Business - Environmental*".

These, together with other unforeseen impacts that its operations may have on the environment, as well as human exposure to hazardous or radioactive materials or wastes associated with its operations, could have a material adverse effect on the business, reputation, results of operation and financial condition of Neo.

### ***Fluctuations in Demand for, and Prices of, Critical Minerals Inputs***

Because Neo's primary source of revenue is the sale of specialty chemicals and advanced industrial materials made from certain critical minerals, changes in demand for, and the market price of, these critical minerals could significantly affect Neo's profitability. There can be no assurance that Neo could successfully pass through any increases in the cost of raw materials to Neo's customers. These minerals and product prices fluctuate and are affected by numerous factors beyond management's control such as interest rates, exchange rates, inflation or deflation, fluctuation in the relative value of the U.S. dollar against foreign currencies on the world market, global and regional supply and demand for critical minerals and products, and the political and economic conditions of countries that produce critical minerals and products.

Demand for Neo's products is impacted by demand for downstream products incorporating critical minerals, including motors used in hybrid and electric vehicles, auto catalysts and other clean technology products, as well as demand in the general aerospace and electronics industries. Lack of growth in these markets may adversely affect the demand for its products, which would have a material adverse effect on the business of Neo and its results of operations.

Extended periods of high commodity prices may create economic dislocations that may be destabilizing to critical minerals supply and demand and ultimately to broader markets. Strong critical mineral prices, as well as real or perceived disruptions in the supply of critical minerals, also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for critical minerals and products, and at the same time may incentivize development of otherwise marginal mining properties.

### ***Product Recalls***

The sale of Neo's products involves the risk of product recalls and associated product liability claims. Some of Neo's products are used in the manufacture of end-products (and, in some instances, may be considered by certain of Neo's customers integral to the manufacture of such products). Neo could face significant liability if Neo's products used, for example, in the manufacture of an automotive catalyst were determined to have contributed to a problem that led to a third-party product recall. No assurance can be given that Neo or its customers will not be subject to voluntary or government-ordered product recalls. If one of Neo's or its customers' products is the subject of a recall, Neo may incur significant costs and reputational damage and suffer loss of customers as a result. In addition, if a person brings a product liability claim or suit against one of Neo's customers, this customer may attempt to seek contribution from Neo. While Neo considers the probability of the occurrence of such an event to be low and attempts to mitigate such risk by negotiating liability limits in its customer contracts when possible, a product recall or successful product liability claim or series of claims against Neo in excess of its insurance coverage for which it is not otherwise indemnified could have an adverse effect on Neo's business, financial condition, results of operations or cash flows.

### ***Rapid Technological Change***

Markets for Neo's products are competitive. In addition, the applications that use Neo's products are subject to rapid technological change. For instance, auto catalysts represent a significant portion of the C&O segment's business. As many automotive manufacturers increasingly move towards electric-powered vehicles (electric-only and hybrid), Neo's future successes will depend on its ability to adapt to such changes to provide products that achieve market acceptance. As technologies develop, substitutes may be developed for Neo's products which may have an adverse impact on the marketability of its products. There is a risk that the replacement of Neo's products by other products may have a material adverse impact on its sales.

### ***Changes in Tax Laws***

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada or any of the countries in which Neo's operations or business is located, could result in an increase in Neo's taxes, or other governmental charges, duties or impositions. In addition, Neo is eligible, from time to time, for certain tax incentives in various jurisdictions in which it operates, which are subject to change and/or expiry. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in Neo's profits being subject to additional taxation or that could otherwise have a material adverse effect on Neo.

### ***Risks of Operations and Insurance***

Neo's production and distribution activities are subject to natural hazards and uncertainties including fires, equipment failure, and other risks that can result in personal injuries, loss of life, and property damage. Management believes that the current insurance coverage of Neo's production facilities is in line with industry practice. Neo does not maintain insurance

coverage in place for patent infringement, political, or environmental risks because management believes that the premium costs for this additional coverage are in excess of the perceived exposures.

### ***Additional Financing Requirements***

Depending on its ability to achieve its goals, Neo may need to raise further equity and/or debt financing to fund the completion of its European growth initiatives, the NAMCO relocation project and other corporate developments. The success and the pricing of any such equity and/or debt financing will be dependent upon the prevailing market conditions at that time. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Neo. Any debt financing, if available, may involve financial covenants which limit Neo's operations. If Neo requires additional capital and is unable to obtain it, there may be a possibility that it will not be able to complete the full deployment of its solutions and the full implementation of its business plan, which could have a materially adverse effect on its business, operating results and financial condition.

### ***Neo's Failure to Manage its Growth Effectively Could Harm its Business and Results of Operations***

Neo's growth has placed and may continue to place significant demands on its management and its operational and financial infrastructure. As its operations grow in size, scope and complexity and as Neo identifies and pursues new opportunities, Neo may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise). In addition, Neo will need to continue to build on and effectively deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required, and additional supplies of raw materials. The expansion of its infrastructure will require Neo to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance Neo will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to Neo's operating structure may result in increased costs or inefficiencies that it cannot anticipate. Changes as Neo grows may have a negative impact on Neo's operations, and cost increases resulting from Neo's inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain Neo's ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly skilled personnel. Neo places great importance on its culture, which Neo believes has been an important contributor to its success. As Neo grows, it may have difficulty maintaining its culture or adapting it sufficiently to meet the changing needs of its operations. Among other important factors, Neo's culture depends on its ability to attract, retain and motivate employees. Neo's failure to foster and maintain its corporate culture could also harm its business and results of operations. Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact Neo's business performance and results of operations.

### ***Potential for Incurring Unexpected Costs or Liabilities as a Result of Acquisitions***

Neo may in the future pursue strategic acquisitions that it believes would expand its product offerings and capabilities or complement its business. While management has considerable experience in making such acquisitions and integrating them, any such acquisition that Neo makes will be accompanied by the risks commonly encountered in acquisitions of businesses. The process of integrating acquired businesses, products or technologies may create unforeseen operating difficulties and expenditures. Neo may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise. Neo may incur costs necessary to reorganize, expand or otherwise modify existing operations to meet future production needs, and may also incur closure and carrying costs for portions of properties, for which it has no operational uses. Neo may also have difficulty maintaining uniform standards, policies and controls across the organization. The process of integrating acquired businesses may also result in a diversion of management's attention and cause an interruption of, or loss of momentum in, its activities.

Additionally, any acquisition that Neo makes may result in the assumption of material liabilities. Businesses and properties Neo acquires may be in an unexpected condition and may subject it to increased costs and liabilities, including environmental liabilities. The costs and liabilities associated with known risks may be greater than expected, and Neo may assume unknown liabilities, either of which could have a material adverse effect on its business, financial condition and results of operations. Foreign acquisitions involve risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. As a result of these risks, the anticipated benefits of these acquisitions may not be fully realized, if at all, and the acquisitions could have a material adverse effect on the business, financial condition and results of operations of Neo.

#### ***Ability to Maintain Obligations Under the EDC Facility and Other Debt***

Neo has entered into certain credit facilities, including the EDC Facility, and may, from time to time, enter into other arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that have restrictive obligations in terms of payment provisions or that restrict its business in some way. Events may occur in the future, including events out of Neo's control, that would cause Neo to fail to satisfy its obligations under the credit facilities or other debt instruments. In such circumstances, any amounts drawn under Neo's debt agreements may become due and payable before the agreed maturity date and Neo may not have the financial resources to repay such amounts when due. The credit facilities are secured by all of Neo's property. If Neo were to default on its obligations under the credit facilities or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize all or significant portions of Neo's assets.

#### ***NAMCO Relocation Risks***

In February 2018, ZAMR received notice from Zibo City of a new zoning plan being implemented in order to protect ground water resources in the area. The notice indicated that all industrial enterprises in the area of ZAMR's production facility would be required to relocate. In late 2020, Neo made the determination to acquire land use rights an industrial park (in the vicinity of the existing ZAMR plant) through an indirect Chinese subsidiary. Following a public comment period related to the environmental impact of the planned plant construction, NAMCO has executed a land acquisition agreement with the local government. In addition, NAMCO has engaged a consultant to design a new production facility to be constructed in the new industrial park once it is completed. The ability of NAMCO to design and build the new plant in compliance with applicable regulatory standards and necessary customer specifications is uncertain at this time. In addition, the aggregate actual costs ultimately incurred by the Company for the design and building of the new plant may exceed current estimates, possibly by a material amount, which could have a material adverse impact on the Company's ability to secure adequate financing for the new facility on terms acceptable to the Company as well as having a material adverse impact on the financial condition and results of operations of the Company. The relocation of the NAMCO plant may have adverse consequences on the production output of the plant, despite any mitigating factors that NAMCO has implemented or may adopt in the future. In addition, the total costs associated with the design and building of the new plant may have a material impact on the financial condition and results of operations of the Company.

#### ***Construction and Development Risks***

There are a number of emerging factors that are affecting development risks that Neo faces in connection with the construction of its new plants in Zibo, China and Europe. Such factors include, but are not limited to, rising construction costs and development charges, shortage of experienced labour in certain construction related trades and rising interest rates. The pandemic imposed additional risks and uncertainties on development, some of which continue to be relevant even as the economy strives for a return to normalcy, including, but not limited to, potential development or construction delays or shutdowns and rising costs. The impact of development risk factors will be further assessed and observed in terms of broader market reactions. These factors could impact Neo's pace of development and construction of such projects. As a result, there can be no assurance that each of the projects will be developed or completed on current expectations of budgets and /or timelines. Any adverse affects to budget or timelines may have an impact on how Neo manages the transition to the

new facilities, including, but not limited to, maintaining existing supply of feedstocks, fulfilling customer orders or maintaining profit margins.

### ***Land Use Rights in China***

Generally, land use rights in China are governed by local and state laws and regulations and subject to agreement with the applicable government agency. A change in policies by Chinese governments could adversely affect Neo's ability to access its production facilities in China by, among other factors, changes in laws or regulations or changes in the interpretation thereof. Despite the activity and progress in developing its legal systems surround land use rights, China does not have a system of laws regarding land ownership and/or use as comprehensive and predictable as in Canada or the United States. Any changes to the existing land use rights that currently holds in respect of its production facilities in China may have a material adverse effect on the operations and financial results of Neo. See also "*Risks Associated with International Operations*".

There can be no assurance that land use rights will be maintained on an economically feasible basis. The timing and costs of any proposed relocation cannot be determined at this time. The ability of JAMR to successfully acquire the new land use rights, design and build the new plant in compliance with applicable regulatory standards and necessary customer specifications is uncertain at this time. Any proposed relocation of the JAMR plant may have adverse consequences on the production output of the plant, despite any mitigating factors that JAMR may implement or adopt. In addition, the total costs associated with the acquisition of the land use rights, and the design and building of the new plant may have a material impact on the financial condition and results of operations of the Company.

### ***Dependence on Good Relations with Employees***

Neo's success depends on the skills and abilities of its employees. There is keen competition for engineers and others with industry expertise. Neo's ability to hire and retain such persons is key to its operations. A shortage of skilled labour could impact on its planned internal growth or require it to use less skilled employees which could adversely affect Neo's ability to carry out its work. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by relevant government authorities in the jurisdictions in which Neo conducts business. Changes in such legislation or otherwise in relationships with Neo's employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the operations, results of operations and financial condition of Neo. As of December 31, 2022, 95 employees at the Silmet facilities were unionized employees. A work stoppage at the Silmet facilities could similarly have a material adverse effect on the operations, results of operations and financial condition of Neo.

### ***Reliance on Key Personnel***

Neo depends on the services of its senior management team and other key personnel. The loss of the services of any member of senior management or a key employee could have an adverse effect on Neo's business. Neo may not be able to locate, attract or employ on acceptable terms qualified replacements for senior management or other key employees if their services are no longer available.

### ***Information Technology and Cybersecurity***

Neo is dependent upon information technology systems in the conduct of its operations. Neo's information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, fire, power loss, telecommunications failures, computer viruses and disabling devices, security breaches, cyber-attacks, natural disasters and defects in design.

Exposure of Neo's information technology systems to external threats poses a risk to the security of these systems. Such cyber-security threats include denial or services attacks, unauthorized access to information technology systems due to

hacking, viruses and other causes that can result in service disruptions, system failures and disclosure, deliberate or inadvertent, of confidential business information.

Damage, disruption, or failure of one or more information technology systems may result in interruptions to Neo's operations. Systems failures could result in reputational damage to the business and cause Neo to incur significant costs and third-party liability. Various measures have been implemented to manage the risks related to Neo's information technology systems, but the business, financial position or results of operations of Neo could be adversely impacted by such interruptions.

Neo could also be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly or not properly integrated into its operations.

Although Neo has purchased insurance to cover certain losses as a result of a cybersecurity or information technology incident, there can be no assurance that such insurance coverage would apply to any particular incident or provide sufficient coverage to cover any losses associated with a particular incident.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

From time to time, Neo and its subsidiaries are subject to litigation claims arising in the ordinary course of business, most of which involve alleged violations of the intellectual property rights of others. Neo manufactures and sells many products that use scientific formulations and processes, and its competitors may from time to time allege that they hold a patent on such formulations or processes that Neo has infringed. Neo generally believes that it has meritorious defenses to the actions that have been brought against it and vigorously pursues the defense of each such action, including but not limited to initiating legal proceedings to revoke or invalidate the patents Neo is alleged to have infringed. However, litigation outcomes are inherently unpredictable and may be even harder to predict for patent litigation since patents are issued separately by each country or applicable jurisdiction with different standards for infringement or invalidation, as well as differing levels of damages, including as a result of the number of customers and level of activity of Neo in a given country or jurisdiction.

If many or most of the proceedings initiated against Neo in respect of the patents held by others described below are finally determined in a manner adverse to Neo, there can be no assurance that such determinations would not have a material adverse effect upon Neo or upon its operations, cash flows, prospects or financial condition, and in some countries (or jurisdictions) listed below, management expects that an injunction or other remedy imposed for infringement would be materially adverse to Neo. It is not possible at this time to predict with any degree of certainty the impact upon Neo's operations in the event of such final adverse determinations. If injunctions were granted against it, Neo would be prohibited from manufacturing and distributing certain products in those jurisdictions subject to those injunctive orders. Neo could, in such event, re-establish its manufacturing capability for such products in jurisdictions not prohibited by any such orders, and thus would expect to encounter interruptions in its manufacturing of such products and in its ability to distribute such products to customers in jurisdictions not subject to such orders. The litigation proceedings described in this section affect certain products manufactured by Neo's C&O segment for use in auto catalysts. Neo manufactures a wide variety of products that are used in the production of auto catalysts, which accounted for approximately 10% to 20% of total revenue in the year ended December 31, 2023. These products include multiple formulations in multiple jurisdictions sold to a number of different customers. We note; however, these claims do not affect all of the products manufactured by Neo's C&O segment, for use in auto catalysts nor do these claims pertain to all markets where such products are sold. Neo is not currently restricted with respect to the manufacture or distribution of any of its products as a result of ongoing litigation. However, in the event of final adverse determinations, Neo expects to take all available actions to mitigate the impacts of such rulings, including but not limited to continuing to pursue invalidation of the applicable patent (if not already decided) appealing the adverse rulings, obtaining licensing rights and finding new customer outlets. The geographically diverse nature of Neo's operations and that of certain of its customers potentially provides Neo with a measure of flexibility to

manufacture the same products in certain other jurisdictions and continue to supply certain of its customers with the same products in certain other jurisdictions. Neo also has the ability to work with customers to develop new products that may have a lower risk of potentially falling within the scope of existing patent claims.

Where appropriate, accruals are made in accordance with accounting standards for contingencies to provide for matters that are probable of resulting in an estimated loss. Based upon the status of the various cases, management's assessments of the likelihood of damages, and the advice of counsel, Neo has made accruals, as of December 31, 2023, for some of the proceedings outlined below, where Neo believes it would be more likely than not that it would be liable for damages and other outflows of resources. Neo considers some of the other outstanding litigation as currently being too uncertain to result in accruals. Several of these actions are at a preliminary stage and have not gone to trial.

As mentioned above the laws concerning patents differ from country to country. Damages for patent infringement in Europe and China may include lost profits or a reasonable royalty, but enhanced damages for wilful infringement are generally not available, unlike the case in the United States.

The following summary provides details of certain legal proceedings to which Neo and its subsidiaries is or was a party to, or to which its property is or was the subject of since January 1, 2023.

As noted below, many of the claims of alleged infringement are made by the same parties, initiated in different jurisdictions involving the same or similar patents, some of which have expired.

#### ***European Patent #EP 1527018 B1 Litigation***

On August 17, 2016, Molycorp Chemicals & Oxides (Europe) Ltd. ("**Molycorp C&O Europe**"), now Neo Chemicals & Oxides (Europe) Ltd. ("**Neo C&O Europe**"), initiated opposition proceedings before the European Patent Office requesting that it revoke European patent #EP 1527018 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**018**") previously granted to Rhodia Opérations SAS ("**Rhodia Operations**") in November 2015 on the basis of its invalidity. The European Patent Office ("**EPO**") upheld 018, subject to amendments that significantly narrowed the scope of the 018 patent claims. Following an appeal by Neo C&O Europe and Rhodia Operations, the ruling of the EPO was upheld by the Appeal Board of the EPO. Neo C&O (Europe) subsequently filed a lawsuit in the German Federal Patent Court challenging the validity of the 018 patent on additional grounds. The German Federal Patent Court upheld 018 in restricted form. Both Neo C&O Europe and Rhodia Operations have appealed the Federal Patent Court's judgment to the German Federal Supreme Court and the appeal is set for hearing in October 2024.

On March 9, 2018, Rhodia Operations filed a lawsuit against Neo C&O Europe in the Regional Court of Düsseldorf, Germany, alleging infringement of 018. In September of 2020 the Düsseldorf Regional Court ruled that Neo C&O (Europe) had infringed certain of the 018 patent claims, and issued an injunction. An appeal from this judgment by both Neo C&O (Europe) and Rhodia Operations remains pending.

#### ***European Patent #0735984 B1 Litigation***

On July 31, 2014, Rhodia Chimie S.A.S ("**Rhodia Chimie**") and Rhodia Operations (collectively, "**Rhodia**") initiated an action before the Regional Court of Düsseldorf, Germany against Molycorp C&O Europe (now, Neo C&O Europe), alleging infringement of European patent #0735984 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**984**"). 984 expired on December 20, 2014. The Regional Court of Düsseldorf found that 984 had been infringed and ordered that Rhodia could seek to have Neo C&O Europe render account and to recall infringing products from the distribution chain. It also determined that Neo C&O Europe is obliged to pay damages. Neo C&O Europe appealed the first instance decision of the Regional Court of Düsseldorf to the Higher Regional Court of Düsseldorf, Germany on April 1, 2016. Neo C&O Europe subsequently withdrew its appeal after Rhodia narrowed the scope of its claim for infringement, and the judgment of infringement by the Regional Court of Düsseldorf is final. Rhodia's claim for damages for past infringing sales has been set for hearing on March 13, 2025. On March 16, 2016, Molycorp C&O Europe (now Neo C&O Europe) initiated nullity

proceedings before the German Federal Patent Court seeking to invalidate certain claims of the German part of 984. On October 11, 2016, the German Federal Patent Court maintained the German part of 984, but only in restricted form. On April 4, 2017, both Rhodia and Neo C&O Europe appealed the decision of the Federal Patent Court to the Federal Supreme Court. The German Federal Supreme Court maintained the validity of 984, in restricted form.

### ***European Patent #0863846 B1 Litigation***

On July 31, 2014, Rhodia initiated an action in the Regional Court of Düsseldorf, Germany i.a. against Molycorp C&O Europe (now, Neo C&O Europe) alleging infringement of European patent #0863846 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**846**"). 846 expired on June 28, 2016. On February 2, 2016 the court found that 846 had been infringed. On August 15, 2017, Neo C&O Europe appealed the first instance decision of the Regional Court of Düsseldorf to the Higher Regional Court of Düsseldorf, which affirmed the trial court judgement of infringement in November 2023. Rhodia's claim for damages is set for a hearing on March 13, 2025. On March 16, 2015, Molycorp C&O Europe (now, Neo C&O Europe) initiated nullity proceedings before the German Federal Patent Court requesting that the Court invalidate certain claims of the German part of 846. The German Federal Patent Court on October 25, 2016 maintained the German part of 984, but in restricted form. In April 2017, both Rhodia and Neo C&O Europe appealed the decision of the German Federal Patent Court to the German Federal Supreme Court. In June of 2019 the German Federal Supreme Court upheld the validity of 846 in restricted form.

### ***Chinese Patent #ZL 96196505.3 Litigation***

On August 21, 2015, Rhodia Operations and DKKK initiated a patent infringement action in China against ZAMR before the Shandong Higher People's Court, alleging infringement of Chinese patent #ZL 96196505.3 pertaining to rare earth mixed oxides for use in automotive catalysts ("**505**"). 505 expired on June 28, 2016. (Both 846 and 505 contain the same claims). On September 29, 2016, following an application by ZAMR, the Supreme People's Court ruled that the case should be sent to the Zibo Intermediate People's Court for adjudication. On March 28, 2017, Rhodia Operations and DKKK refiled their infringement claim before Zibo Intermediate People's Court and claimed damages of RMB45 million (approximately \$6.8 million) and legal costs. On December 13, 2019, Rhodia Operations and DKKK withdrew the 505 patent infringement action against ZAMR. In October of 2020, Rhodia Operations refiled a lawsuit alleging ZAMR had infringed 505, this time before the Ji'nan Intermediate Court. In August 2021, the Ji'nan Intermediate Court ruled that ZAMR did not infringe 505. Rhodia Operations and DKKK appealed the judgement of non-infringement. In December 2023, the Supreme People's Court affirmed the judgment of non-infringement, and dismissed the appeal of Rhodia Operations and DKKK. ZAMR initiated an action to invalidate 505 but the PRB ruled that 505 was valid and upheld the patent claims. ZAMR appealed the PRB's judgment to the Beijing IP Court. In March, 2022, the Beijing IP Court overturned the decision of the PRB. Rhodia Operations and DKKK have appealed the decision of the Beijing IP Court to the Supreme People's Court and that appeal is still pending.

### ***European Patent #1435338 B1 UK Litigation***

On April 13, 2016, Anan Kasei Co., Ltd. ("**AKC**") and Rhodia Operations initiated action in the High Court of Justice of England and Wales, Chancery Division, Patents Court against Molycorp C&O Europe (now, Neo C&O Europe) alleging infringement of European and United Kingdom patents #1435338 B1 pertaining to cerium oxides for use in automotive catalysts ("**338**"). Neo C&O Europe has filed a defence and counterclaim seeking to invalidate 338. Following a trial in January 2018, on April 23, 2018, the Court ruled that 338 was valid and infringed by Neo C&O Europe. The Court ordered (i) an injunction restraining Neo C&O Europe from infringing claims 1, 3, 4 and 5 of 338; (ii) delivery up or destruction of all material in the control of Neo C&O Europe which would otherwise breach the injunction, (iii) provision to Rhodia Operations of certain information on sales of infringing products in advance of Rhodia Operations electing for an inquiry as to damages or account of profits and payment of any sums found due, (iv) payment by Neo C&O (Europe) of the co-claimants' costs of the action, (v) provision to the co-claimants of a letter of credit in relation to any sum ordered in relation to damages or an account of profits up to £750,000, and (vii) that the judgment be advertised and publicized. Neo C&O



(Europe) was granted permission to appeal the judgment, but on October 9, 2019, the Court of Appeal dismissed Neo's appeal.

Rhodia Operations and AKC opted for an inquiry as to damages. Neo C&O Europe reached a partial settlement with the plaintiffs and the remaining unsettled claims went to trial in January and February of 2022. The Court ruled that Neo C&O Europe did not owe any further damages for the unsettled claims. Rhodia Operations and AKC appealed this judgment but on January 17, 2023, the Court of Appeal dismissed the plaintiffs' appeal. The application of Rhodia Operations and AKC to the Supreme Court for leave to appeal was denied on June 15, 2023. The judgement that Neo C&O Europe does not owe damages for the unsettled claims is final.

### ***European Patent #1435338 B1 Germany Litigation***

On September 15, 2016, Rhodia Operations initiated an action in the Regional Court of Mannheim against Neo C&O Europe and two of its employees, alleging infringement of 338. On December 19, 2017, the Regional Court of Mannheim ruled that Neo C&O Europe had infringed 338 in Germany and ordered that Rhodia could seek to have Neo C&O Europe render account and to recall infringing products from the distribution chain. The court also determined that Neo C&O Europe is obliged to pay damages, and it issued an injunction prohibiting future acts of infringement, including but not limited to the sale or distribution of products infringing 338 in Germany. Neo C&O Europe appealed this ruling to the Higher Regional Court of Karlsruhe, which affirmed the judgment of infringement in December 2021. Neo C&O Europe's application to the Supreme Court for leave to appeal to judgment of infringement is pending. Rhodia's claim for damages is set for a hearing on June 18, 2024.

On June 21, 2016, Neo C&O Europe initiated nullity proceedings before the German Federal Patent Court, asking for the revocation of 338. On January 15, 2019, the Federal Patent Court in Munich revoked the German designation of 338. Rhodia Operations appealed the revocation decision by the German Federal Patent Court to the German Federal Supreme Court. On April 6, 2021, the German Federal Supreme Court reversed the judgment of the German Federal Patent Court and upheld the validity of 338 subject to certain limitations in its scope.

### ***European Patent #0605274 B1 Litigation***

On July 31, 2014, Rhodia initiated action in the Regional Court of Dusseldorf against Molycorp C&O Europe (now, Neo C&O Europe) alleging infringement of European patent #0605274 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**274**"). 274 expired on December 15, 2013. On March 3, 2016, the Court found that 274 had been infringed, and ordered that Rhodia could seek to have Neo C&O Europe render account, to recall infringing products from the distribution chain and determined that Neo C&O Europe is obliged to pay damages. Rhodia's claim for damages is set for a hearing on March 13, 2025. On April 1, 2016, Neo C&O Europe filed an appeal with the Higher Regional Court of Düsseldorf, but subsequently withdrew its appeal in January 2021. On March 16, 2015, Molycorp C&O Europe (now, Neo C&O Europe) commenced nullity proceedings in the German Federal Patent Court to invalidate certain claims of the German part of 274. On September 27, 2016, the German Federal Patent Court invalidated those claims. On March 21, 2017, Rhodia Chimie appealed the decision of the Federal Patent Court to the German Federal Supreme Court. In March of 2019, the German Federal Supreme Court reversed the ruling of the Federal Patent Court and upheld the validity of the German designation of 274 in restricted form.

### ***European Patent #2007682 Litigation***

On February 6, 2017, Neo C&O Europe initiated opposition proceedings before the European Patent Office requesting it revoke European patent #2007682 granted to Rhodia Operations pertaining to rare earth mixed oxides for use in automotive catalysts ("**682**") on the basis of its invalidity. A hearing was held on October 24, 2018, and the EPO ruled that the 682 patent would be upheld, subject to amendments that significantly narrowed the scope of the 682 patent claims. Both Neo C&O (Europe) and Rhodia Operations appealed the EPO's ruling and the patent was upheld, in restricted form, by the Board of Appeal of the EPO on March 6, 2020. The EPO's Board of Appeal maintained the patent in restricted form. Neo C&O

Europe subsequently filed an action to invalidate 682 before the German Federal Patent Court. On February 6, 2024, the German Federal Patent Court revoked 682 in Germany. The ruling is subject to the right of appeal by Rhodia Operations.

On October 30, 2018, Rhodia Operations filed a lawsuit against Neo C&O Europe in the Regional Court of Düsseldorf, Germany, alleging infringement of 682. Following a hearing on July 2, 2020, the Düsseldorf Regional Court ruled that the infringement case should be stayed pending the German Federal Patent Court's determination of Neo's petition to invalidate 682. Rhodia Operations appealed the ruling staying the infringement action and in September 2021, the Court of Appeal remanded the case back to the Düsseldorf Regional Court to reconsider its stay order. The Düsseldorf Regional Court has not yet ruled following the remand.

### ***European Patent #0955267 Litigation***

On December 20, 2016, Rhodia Operations and DKKK without notice applied for an ex parte evidentiary seizure in the District Court of Amsterdam against Neo C&O Europe, Molycorp Minerals (now, Neo ULC), ZAMR and Neele-Vat, based on alleged infringement of the European patents #0955267 ("**267**"), 018 and 620. The District Court of Amsterdam granted the request on an ex parte basis on January 17, 2017, and allowed an evidentiary seizure for use in infringement proceedings in Europe of these patents and determining potential tort liability. The parties have reached an agreement concerning the disclosure of the seized material and the use thereof by Rhodia Operations in infringement proceedings.

On June 8, 2017, Rhodia Operations sought to include 267 in the infringement proceedings regarding 846 before the Regional Court of Düsseldorf. In the oral hearing regarding infringement of 846, the Regional Court of Düsseldorf decided to separate the infringement proceedings regarding 267. On December 20, 2018, the Regional Court of Düsseldorf ruled that 267 had been infringed and ordered that Rhodia Operations could seek to have Neo C&O Europe render account, to recall infringing products from the distribution chain and determined that Neo C&O Europe is obliged to pay damages. On January 25, 2024, the Regional Court of Düsseldorf held a hearing on Rhodia's claim for damages, but the Court has not yet issued a ruling. On January 21, 2019, Neo C&O Europe filed an appeal with the Higher Regional Court of Düsseldorf. On January 23, 2020, the Higher Regional Court of Düsseldorf affirmed the trial court ruling of infringement. Neo C&O Europe filed nullity proceedings against the German part of 267 on December 18, 2017. The German Federal Patent Court upheld 267, which expired on December 24, 2017.

### ***European Patent #2523907 Litigation***

In July 2020, Rhodia Operations filed a complaint against Neo C&O Europe in the Düsseldorf Regional Court alleging infringement of European patent #2520907 ("**907**"). Rhodia Operations subsequently withdrew the action on March 25, 2021. Neo C&O Europe filed a nullity action against 907 before the German Federal Patent Court, which upheld 907 in restricted form. Both Rhodia Operations and Neo C&O Europe have appealed the German Federal Patent Court's judgment to the German Federal Supreme Court, which has set a hearing for December 3, 2024.

### ***European Patent #3009403 Litigation***

On October 23, 2020, Rhodia Operations obtained an ex parte order (the "**Seizure Order**") from a court in Estonia authorizing a bailiff to enter NPM Silmet's production facility in Sillamäe, Estonia, in order to take samples of certain materials and to remove/copy and issue to Rhodia Operations certain documents that would allegedly constitute evidence of NPM Silmet's infringement of a patent application of Rhodia Operations (EP 3009403) ("**EP '403 Application**") that allegedly acquired interim protection in Estonia in May 2020. The Seizure Order was executed by the bailiff in November 2020. NPM Silmet presented a request to the court to annul the Seizure Order but it was denied. Rhodia also obtained an order appointing an expert to test the materials seized by the bailiff. The expert submitted its report on January 13, 2022, and thereafter the court terminated the seizure proceeding. Rhodia's appeal against the termination of the proceeding was dismissed.

On November 23, 2020, Rhodia Operations filed an action in an Estonian court alleging that NPM Silmet has infringed the claims in the then pending EP '403 Application and requesting that NPM Silmet (i) be prohibited from manufacturing, distributing, selling, offering for sale or acquiring any products that infringe the EP '403 Application, and using or offering for use any methods that infringe the EP '403 Application, (ii) remove from sale, and destroy infringing products, and (iii) be ordered to pay Rhodia Operations €100,000 as initial damages. On December 9, 2020, NPM Silmet submitted its request to the Court asking to deny acceptance of the infringement action into proceedings, which was subsequently denied, and the Court has accepted the infringement action into proceedings. The EPO granted the EP '403 Application on April 21, 2021. Neo C&O Europe filed an opposition to EP '403 before the EPO on June 2, 2021. On November 5, 2021, the Court granted NPM Silmet's motion to stay the Estonian infringement lawsuit pending the EPO's ruling on the opposition to EP '403.

In October of 2022, Rhodia Operations filed a lawsuit against Neo C&O Europe in the Regional Court of Düsseldorf, Germany, alleging infringement of 403. This case was heard by the Court on February 22, 2024. On March 14, 2024, the Court ruled that Neo infringed EP '403. This ruling is subject to Neo's right of appeal. The EP '403 patent expired on June 26, 2023.

### **Regulatory Actions**

There have been no penalties or sanctions imposed against Neo by a court relating to provincial and territorial securities legislation or by a securities regulatory authority since incorporation.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as set out elsewhere in this AIF, none of (i) Neo's directors or executive officers, (ii) the shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of Neo's voting securities, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this AIF or in any proposed transaction that has materially affected or is reasonably expected to materially affect Neo or any of its subsidiaries.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

#### **Auditors**

The auditors of Neo are KPMG LLP, 333 Bay Street, Suite 4600, Toronto, Ontario, Canada.

#### **Transfer Agent and Registrar**

The transfer agent and registrar of Neo is Computershare Trust Company of Canada at its principal office in Toronto, Ontario, Canada.

### **MATERIAL CONTRACTS**

As at the date of this AIF, except for contracts made in the ordinary course of business, no material contracts have been entered into by Neo within two years prior to the date hereof and which are currently in effect, other than as set out below:

- Loan Agreement dated August 16, 2022 between Neo and Export Development Canada; and
- Amended & Restated Shareholder Rights Plan dated June 8, 2023 between Neo and Computershare Investor Services Inc.

## **INTERESTS OF EXPERTS**

Neo has retained KPMG LLP to be the independent auditors of Neo. KPMG LLP has confirmed that they are independent of Neo in accordance with the ethical requirements that are relevant to their audit of the financial statements in Canada.

## **ADDITIONAL INFORMATION**

Additional information relating to Neo may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under Neo's profile and on Neo's website at [www.neomaterials.com](http://www.neomaterials.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in Neo's management information circular dated April 25, 2023 prepared and filed in connection with the annual general meeting of shareholders held on June 8, 2023. Additional financial information is provided in our consolidated financial statements and Management's Discussion & Analysis for our most recently-completed financial year, all of which are filed on SEDAR+.

## SCHEDULE "A"

### NEO PERFORMANCE MATERIALS INC.

(the "Company")

### MANDATE OF THE AUDIT COMMITTEE

As approved by the Board of Directors of the Company (the "**Board**") on November 7, 2017. Reviewed on May 11, 2021 without change; reviewed and amended March 13, 2024.

#### A. PURPOSE AND SCOPE

The Audit Committee (the "**Committee**") of the Board shall be responsible for assisting in the Board's oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting and disclosure practices followed by management of the Company. The Committee shall also have oversight responsibility for: (i) the qualifications, independence and performance of the independent auditors; (ii) the establishment by management of an adequate system of internal controls; (iii) the preparation by management of quarterly and annual financial statements; and (iv) the maintenance by management of practices and processes to ensure compliance with applicable laws.

#### B. COMPOSITION AND MEETINGS

The Committee shall be comprised of a minimum of three directors as appointed by the Board, each of whom shall meet the criteria for independence, financial literacy and audit committee composition requirements (collectively, the "**Applicable Requirements**") of National Instrument 52-110 — *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators, any exchange upon which securities of the Company are traded or any governmental or regulatory body exercising authority over the Company (each a "**Regulatory Body**", and collectively, the "**Regulatory Bodies**"). Members may not serve on more than three public company Audit Committees, except with the prior approval of the Board. Any such determination shall be disclosed in the Company's management information circular.

A majority of the members of the Committee shall constitute a quorum at any meeting of the Committee, but in no case shall a quorum be comprised of less than two members of the Committee, and the action of a majority of those present, after determining a quorum, shall be the act of the Committee.

The Committee shall ensure that all necessary and proper disclosures shall be made in all applicable filings with Regulatory Bodies as to composition of the Committee. Committee members may enhance their familiarity with finance and accounting by participating in education programs conducted by the Company or an outside consultant.

The members of the Committee shall be appointed by the Board at a meeting of the Board following each annual meeting of shareholders and shall serve until their successors shall be duly elected and qualified or until their earlier death, resignation or removal. The Board may fill a vacancy in the membership of the Committee and remove a member of the Committee at any time for any reason. The Board shall appoint the chair of the Committee (the "**Chair**") from the Committee members. In the absence of the Chair at a duly convened meeting, the Committee shall select a temporary substitute from among its members.

The Committee shall meet on a regularly-scheduled basis at least four times per year or more frequently as circumstances dictate. At the invitation of the Committee, members of the Company's management and others may attend Committee meetings as the Committee considers necessary or desirable. The Company's independent auditors are entitled to attend and be heard at each Committee meeting. The Committee shall meet without management present at each Committee meeting. All independent directors may attend Committee meetings, provided that directors who are not members of the Committee shall not be entitled to vote, nor shall their attendance be counted as part of the quorum of the Committee.

The Chair, any member of the Committee, the Company's independent auditors, the Chair of the Board or the Chief Executive Officer or Chief Financial Officer may call a meeting by notifying the Company's Corporate Secretary who will notify members of the Committee. Ordinarily, meetings of the Committee should be convened with no less than five business days' notice having been given. In exceptional circumstances, the requirement for notice can be waived subject to the formal consent of no less than the number of Committee members that constitutes a quorum of the Committee or instruction by a resolution of the Board.

The Committee shall report its actions to the members of the Board and the Corporate Secretary of the Company. The Committee may appoint a Committee member or any other attendee to be the secretary of a meeting and shall keep written minutes of its meetings which shall be recorded and filed with the books and records of the Company. Minutes of each meeting will be made available to the members of the Board and the Company's auditors. The Committee shall report its decisions and recommendations to the Board promptly after each Committee meeting.

### **C. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties the Committee shall:

1. review and assess the adequacy of this mandate annually, and recommend any proposed changes to the Board for approval;
2. review, at least annually, the performance of the independent auditor, and determine whether the auditor should be appointed or re-appointed and recommend and approve the auditor to the Board for appointment or re-appointment by the shareholders;
3. at least every five years, perform a comprehensive review of the performance of the external auditors over multiple years to provide further insight on the audit firm, its independence and application of professional standards;
4. engage in an active dialogue with the independent auditors on their independence from the Company, and where it is determined that independence no longer exists, recommend that the Board take appropriate action;
5. ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be a regular rotation of the auditor;
6. review and recommend to the Board for approval, the terms of any annual audit engagement of the independent auditors, including the appropriateness of the proposed audit fees and the auditors independence with respect to the engagement of the independent auditors for any audit related services;
7. approve any non-audit services to be provided by the firm of the independent auditors to the Company in accordance with NI 52-110;
8. review and approve annually the overall scope of the independent auditors' annual audit plan;
9. periodically review the status and findings of the independent auditors' audit plan and the adequacy of internal controls established by management and, where appropriate, make recommendations or reports thereon to the Board;
10. understand the scope, principal risks and integrity of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;

11. annually, and at any time in response to a specific request by management or the independent auditors, meet separately with the relevant parties with respect to such matters as the effectiveness of the system of internal controls established by management, the adequacy of the financial reporting process, the quality and integrity of the financial statements, the evaluation of the performance of the independent auditor and any other matter that may be appropriate;
12. review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures;
13. review and make recommendations to the Board regarding, the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems and controls to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company;
14. periodically review the Company's policies and procedures for reviewing and approving or ratifying related-party transactions;
15. review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
16. review the quarterly and annual financial statements and corresponding management discussion and analysis, and consider whether they are complete, consistent with information known to Committee members and reflect appropriate accounting principles;
17. review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, business acquisition reports, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information;
18. review significant changes in the accounting principles and other regulatory initiatives to be observed in the preparation of the accounts of the Company and its subsidiaries, or in their application, and in financial statement presentation;
19. review and, following discussion with the independent auditors (following their review of the financial statements) and management, recommend to the Board, approval of unaudited quarterly and audited annual consolidated financial statements of the Company;
20. review the Company's policies relating to the avoidance of conflicts of interest and review and approve all material payments to be made pursuant to any related party transactions involving executive officers and members of the Board, as required by any Regulatory Body;
21. cause the Chair to review and approve all expense reimbursements of the Chief Executive Officer;
22. review and monitor practices and procedures adopted by management to assure compliance with applicable laws, and, where appropriate, make recommendations or reports thereon to the Board; and
23. monitor and periodically review the Whistleblower Policy of the Company and associated procedures for:
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

- the confidential, anonymous submission by directors, officers and employees of the Company regarding questionable accounting or auditing matters; and
- if applicable, any violations of applicable law, rules or regulations that relates to corporate reporting and disclosure, or violations of the Company's Code of Conduct.

#### **D. ACCESS TO MANAGEMENT AND INDEPENDENT ADVICE**

The Committee shall have unrestricted access to the Company's management and employees and to the books and records of the Company and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with the Company's independent auditors, the Chief Financial Officer, the Chief Executive Officer and Corporate Secretary.

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Company, with notice to either the independent lead director of the Board or the non-executive Chair of the Board or the Chief Executive Officer of the Company, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

While the Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Committee to plan or conduct audits, to establish the Company's accounting and financial reporting systems, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.



## GLOSSARY OF TERMS

"**6N**" means purity of 99.9999%;

"**8N**" means purity of 99.999999%;

"**AIF**" means this annual information form and any appendices, schedules or attachments hereto;

"**Arrangement**" means the Cayman Islands scheme of arrangement completed on November 30, 2017 pursuant to which Neo acquired all of the outstanding ordinary shares of Neo Cayman in exchange for an aggregate of 39,878,383 Common Shares and following which Neo Cayman become a wholly-owned subsidiary of Neo;

"**auto catalyst**" means automotive emission-control catalyst;

"**Board**" means the board of directors of Neo, as constituted from time to time;

"**catalyst**" means a substance that increases the rate of a chemical reaction without being consumed itself;

"**China**" means the People's Republic of China;

"**C&O**" means the Chemicals & Oxides segment of Neo's business;

"**Common Shares**" means common shares in the capital of Neo;

"**Company**" or "**Neo**" means Neo Performance Materials Inc., a corporation incorporated under the OBCA, and includes the business carried on by its direct and indirect subsidiaries;

"**EICC**" means the Electronic Industry Citizenship Coalition;

"**EPO**" means the European Patent Office;

"**EV**" means electric vehicles;

"**Ga**" means gallium;

"**GaCl<sub>3</sub>**" means gallium trichloride;

"**Ga<sub>2</sub>O<sub>3</sub>**" means gallium oxide;

"**Hastings**" means Hastings Technology Metal Limited and its affiliates;

"**HDD**" means hard disk drive;

"**HEV**" means hybrid electric vehicles;

"**Hf**" means hafnium, a chemical element;

"**ICE**" means internal combustion engine;

"**InCl<sub>3</sub>**" means indium trichloride;

"**IPO**" means the initial public offering of Neo by secondary offering completed on December 8, 2017 whereby Oaktree sold Common Shares to the public and the Common Shares were listed on the TSX;

"**ISO**" means the International Organization for Standardization, a voluntary, non-treaty federation of standards setting bodies of some 130 countries, which promotes development of standardization and related activities to facilitate international trade in goods and services;

"**JAMR**" means Jiangyin Jia Hua Advanced Material Resources Co., Ltd., a joint venture entity indirectly owned by Neo;

"**LDV**" means light-duty vehicle;

"**LED**" means light-emitting diode;

"**Magnequench**" means the Magnequench segment of Neo's business;

"**Magnequench Magnets**" means NdFeB magnets produced by Magnequench;

"**Magnequench Powders**" means NdFeB magnetic powders produced by Magnequench;

"**MLCC**" means multi-layer ceramic capacitor;

"**Molycorp**" means Molycorp, Inc.;

"**Molycorp Acquisition**" means the acquisition of NEM by Molycorp by way of plan of arrangement, which became effective on June 11, 2012;

"**MQCZ**" means Magnequench Magnetics (Chu Zhou) Co., Ltd.;

"**MQTJ**" means Magnequench (Tianjin) Co., Ltd.;

"**MQTJ2**" means Magnequench International Trading (Tianjin) Co., Ltd.;

"**MRI**" means magnetic resonance imaging;

"**mT**" or "**tonnes**" means metric tonnes;

"**NAMCO**" means Neo Jia Hua Advanced Materials (Zibo) Co., Ltd.;

"**Nb**" means niobium;

"**Nd**" means neodymium, a chemical element;

"**NdPr**" means neodymium and praseodymium;

"**NdFeB**" or "**neo**" means neodymium-iron-boron;

"**NEM**" means Neo Material Technologies Inc., the predecessor entity to Neo, which was acquired by Molycorp in the Molycorp Acquisition;

"**Neo**" or the "**Company**" means Neo Performance Materials Inc., a company organized under the laws of the OBCA, and includes the businesses carried on by its direct and indirect subsidiaries;

"**Neo Cayman**" means Neo Cayman Holdings Ltd., a company organized under the laws of the Cayman Islands and following the completion of the Arrangement became a wholly-owned subsidiary of Neo;

"**Neo C&O**" means Neo Chemicals and Oxides, LLC, an indirect subsidiary Neo;

"**Neo C&O Europe**" means Neo Chemicals & Oxides (Europe) Ltd. (formerly Molycorp Chemicals & Oxides (Europe) Ltd.), an indirect subsidiary of Neo;

"**Neo ULC**" means Neo Performance Materials ULC (formerly Molycorp Minerals Canada ULC), an indirect subsidiary of Neo;

"**NORM**" means naturally occurring radioactive materials;

"**NPM Silmet**" means NPM Silmet OU, an indirect subsidiary of Neo;

"**NPM Singapore**" means Neo Performance Materials (Singapore) Pte. Ltd., an indirect subsidiary of Neo;

"**Oaktree**" means, Oaktree Capital Management L.P., the manager of OPPS NPM S.a.r.l and OPP NPM II S.a.r.l.;

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended from time to time;

"**PGM**" means platinum group metals, being platinum, palladium and rhodium;

"**Pr**" means praseodymium, a chemical element;

"**Preferred Shares**" means preferred shares of Neo, issuable in series;

"**Rare Metals**" means the Rare Metals segment of Neo's business;

"**R&D**" means research and development;

"**Re**" means rhenium, a chemical element;

"**REE**" means a rare earth element;

"**REO**" means rare earth oxide and is the standard form and unit of measurement of rare earths; it is an indication of the amount of rare earth contained in a material; and is calculated by converting all rare earth value to their oxide equivalent and summing them;

"**Reorganization**" means the reorganization of the business of Molycorp under Chapter 11 of Title 11 of the United States Bankruptcy Code – see "*Corporate Structure – The Reorganization*";

"**RMB**" means Renminbi, the currency of China;

"**ROCE**" means return on capital employed;

"**SAMAG**" means Anhui Asia Magnets Co., Ltd.;

"**SCR**" means silicon controlled rectifier;

"**tonne**" or "**mT**" means a metric tonne;

"**TSX**" means the Toronto Stock Exchange;

"**U.K.**" means the United Kingdom of England, Scotland, Wales and Northern Ireland;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended; and

"**ZAMR**" means Zibo Jiahua Advanced Material Resources Co., Ltd., a joint venture entity indirectly owned by Neo.