ANNUAL INFORMATION FORM

NEO PERFORMANCE MATERIALS INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

MARCH 10 , 2019

TABLE OF CONTENTS

Page

FORWARD-LOOKING INFORMATION 1
CURRENCY EXCHANGE RATES 3
CORPORATE STRUCTURE 3
DESCRIPTION OF THE BUSINESS 6
DIVIDEND POLICY 23
DESCRIPTION OF SHARE CAPITAL 23
MARKET FOR SECURITIES 24
DIRECTORS AND EXECUTIVE OFFICERS 25
AUDIT COMMITTEE DISCLOSURE 30
RISK FACTORS 32
PROMOTER 47
LEGAL PROCEEDINGS AND REGULATORY ACTIONS 47
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 52
AUDITORS, TRANSFER AGENT AND REGISTRAR 53
MATERIAL CONTRACTS 53
INTERESTS OF EXPERTS 53
ADDITIONAL INFORMATION 53
SCHEDULE "A" 54
GLOSSARY OF TERMS 58

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 state 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. This 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:

- 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;
- currency risk;
- expiry of joint venture agreements;
- changes in China's regulation of the rare earths industry;
- unauthorized use of corporate chops of Neo's subsidiaries in China;
- 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, rare earth 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;
- 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 "$" or "U.S.$" 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,		
	2018	**2017**	**2016**
Closing	1.3642	1.2545	1.3427
High	1.3642	1.3743	1.4559
Low	1.2552	1.2128	1.2536
Average	1.3068	1.2986	1.3245

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 Offering 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 rare earth 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 was 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 is that Neo Cayman became a wholly-owned subsidiary of Neo and it now carries on the business of Neo Cayman as carried on immediately prior to the Arrangement.

The Offering

On December 8, 2017, Neo completed the Offering 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. As of the date hereof, there are 39,650,340 Common Shares issued and outstanding, 25,781,100 of which are held directly or indirectly by Oaktree.

The Normal Course Issuer Bid

On March 19, 2018, Neo received acceptance from the Toronto Stock Exchange (the "**TSX**") of a notice filed by Neo of its intention to make a normal course issuer bid (the "**NCIB**"). The NCIB, which commenced on March 21, 2018 and will expire on March 20, 2019, enables Neo to purchase, for cancellation, up to an aggregate of 1,996,078 Common Shares in total. At December 31, 2018, Neo had purchased and cancelled 321,222 Common Shares at an average price of C$16.26 per Common Share.

The Transaction

On December 18, 2018, Neo entered into an arrangement agreement (the "**Arrangement Agreement**") with Luxfer Holdings plc ("**Luxfer**") and 2671219 Ontario Inc. (the "**Purchaser**"), a wholly-owned subsidiary of Luxfer, pursuant to which, the Purchaser would acquire the issued and outstanding Common Shares of Neo in consideration of US$5.98 in cash and 0.395 Luxfer shares ("**Luxfer Shares**") for each Common Share (the "**Transaction**"). On March 10, 2019, Luxfer and the Company mutually agreed to terminate the Transaction.

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, 2018:

	Place of business	Entity type	Economic interest	Jurisdiction of Incorporation
Neo Cayman Holdings Ltd.	Cayman Islands	Subsidiary	100%	Cayman Islands
Neo Performance Materials ULC	Canada	Subsidiary	100%	British Columbia
Neo Chemicals & Oxides, LLC	United States	Subsidiary	100%	Delaware
Neo Chemicals & Oxides (Europe) Ltd.	United Kingdom	Subsidiary	100%	United Kingdom
Neo Rare Metals (Korea) Inc.	South Korea	Subsidiary	80%	South Korea
Neo International Corp.	Barbados	Subsidiary	100%	Barbados
Jiangyin Jiahua Advanced Material Resources Co., Ltd.	China	Subsidiary	95%	China
Neo Japan, Inc.	Japan	Subsidiary	100%	Japan
Neo Performance Materials (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%	Singapore
Zibo Jiahua Advanced Material Resources Co., Ltd.	China	Subsidiary	95%	China
NPM Silmet OU	Estonia	Subsidiary	100%	Estonia
Magnequench Japan, Inc.	Japan	Subsidiary	100%	Japan
Shanxi Jiahua Galaxy Electronic Materials Co., Ltd.	China	Subsidiary	60%	China
Magnequench (Korat) Co., Ltd.	Thailand	Subsidiary	100%	Thailand
Zibo Jia Xin Magnetic Materials Ltd.	China	Subsidiary	100%	China
Neo Rare Metals (Utah), LLC	United States	Subsidiary	100%	Utah
NPM Holdings (US), Inc.	United States	Subsidiary	100%	Delaware
NMT Holdings GmbH	Germany	Subsidiary	100%	Germany
Buss & Buss Spezialmetalle GmbH	Germany	Subsidiary	50%	Germany
Neo Rare Metals (Oklahoma), LLC	United States	Subsidiary	80%	Delaware
Jiangyin Kidokoro Glass Manufacture Co., Ltd.	China	Subsidiary	50%	China
Magnequench, LLC	United States	Subsidiary	100%	Delaware
Magnequench Neo Powders Pte. Ltd.	Singapore	Subsidiary	100%	Singapore
Magnequench International, LLC	United States	Subsidiary	100%	Delaware
Xin Bao Investment Limited	Hong Kong	Subsidiary	100%	Hong Kong
Magnequench (Tianjin) Company Limited	China	Subsidiary	100%	China
Magnequench Limited	Barbados	Subsidiary	100%	Barbados
Neo Performance Materials (Beijing) Co., Ltd.	China	Subsidiary	100%	China
Magnequench International Trading (Tianjin) Co., Ltd.	China	Subsidiary	100%	China
Magnequench GmbH	Germany	Subsidiary	100%	Germany
Neo Performance Materials Korea Inc.	South Korea	Subsidiary	100%	South Korea
Neo US Holdings, Inc.	Canada	Subsidiary	100%	Delaware
Neo Magnequench Distribution, LLC	United States	Subsidiary	100%	Delaware

	Place of business	Entity type	Economic interest	Jurisdiction of Incorporation
Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.	China	Joint venture	33%	China
Gan Zhou Ke Li Rare Earth New Material	China	Joint venture	25%	China
GQD Special Material (Thailand) Co., Ltd.	Thailand	Joint venture	20%	Thailand

DESCRIPTION OF THE BUSINESS

Overview of the Business

Neo has established itself as a global leader in the innovation and manufacturing of rare earth- and rare metal-based functional materials, which are essential inputs to high technology, high growth, future-facing industries. Neo has a global platform that includes 10 manufacturing facilities located in China, the United States, Germany, Estonia, Canada, Thailand and South Korea, as well as two dedicated R&D centres in Singapore and the U.K. Neo is the only non-Chinese company with a license to separate REEs in China which provides unique competitive advantages and a degree of vertical integration. Neo separates and processes REEs into highly engineered and valuable REO-based functional materials. Since 1994 Neo has leveraged its rare earth separation expertise to innovate and grow into a leading manufacturer of functional engineered materials for specialty end markets, establishing the #1 global market position for powders used in bonded and hot deformed magnets, with an estimated 70 to 75% market share, a top three global market position in auto catalysts, the #1 GaCl3 producer for LEDs and growth opportunities into new end markets such as wastewater treatment.

Neo works in close collaboration with its customers to engineer and develop new materials, which require exacting chemical, physical and metallurgical processing targeting specific morphology, crystal structure, chemical composition and purity to enhance functionality. REOs and rare metals are indispensable inputs for many applications given their unique physical and chemical properties which include magnetic, catalytic, luminescence, electrochemical, thermal stability and superconductivity. These unique properties enable REOs and rare metals to provide essential functionality for hundreds of existing and emerging technologies, including light weight and efficient micro motors containing permanent magnets, air and water emission-control catalysts, electronics, medical equipment, aerospace components and clean energy applications. The functionality provided by REOs and rare metals has become increasingly prevalent as greater electrification of automobiles, more stringent air and water emission standards, and the need for energy efficiency, miniaturization, durability and thermal stability have increased in importance for customers and end users due to technological innovation and higher environmental standards.

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.

Innovation has always been a key driver for Neo's business. As an industry leader, Neo invests significant resources to improve the efficiency of its processing operations and to research and develop new rare earth– and rare metal-based materials. Neo employs these advanced processes and technologies to drive new product development with globally competitive costs and margins.

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.

Geographic Presence

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, with over thirty years of manufacturing experience, is the world leader in the production of magnetic powders used in bonded and hot deformed fully dense NdFeB 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 REOs as the primary input. These powders are used in the production of bonded permanent magnets that are components in automotive motors, micro motors, traction motors, sensors and other applications requiring high levels of magnetic strength, improved performance, and reduced size and weight.

Chemicals & Oxides

The C&O segment manufactures and distributes a broad range of light and heavy rare earth functional materials that have become an indispensable part of modern life. Neo's world-class rare earth processing and 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 wastewater treatment.

Rare Metals

The Rare Metals segment sources, produces, reclaims, refines and markets high value 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, medical imaging, wireless technologies and LED lighting. Other applications include their use in flat panel displays, solar, steel additives, batteries and electronics applications.

Corporate

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

Neo Business Segment Overview

				**Corporate**
Principal Activity	• Producer of rare earth magnetic powders for bonded and hot deformed fully dense NdFeB magnets	• Separator and processor of rare earth concentrate into functional materials	• Producer, reclaimer, refiner and marketer of high-value rare metals and their compounds	• Finance, administration, information technology, accounting and legal
Products	• Magnetic powders (Magnequench Powders)	• Separated rare earths • Rare earth based engineered materials	• Rare metals such as tantalum, niobium, gallium, hafnium, rhenium and indium	
Applications	• Automotive motors • Traction motors • Micro motors • Sensors	• Auto catalysts • Consumer electronics • Magnets • Wastewater treatment	• Superalloys for jet engines • Medical imaging • Wireless technologies • LED lighting	
Facilities	• Tianjin, China • Korat, Thailand	• Zibo, China • Sillamäe, Estonia • Jiangyin, China	• Sillamäe, Estonia • Hyeongok, South Korea • Sagard, Germany • Peterborough, ON Canada • Quawpaw, OK, U.S. • Blanding, UT, U.S.	• Toronto head office • Regional corporate offices

Magnequench Segment

Overview

The Magnequench segment, with over thirty years of manufacturing experience, is the world leader in the production of magnetic powders used in bonded and hot deformed fully dense NdFeB magnets. These powders are produced using Magnequench's market-leading technology related to the development, processing and manufacturing of magnetic powders. The manufacture of Magnequench Powder is a proprietary process using neodymium and praseodymium as the primary input. These powders are used in automotive motors, traction motors, micro 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.

Products

Neo produces Magnequench Powders used in the production of both bonded and hot deformed 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. Approximately 70% of Magnequench's products are used in bonded magnets with the remainder used in hot deformed magnets.

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 is also focused on developing grades of material 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.

Applications

Magnequench Powders are ultimately incorporated into products that utilize NdFeB magnets for numerous end market applications. These products are primarily motors and sensors used in the automotive industry (i.e. power steering, seat adjustment, trunk motors, traction motors, fuel and water pumps, and steering position sensors), computer and office equipment (i.e. HDD and multifunction printers), home appliances (i.e. vacuum cleaners, hairdryers, fans, refrigerators and air conditioners), residential heating and cooling circulation pumps, consumer electronics (i.e. smartphones) and industrial applications (i.e. factory automation robotics).

For example, rare earth 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. Rare earth 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 2018, Magnequench's top 10 customers accounted for over 80% of total segment's sales, with the largest customer accounting for approximately 35%. For example, longstanding customers of the Magnequench segment include Daido Electronics, Chengdu Galaxy Magnets and Shanghai San Huan Magnets 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 related to material science or to NdFeB magnetic materials 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 rare earth 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 rare earth 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. 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, Hitachi, Ltd. and Beijing General Research Institute of Metals & Metallurgy. Within the sintered magnet market, Neo primarily competes with ShinEstsu Chemical, Hitachi Metals, Ltd. and Beijing SanHuan 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 70 to 75% market share in the bonded NdFeB market. This modest decrease in market share in the face of increased competition post-patent expiration is a testament to the value that customers place on the quality product and technical expertise that Magnequench provides. The remainder of the market is primarily 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.

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 25 members and is comprised of a materials science team, a polymer development team, an applications technology team and a magnet business team.

Magnequench focuses on the rapid innovation of new compositions of its Magnequench Powders by leveraging its materials science and polymer development teams of 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. This team also leads the efforts to improve the understanding of fundamental Magnequench rapid quenching technology and then to 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 2019 include several customer led initiatives to design and optimize motors used in seats, door and trunk lift assemblies for automobiles.

Magnequench's magnet business team develops and optimizes magnet designs to ensure their manufacturability and cost-performance. The magnet business team also makes 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.

Sourcing of Raw Materials

Magnequench's Tianjin facility sources its praseodymium raw material primarily from Chinese rare earth separators, while its Korat, Thailand operation sources material from Silmet and other third parties. The main material sourced from 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.

Production Facilities

	Tianjin	Korat
Location	• Tianjin, China	• Korat, Thailand
Type	• Powder manufacturing	• Powder manufacturing
Products	• Magnetic powders	• Magnetic powders
Nameplate Capacity (mT)	• 7,200	• 1,800
Primary Applications	• Automotive • HDD • Factory automation	• Automotive • HDD
Employees	• 432	• 140
Certifications	• ISO/TS16949:2016 • ISO 9001:2015 • ISO 140001:2015 • ISO/IEC 27001:2013 • OHSAS18001:2007 • IECQ HSPM QC080000:2017 • RoHS Directive 2002/95/E • Accredited by SGS & BSI	• ISO/TS16949:2016 • ISO 9001:2005 • ISO 140001:2015 • BS OHSAS18001:2007 • IECQ HSPM QC 080000:2012 •
Neo Ownership	• 100%	• 100%

Tianjin Facility

The Tianjin facility is a magnetic powder and compound manufacturing facility situated on approximately 15 acres of land near 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 magnetic powder and compound manufacturing facility situated on approximately six acres of land in Korat, Thailand, about 250 kilometres northeast of Bangkok. The 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 products, giving Neo flexibility to allocate production as needed.

Chemicals and Oxides Segment

Overview

The C&O segment manufactures and distributes a broad range of light and heavy rare earth engineered products that have become an indispensable part of devices used in modern life. C&O separates light rare earth concentrate ("**LREC**") and heavy rare earth concentrate ("**HREC**") into standard and highly-engineered rare earth oxides and salts. In addition to the separation business, C&O is focused on using these REEs to produce higher value, engineered functional materials for use

in auto catalysts, wastewater treatment, medical, petroleum refinement, chemical catalysis, and other end market applications.

From Neo's ZAMR and Silmet production facilities in Zibo, China and Sillamäe, Estonia, Neo processes LREC into products such as cerium, lanthanum, neodymium and praseodymium oxides and salts. Using these products, Neo then produces engineered functional mixed oxide products for use in auto catalysts, petroleum refining and other chemical catalysts, magnets, hybrid and electric vehicles, water treatment, and a number of other applications.

Neo's JAMR production facility in China processes HREC into constituent elements for use in a multitude of industrial applications, including MLCCs, high efficiency lighting and displays, high-end optical lenses, pharmaceutical applications, and consumer electronics.

Products

Neo produces engineered functional materials from rare earth elements that have unique physical properties, making them an indispensable part of devices used in modern life. Neo's world-class rare earth processing and materials manufacturing capabilities enable Neo to meet increasingly demanding specifications from manufacturers that need custom engineered materials.

Neo's products include a wide array of light and heavy engineered rare earth materials and are found in technology applications including 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 ceramics and many others.

Neo also offers rare earth-based wastewater treatment solutions. Neo's proprietary rare earth based solution 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.

Applications

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

Application	REEs Used	Benefits
Catalysts	La, Ce, Pr, Nd, Zr	Improves catalytic activity and hydrothermal stability in fluid catalytic cracking, reduces amount of PGM needed, improves thermal stability and widens engine power operational window in auto catalyst
Magnets	Pr, Nd, Sm, Tb, Dy, Ho	Allows for smaller, more powerful and temperature resistant magnets
Phosphors	La, Ce, Eu, Tb, Y, Gd, Er, Lu	Enables multi-color phosphors and sensitizers, key elements of high performance lasers and X-Ray phosphors, allows for efficient MRI contrast agents
Glass	La, Ce, Nd, Er, Gd, Yb	Improves refractive index, protects against ultraviolet light and eliminates discoloration of glass (opacifier), amplifies fibre optic cable transmissions
Ceramics	La, Ce, Pr, Nd, Y, Zr	Improved dielectrics (capacitors) which are not temperature sensitive, reduces exposure to microwave radiation when used in filters, results in stronger and shock resistant ceramics, improves durability of paints and shortens drying time, results in bright and colourful pigments

Auto Catalysts

Neo's products are used to improve the catalytic activity and thermal stability of auto catalysts. Catalytic functionality is provided by a mixture of PGM and a washcoat that includes alumina, barium, rare earths, 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 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 magnet applications. Neo takes advantage of the vertical integration of its business model and maufactures REEs to sell to the to the Magnequench segment in the event that REEs are not sold to third party customers.

Phosphors (Displays)

Rare earths are vital components of phosphors which generate the primary colors red and green in plasma and backlit LCD displays. Phosphors generating the colours red and green almost exclusively require rare earths. Rare earth phosphors are also used in compact fluorescent lights and X-ray screens. C&O's products are currently used in many phosphor applications, from small displays to state-of-the-art high definition televisions.

Glass and Ceramics (Electronics)

High purity lanthanum is used in glass formulations for photography, security video cameras, photocopiers, eyeglasses and microscope 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.

Rare earths 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 rare earth formulations containing dysprosium and neodymium of high purity and other precisely engineered physical properties. Other applications using rare earths, include microwave filter chips for mobile communication devices, such as smartphones and other handheld devices.

Customers

C&O derives significant value from its longstanding customer relationships and experience built over the past 26 years. 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 2018, C&O's top 10 customers accounted for approximately 64% of the total C&O segment's sales, with the largest customer accounting for approximately 20%. 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 14 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.

Four 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, Japan, the U.K. 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. 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.

As the only non-Chinese licensed separator of rare earths, Neo has the advantage of being a lower-cost producer by virtue of its unique access to high-quality rare earth reserves in China supported by its 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 rare earth separation and engineered functional materials markets.

In the rare earth separation market, Neo competes primarily with six state-owned enterprises in China as well as Lynas Corporation Ltd.

In the engineered functional materials market, 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 Kagaju 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.

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 timing cycles of these materials vary by product, product line and target market based on the client's qualification process. These cycles 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 rare earth 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 amongst 61 scientists in five global locations: Zibo, China, Jiangyin, China, Abingdon, U.K., Singapore and Sillamäe, Estonia. Application support is provided by region, expertise and market location. The ZAMR, JAMR and 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 Abingdon and Singapore 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 Abingdon center is involved in the development of rare earths and mixed oxides 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 generally separated rare earth elements. Neo is subject to annual REE separation quotas in China of approximately 1,600 tonnes at ZAMR and 1,200 tonnes at JAMR that provide a degree of vertical integration as they have the ability to purchase and separate rare earth concentrate for their own internal use or to sell to third parties. The balance of the separated REEs can be purchased from a number of alternative suppliers in Russia and China. Neo's ability to produce separated rare earths is contingent upon quotas received from the Chinese government. See "*Risk Factors – Changes in China's Regulation of the Rare Earths Industry*".

Production Facilities

	ZAMR	JAMR	Silmet
Location	• Zibo, China	• Jiangyin, China	• Sillamäe, Estonia
Type	• Process LREC	• Process HREC • Ionic clays	• Process LREC
Products	• Ce, Nd, Pr, La, Zr	• Ce, Nd, Pr, La, Sm, Eu, Gd, Tb, Dy, Lu, Ho, Er, Y	• Ce, Nd, La, Pr oxides and salts
Nameplate Capacity (mT)	• 4,500	• 4,000	• 2,500
Primary Applications	• Auto catalysts	• HREC applications	• LREC applications
Employees	• 350	• 297	• 202
Certifications	• ISO9001:2015 • ISO14001:2004 • OHSAS 180001:2007	• ISO9001:2008 • ISO14001:2004 • OHSAS 180001:2007	• ISO9001:2000 • ISO14001:2004 • OHSAS 18001:2007
Neo Ownership	• 95%	• 95%	• 100%

ZAMR Facility

ZAMR's rare earths and zirconium 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 facility separates light rare earth elements, manufactures light rare earths compounds and produces a line of high quality zirconium products and auto catalysts. ZAMR's production capabilities currently exceed its allowed production quotas and management believes that as the applicable government authorities continue their efforts to curtail unlicensed production, 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 95% indirect interest with the remaining 5% owned by local employees. See "*Corporate Structure – Intercorporate Relationships*".

JAMR Facility

JAMR's rare earths 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 HREC and ionic clay concentrates from Southern China to produce a range of heavy rare earth products for customers in the high-tech industries in international and Chinese markets. These customers, in turn, manufacture products such as permanent magnets, electronic components, display phosphors and optical glass. 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 capacity currently exceeds its allowed production quotas and management believes that as the applicable government authorities continue their efforts to curtail unlicensed production, this facility could

benefit from an increase in the annual production quota and has excess capacity to accommodate higher volumes. JAMR is a joint venture in which Neo holds a 95% indirect interest with the remaining 5% owned by local employees. 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 Silmet, Neo transforms REEs into rare earth products and has extensive experience manufacturing niobium and tantalum rare metal products. As of December 31, 2018, Silmet had the nameplate capacity to produce up to 2,500 tonnes of rare earth products per year 540 tonnes of rare metal oxides or 205 tonnes of rare metal products per year. The main equipment utilized for production at Silmet include electron beam furnaces, shaft furnaces for aluminothermy reduction, rotary tube furnaces, rare metals solvent extraction lines, and various precipitation tanks. NPM Silmet OU, 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, reclaims, produces, refines and markets high value 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, medical imaging, wireless technologies and LED lighting. Other applications include the use in flat panel displays, solar, steel additives, batteries and electronics applications. The growing adoption of LED applications, which require the use of GaCl3, is allowing the Rare Metals segment to benefit from the decline in certain rare earth phosphor applications. The table below sets out the sources and processes that Neo applies in the Rare Metals segment.

Rare Metal	Source		Neo Processing		
	Minerals / Ore	Recycled	Extracting / Separate	Upgrade / Purify	Value-Add
High Temperature Metals					
Tantalum	✓	✓	✓	✓	✓
Niobium	✓		✓	✓	✓
Hafnium		✓	✓	✓	✓
Rhenium		✓	✓	✓	✓
Electronic Metals					
Gallium		✓	✓	✓	✓
Indium		✓	✓	✓	✓

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

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, superconducting, LED lighting, medical imaging and mobile communication, among others.

Applications

Applications from products made in this segment primarily include superalloys for jet engines, medical imaging, wireless technologies and LED lighting. Other applications include the use in flat panel displays, solar, steel additives, batteries and electronics applications. The growing adoption of LED applications, which require the use of GaCl3, is allowing the Rare Metals segment to benefit from the decline in certain rare earth phosphor applications.

Customers

In 2018, the Rare Metals segment's top 10 customers accounted for over approximately 70% of the total segment's sales, with the largest customer accounting for approximately 28%. For example, longstanding customers include the PCC Group, AXT Inc., H.C. Starck, Cannon-Muskegon Corporation, Freiberger Compound Materials, Lake Led Materials and Sumitomo Electric.

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. These sales and marketing activities are coordinated by the Senior Vice President of Rare Metals, who has a background in sales of minor metals and R&D of engineered materials.

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, and H.C. Starck.

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. and Solikamsk Magnesium Works.

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., PPM Pure Metals GmbH and Indium Corporation.

Research and Development

The R&D group at Silmet consists of five scientists and engineers 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 and engineers 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

	Silmet	**Buss & Buss**	**Blanding**	**Quapaw**	**Peterborough**	**Hyeongok**
Location	• Sillamäe, Estonia	• Sagard, Germany	• Blanding, Utah	• Quapaw, Oklahoma	• Peterborough, Ontario	• Hyeongok, South Korea
Type	• Refinery	• Recycling and alloy production	• Recycling • Upgrading • Chemicals	• Chemicals	• Recycling	• Chemicals
Products	• Nb • Ta	• Ta • Re (metal & salt) • Hf compounds	• Ga	• $GaCl_3$ • Ga_20_3 • $InCl_3$	• Ga • In	• $GaCl_3$
Nameplate Capacity (mT)	• Ta: 78 • Nb: 381	• Ta: 40 • Re (metal): 4 • Hf: >25	• Recycling Ga: 30 • Refining/ • Upgrading Ga: 50	• $GaCl_3$: 97 • $Ga20_3$: >1 • $InCl_3$: 2.5	• Ga /In: 15-20	• $GaCl_3$: 105
Primary Applications	• Superalloys • Superconductive wires	• Superalloys	• Semiconductors	• LED lighting (white LED) • Li batteries	• LED lighting • Recycled solar • Li batteries	• LED lighting • Li batteries
Employees Certifications	• 241 • ISO9001 • ISO14001 • ISO18011	• 14 • ISO9001	• 9 • ISO9001	• 12 • None	• 18 • None	• 10 • ISO9001 • ISO14001 • ISO18011
Neo Ownership	• 100%	• 50.1%	• 100%	• 80%	• 100%	• 80%

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 Silmet, Neo transforms REEs into rare earth products and has extensive experience manufacturing niobium and tantalum rare metal products. As of December 31, 2018, Silmet had the nameplate capacity to produce up to 2,500 tonnes of rare earth products per year and 540 tonnes of rare metal oxides or 205 tonnes of rare metal products per year. The main equipment utilized for production at Silmet include electron beam furnaces, shaft furnaces for aluminothermy reduction, rotary tube furnaces, rare metals solvent extraction lines, and various precipitation tanks. NPM Silmet OU, the entity that operates the Silmet facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

On June 9, 2015, Neo's Silmet facility suffered a fire that completely destroyed Building 51 and its operational and production capabilities. Building 51 contained the equipment used to leach the raw materials for tantalum and niobium production. As a result of the fire, Silmet was forced to drastically curtail production of rare metals products for the remainder of 2015, although there was no impact upon Silmet's rare earth production. In the fourth quarter of 2015, Neo

installed equipment that restored approximately 30% of the lost leach capacity, and in 2016 it was able to further increase its leach capacity to approximately 50% of its pre-fire capacity. Since the occurrence of the fire and through the fourth quarter 2017, efforts have been made to both increase the existing production capacity and reduce the overhead structure of the plant in general. During the three and twelve month periods ended December 31, 2017, the plant benefited from the production of more higher-value added products through the reconstructed line and reduced overheads as part of an on-going operational improvement plan. This ongoing operational plan included headcount reductions, reductions in certain overhead costs and contracted costs such as energy. During the year ended December 31, 2018, there were no longer any significant adverse impacts to the Silmet facility's production capacity as a result of the 2015 fire. See also "*– Environmental – Hazardous and Radioactive Substances and Wastes*".

Neo settled an insurance claim for the loss of property, the cost of demolition, cleanup, and decontamination, and business interruption losses relating to the June 9, 2015 fire that destroyed Building 51 at the Sillamäe location. Neo received installments under the insurance claim of $2.3 million in 2015, $1.2 million in 2016, $2.2 million in 2017 and a last installment of $11.8 million in the year ended December 31, 2018.

Buss & Buss Facility

Located in Sagard, Germany and approximately 300 kilometres north of Berlin, this facility recycles 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. 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*".

Blanding Facility

Located in Blanding, Utah, approximately 500 kilometres southeast of Salt Lake City, the plant site consists of three buildings on approximately 40 acres. Furnace technology is utilized to recover gallium from high purity gallium arsenide scrap. Purities for this secondary gallium rare metal are in the 4N to 8N range. The facility also: (i) upgrades primary gallium from various global producers into the 6N to 8N purity range; (ii) produces gallium nitrate; and (iii) produces gallium oxide. Neo Rare Metals (Utah), LLC, the entity that operates the Blanding facility, is an indirect wholly-owned subsidiary of Neo. 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 GaCl3. 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 low grade manufacturers waste and residue. Neo Performance Materials ULC, the entity that operates the Peterborough facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

Hyeongok Facility

This is a GaCl3 production facility located in the Republic of Korea in the Hyeongok Industrial Zone. This manufacturing facility is strategically situated in the heartland of South Korea's LED industry. This plant supplies Asian markets as well as serves as a back-up for the plant located in Quapaw, Oklahoma. Neo Rare Metals (Korea) Inc., the entity that operates the Hyeongok facility, is an indirect 80%-owned subsidiary of Neo Cayman with the remaining 20% owned by the founders of the facility. See "*Corporate Structure – Intercorporate Relationships*".

Corporate Segment

Neo's head office is located in Toronto, Ontario, with additional corporate offices in Greenwood, Colorado 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, waste water, pollution, waste management, handling and disposal of radioactive materials and waste and groundwater quality and availability.

Neo's Silmet facility has an Integrated Environmental Permit, which controls its operations in general. The Integrated Environmental Permit is renewed annually or in between annual renewals when and if Neo expands operations in that facility. Wastewater from Silmet operations is governed by the Integrated Environmental Permit. The Radiation Practice License for the facility expired on January 31, 2019 and Silmet no longer has a permit to process feedstock that contains NORM materials. Silmet continues to manage and store NORM residue accumulated from historic production activities under the supervision of the Estonia Ministry of Environment. The Silmet facility is in the process of applying for a new permit to allow on-site storage of NORM residue pending final disposition of the NORM residue by a third party. The Silmet facility continues to produce tantalum and niobium using alternative (non-NORM-bearing) feedstock. The rare earth operations at Silmet, which are part of the C&O business unit, do not require NORM permits and are not affected by the expiration of the Radiation Practice License. See "*Risk Factors – Environmental Liability Exposure*".

Neo's Chinese joint ventures, JAMR and ZAMR, 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 waste water from their rare earths recovery operations. In the case of JAMR, its expansion in 1995 included an upgrade to its waste water processing and treatment equipment, as a result of which its waste water currently meets applicable environmental standards. JAMR pays an agreed fee once a year for the discharge of its waste water. In the case of ZAMR, the plant was designed to make use of waste water discharge facilities of an adjacent petrochemical complex, and ZAMR pays a variable monthly charge based on usage. ZAMR is also obliged to pay a monthly environmental administration fee to the municipal government of Linzi. Effective July 1, 2017, Chinese environmental protection regulations were revised to impose a much lower limit on the discharge of total nitrogen in waste water. In order to comply with the new total nitrogen discharge limits, ZAMR had temporarily reduced its rate of production of certain automotive catalyst products while it installed equipment to enable it to meet the new discharge requirement. As at December 31, 2017, ZAMR completed all elements of the new wastewater treatment system which allowed it to run at its normal production capacity.

Air Pollution Control

The Integrated Environmental Permit 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 waste, including radioactive wastes, at its facilities. The storage and disposal of low-level radioactive wastes at the Silmet facility are governed by the Radioactive Practice Licenses issued in Estonia. 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.

Like many other Chinese processors of heavy rare earths, JAMR generates and stores NORM residue derived from the processing of heavy rare earth clays. 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 heavy rare earth clays. Management expects that JAMR will need to comply with all applicable rules and regulations for the disposition of NORM generated by rare earth processors, once finalized by the Chinese government. Management cannot currently reasonably estimate the cost that JAMR may incur to comply with those future rules and regulations.

As noted above, on June 9, 2015, Neo's Silmet facility suffered a fire that completely destroyed Building 51 and its operational and production capabilities. The Building 51 fire resulted in the release of certain wastes, including NORM. Neo has obtained a permit allowing it to remediate the NORM that was released due to the fire, and that remediation project is ongoing. See "*Description of the Business – Chemical and Oxides Segment – Production Facilities – Silmet Facility*". See also "*Risk Factors –Environmental Liability Exposure*".

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 have an aggregate of 1,815 full-time employees worldwide as of December 31, 2018, including both corporate and plant level employees, but excluding the employees of the 50/50 joint venture in Germany, Buss & Buss. Neo's operations in China and Estonia account for approximately 85% of employees.

Employee Headcount

By Geography		By Segment		By Function	
Canada	43	Corporate	28	Executive	6
U.S.	44	C&O	861	Production	1,249
Europe	13	Magnequench	635	Logistics	95
Estonia	429	Rare Metals	291	Sales and Marketing	38
Japan	7			R&D	115
South Korea	11			Finance and Accounting	62
China	1,100			Administration	146
Singapore	30			Engineering	104
Thailand	138				
Total	**1,815**	**Total**	**1,815**	**Total**	**1,815**

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 ventures 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 and ZAMR; Greg Kroll will become the legal representative of Magnequench (Tianjin) Company Limited ("**MQTJ**") and Magnequench International Trading (Tianjin) Co., Ltd. ("**MQTJ2**"); and Frank Timmerman is the legal representative of Shanxi Jia Hua Galaxy Electronic Materials Co. Ltd. Martin Sun, Chief Representative, is the supervisor of ZAMR and JAMR; Greg Kroll, Executive Vice President, Magnequench, is the supervisor of MQTJ and MQTJ2; and Wang Ying, Financial Director of Shanxi Galaxy, is the supervisor of Shanxi Galaxy. 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 and ISO-14001) 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. Neo anticipates that the dividend on the Common Shares will be C$0.095 per Common Share per quarter (C$0.38 per Common Share per fiscal year).

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 39,650,340 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.

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.

	Common Shares		
	High (Cdn$)	**Low (Cdn$)**	**Volume**
2018			
December	17.01	11.40	1,537,396
November	18.49	14.06	446,605
October	18.17	16.96	283,648
September	18.42	17.57	298,189
August	18.40	16.76	283,509
July	17.57	16.25	571261
June	18.65	15.65	911679
May	18.50	17.01	800228
April	18.00	16.90	313730
March	18.00	13.87	452,682
February	17.15	15.00	252,561
January	18.60	16.50	523,323

Prior Sales

The following table summarizes details of the Common Shares or securities convertible or exercisable into Common Shares issued by Neo during the 12-month period prior to the date of this AIF:

Date of Issuance	Security	Issue / Exercise Price per Security	Number of Securities
September 13, 2018	Common Shares[(1)]	nil	49,985
September 12, 2018	Options	$17.84	60,004

Notes:
(1) Issued on conversion of restricted share units, and not issued for cash.

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 nine 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:

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Constantine E. Karayannopoulos[(1)(3)(6)] Toronto, Ontario, Canada *Chairman*	Mr. Karayannopoulos has been Chairman and Director of Neo since October 2017. He is also the Chairman of the board of directors of Neo Lithium Corp. since February 9, 2016. Previously, he was Chairman and Director of Neo C&O LLC ("Neo C&O") from August 31, 2016. The board of directors of Neo C&O acted as an advisory board to Neo Cayman. He was Chairman and Director of Molycorp between December 2013 and August 2016. Prior thereto, he was the President and Chief Executive Officer and a Director of Molycorp from December 2012 to December 2013. He was Vice-Chairman and Director of Molycorp from June 2012 to December 2012. Mr. Karayannopoulos served as Director, President and Chief Executive Officer of NEM until Molycorp acquired NEM in June 2012.	*Company*: October 2017 *NEM*: May 1995
Eric Noyrez[(1)(4)(5)] Bidart, France *Lead Independent Director*	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 since August 31, 2016. In October 2018, he was appointed the Chief Executive Officer of Serra Verde Mineracao, a company aiming at developing and producing a rare earths concentrate. Since 2014, he shares his business activities as a board member and advisor. He previously served as the Chief Executive Officer and Executive Director of Lynas Corporation, an integrated rare earth mining and separation company, from March 2013 to June 2014, President from March 2011 to March 2013 and Chief Operating Officer from February 2010 to March 2013.	*Company*: October 2017 *Neo Cayman*: August 2016
Geoffrey R. Bedford[(5)] Burlington, Ontario, Canada *President, Chief Executive Officer & Director*	Mr. Bedford was appointed the President and Chief Executive Officer of Neo and its predecessor on August 31, 2016 upon the emergence of Neo from the Molycorp restructuring. Previously, he served as President and Chief Executive Officer of Molycorp since December 2013, which followed his earlier roles of Executive Vice President and Chief Operating Officer and Executive Vice President of Molycorp from June 2012. Mr. Bedford served as Executive Vice President and Chief Operating Officer of NEM until Molycorp acquired NEM in June 2012. Prior to that, he served as Executive Vice President of the Performance Materials Division of NEM from 2005 to 2011, and as Executive Vice President, Finance, and Chief Financial Officer, from 1999 to 2005.	*Company*: September 2017 *NEM*: July 1999

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Nicholas Basso Venice, California, U.S. *Director*	Mr. Basso has been a director of Neo since October 2017 and prior to which he was a director of Neo C&O since August 31, 2016. Mr. Basso is Managing Director in the Strategic Credit group of Oaktree Capital Management, L.P. ("**Oaktree Capital Management**"), an affiliate of Oaktree. Previously, he spent two years as an investment professional in the Opportunities Funds group of Oaktree Capital Management where he worked closely with senior professionals across various industries. Prior to which, Mr. Basso spent two years as an analyst in the Mergers & Acquisitions group at Citigroup in New York, where he was responsible for advising clients on acquisitions, divestitures, strategic alternatives and leveraged buyouts. Mr. Basso received a B.S. degree summa cum laude in Business Administration from the Tepper School of Business at Carnegie Mellon University.	*Company*: October 2017 *Neo Cayman*: August 2016
Brook Hinchman(3) Santa Monica, California, U.S. *Director*	Mr. Hinchman has been a director of Neo since October 2017, and prior to which he was a director of Neo C&O since August 31, 2016. Mr. Hinchman is an investment professional in the Opportunities Funds group of Oaktree Capital Management, where he is a Managing Director. Prior to joining Oaktree Capital Management in 2010, Mr. Hinchman spent four years at Goldman, Sachs & Co., most recently in the Merchant Banking division. Mr. Hinchman received a B.B.A. degree in finance from the Tippie College of Business at the University of Iowa, where he was valedictorian.	*Company*: October 2017 *Neo Cayman*: August 2016
Claire M.C. Kennedy(2) Toronto, Ontario, Canada *Independent Director*	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 sat on the Audit Committee. Ms. Kennedy has been a Partner in the Toronto office of Bennett Jones LLP since 2009, where she provides corporate tax and transfer pricing advice to clients. In 2018, she became Managing Partner, Clients and Industries at Bennett Jones LLP. Ms. Kennedy is Lead Director of the Bank of Canada, and Chair of the Audit & Finance Committee. She is also a director of Alamos Gold Inc., which is listed on the TSX and NYSE. Claire received her ICD.D designation from the Institute of Corporate Directors and she has completed the Making Corporate Boards More Effective program at Harvard Business School. Ms. Kennedy is currently enrolled in the Advanced Management Program at the University of Chicago's Booth School of Business. She is a Professional Engineer and holds a Bachelor of Laws degree from Queen's University and a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto. Claire is also Chair of the Governing Council of the University of Toronto and is a member of the Dean's Advisory Board at Rotman.	*Company*: October 2017 *NEM*: February 2010
Aman Kumar London, U.K. *Director*	Mr. Kumar has been a director of Neo since October 2017. He is an investment professional in the Strategic Credit group of Oaktree Capital Management, where he is Senior Vice President. Prior to joining Oaktree Capital Management in 2014, Mr. Kumar spent three years at Deutsche Bank in London working with the global credit team, most recently as a Vice President on the European high yield trading desk. He received an M.B.A. from the Wharton School at the University of Pennsylvania and holds a Bachelor of Medicine, Bachelor of Surgery degree from King's College London.	*Company:* October 2017

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Edgar Lee Santa Monica, California, U.S. *Director*	Mr. Lee has been a director of Neo since October 2017, and prior to which he was a director of Neo C&O since August 31, 2016. Mr. Lee founded and is the Portfolio Manager of the Strategic Credit Strategy at Oaktree Capital Management. He also serves as the CEO and CIO of Oaktree Specialty Lending Corporation and Oaktree Strategic Income Corporation. Previously, he was an investment professional within the Opportunities Funds group of Oaktree Capital Management and has led a number of the group's investments in the media, technology and telecom industries. Prior to joining Oaktree Capital Management in 2007, Mr. Lee worked within the Investment Banking division at UBS Investment Bank in Los Angeles, where he was responsible for advising clients on a number of debt and preferred stock restructurings, leveraged financings, buy-side and sell-side M&A, mezzanine financings and recapitalizations. Before that, he was employed within the Fixed Income division at Lehman Brothers Inc. Prior experience also includes work at Katzenbach Partners LLP and the Urban Institute. Mr. Lee received a B.A. degree in Economics from Swarthmore College and an M.P.P. with a concentration in Applied Economics from Harvard University. Previously, Mr. Lee served on the boards of Nine Entertainment Company Holdings Ltd. and Charter Communications Inc.	*Company:* October 2017 *Neo Cayman*: August 2016
Emily Stephens San Marino, California, U.S. *Director*	Ms. Stephens has been a director of Neo since October 2017, and prior to which was a director of Neo C&O since August 31, 2016. Ms. Stephens is Managing Director in the Opportunities Funds group of Oaktree Capital Management. She is involved with analyzing credit agreements and indentures and advising on legal issues related to restructurings/bankruptcies and platform/joint venture investments. Prior to joining Oaktree Capital Management in 2006, Ms. Stephens served as a Vice President and Associate General Counsel at Trust Company of the West. Prior to that, Ms. Stephens spent five years as a Corporate Associate at Munger, Tolles & Olson LLP. Ms. Stephens graduated with a B.A. degree in Government cum laude from Dartmouth College. She then went on to receive a J.D. from the University of Texas School of Law, where she was a member of the Texas Law Review and Order of the Coif. Ms. Stephens is a member of the state bars of California and Texas.	*Company:* October 2017 *Neo Cayman*: August 2016
Rahim Suleman Toronto, Ontario, Canada *Chief Financial Officer*	Mr. Suleman was appointed Executive Vice President and Chief Financial Officer of Neo in September 2017. He has been the Executive Vice President and Chief Financial Officer of Neo Cayman since January 2017, when he replaced the retiring Chief Financial Officer of Neo Cayman. Previously, Mr. Suleman was Chief Financial Officer at Stackpole International since 2010. From 2009 to 2010, he was Global Finance Manager with GE Digital Energy Protection and Control.	*Company:* September 2017 *Neo Cayman*: January 2017
Kevin D. Morris Castle Pines, Colorado, U.S. *Chief Operating Officer*	Mr. Morris was appointed Executive Vice President and Chief Financial Officer of Neo in September 2017. He has been 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 since 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.	*Company*: September 2017 *Molycorp*: November 2011

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Jeffrey (Jeff) R. Hogan Burton, Ohio, U.S. *Executive Vice President, C&O*	Mr. Hogan has been Executive Vice President, C&O since August 31, 2016. Previously, he served as Executive Vice President, Resources of Molycorp since April 2013 which followed his earlier role as Vice President & General Manager, C&O of Molycorp since 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.	*Company:* September 2017 *NEM*: January 2006
Gregory K. Kroll Singapore *Executive Vice President, Magnequench*	Mr. Kroll was appointed the Executive Vice President, Magnquech on January 1, 2018. Prior thereto, he was the Senior Vice President, Magnequench since January 2015. Previously, he served as Director Sales and Marketing, Magnequench since April 2010. Mr. Kroll joined Magnequench in 2000 and has served in various marketing and business development capacities with Magnequench in Singapore since 2002.	*Company*: January 2018 *Magnequench*: April 2010
Frank Timmerman Veldhoven, The Netherlands *Senior Vice President, Rare Metals*	Mr. Timmerman has been Senior Vice President, Rare Metals since August 31, 2016. Previously, he served as Vice President, Rare Metals of Molycorp since June 2012. Mr. Timmerman served as General Manager, Rare Metals of NEM until Molycorp acquired NEM in June 2012.	Company: September 2017 NEM: June 2012

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

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[(1)(2)]	% of Issued and Outstanding Common Shares
Constantine Karayannopoulos	1,704	0.04%
Eric Noyrez	580	0.04%
Geoff Bedford	29,254	0.74%
Nicholas Basso	Nil	Nil
Brook Hinchman	Nil	Nil
Claire Kennedy	Nil	Nil
Aman Kumar	Nil	Nil
Edgar Lee	Nil	Nil
Emily Stephens	Nil	Nil
Rahim Suleman	13,617	0.034%
Kevin Morris	18,580	0.047%
Jeff Hogan	11,338	0.029%
Greg Kroll	6,526	0.016%
Frank Timmerman	5,649	0.014%

Note:
(1) This number does to include convertible securities held by such persons.

(2) Pursuant to the Underwriting Agreement, these officers and directors have agreed that he or she will not, directly or indirectly, without the written agreement of the Underwriters, such agreement not to be unreasonably withheld, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any Common Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares, or agree or publicly announce any intention to do any of the foregoing until June 6, 2018, subject to applicable securities laws and certain limited exceptions.

As of the date of this AIF, the directors and executive officers of Neo beneficially own, directly or indirectly, as a group, 88,246 Common Shares, representing approximately 0.22% 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 Geoff Bedford, Kevin Morris, Jeff Hogan and Constantine Karayannopoulos 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 Geoff Bedford, Kevin Morris, Jeff Hogan and Constantine Karayannopoulos were directors or officers of Molycorp, the predecessor company to Neo, when Molycorp underwent the Reorganization. See "*Corporate Structure – Corporate History*".

Each of Brook Hinchman, Emily Stephens, Nicholas Basso, Edgar Lee and Aman Kumar are officers of Oaktree Capital Management. A principal focus of Oaktree Capital Management's investing activities is in the debt of financially stressed or distressed companies and to take an active role in the bankruptcy process, often emerging with equity of the reorganized company.

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.

Each of Brook Hinchman, Emily Stephens, Nicholas Basso, Edgar Lee and Aman Kumar are officers of Oaktree Capital Management. A principal focus of Oaktree Capital Management's investing activities is in the debt of financially stressed or distressed companies and to take an active role in the bankruptcy process, often emerging with equity of the reorganized company. As such, Oaktree and its officers are often subject to litigation that arises in the ordinary course of its business of investing in distressed debt and special situation funds.

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[(1)]	Financially Literate[(2)]
Claire Kennedy (Chair)	Yes	Yes
Eric Noyrez	Yes	Yes
Constantine E. Karaynnopoulos	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
Claire Kennedy (Chair)	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 sat on the Audit Committee. Ms. Kennedy has been a Partner in the Toronto office of Bennett Jones LLP since 2009, where she provides corporate tax and transfer pricing advice to clients. In 2018, she became Managing Partner, Clients and Industries at Bennett Jones. Ms. Kennedy is a Lead Director of the Bank of Canada, and Chair of the Audit & Finance Committee. She is also a director of Alamos Gold Inc., which is listed on the TSX and NYSE. Claire received her ICD.D designation from the Institute of Corporate Directors and she has completed the Making Corporate Boards More Effective program at Harvard Business School. Ms. Kennedy is currently enrolled in the Advanced Management Program at the University of Chicago's Booth School of Business. She is a Professional Engineer and holds a Bachelor of Laws degree from Queen's University and a Bachelor of Applied Science degree in Chemical Engineering from the University of Toronto. Claire is also Chair of the Governing Council of the University of Toronto and is a member of the Dean's Advisory Board at Rotman.
Eric Noyrez	Mr. Noyrez has been an independent and Lead Director of Neo since October 2017, and prior to which was an independent director of Neo C&O since August 31, 2016. In October 2018, he was appointed the Chief Executive Officer of Serra Verde Mineracao, a company aiming at developing and producing a rare earths concentrate. He previously served as the Chief Executive Officer and Executive Director of Lynas Corporation, an integrated rare earth mining and separation company, from March 2013 to June 2014, President from March 2011 to March 2013 and Chief Operating Officer from February 2010 to March 2013.
Constantine Karayannopoulos	Mr. Karayannopoulos has been Chairman and Director of Neo since October 2017. He is also the Chairman of the board of directors of Neo Lithium Corp. since February 9, 2016. Previously, he was Chairman and Director of Neo C&O LLC ("**Neo C&O**") from August 31, 2016. The board of directors of Neo C&O acted as an advisory board to Neo Cayman. He was Chairman and Director of Molycorp between December 2013 and August 2016. Prior thereto, he was the President and Chief Executive Officer and a Director of Molycorp from December 2012 to December 2013. He was Vice-Chairman and Director of Molycorp from June 2012 to December 2012. Mr. Karayannopoulos served as Director, President and Chief Executive Officer of NEM until Molycorp acquired NEM in June 2012.

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 fiscal year are approximately as follows:

Financial Year Ended	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2018	$2,282,300	$449,098	$352,465	$85,725
December 31, 2017	$3,178,120	$2,755	$363,350	nil

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 review services performed in connection with Neo's consolidated financial statements. In the year ended December 31, 2017, this included translation into the French language, included in Neo's prospectus and various accounting matters related to its 2017 audited consolidated financial statements included in the prospectus filed in connection with the Offering.

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. In the year ended December 31, 2017, these included Offering support services, along with including translation services and other fees relating to the Offering.

Tax Fees. These fees were for tax compliance services and tax advice and planning. In 2018, these fees including fees relating to tax financial due diligence on the Transaction.

Orientation and Continuing Education

New directors of Neo will 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 will be 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 will encourage all directors to attend continuing education programs and intends to facilitate 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 will periodically make presentations to the directors on various topics, trends and issues related to its activities during meetings of the Board or its committees, which will be 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 the 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 Common Shares

The market price of the Common Shares could be subject to significant fluctuations in response to various factors, including, but not limited to, variations in the operating results of Neo and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Neo and its subsidiaries, general economic conditions, legislative or regulatory changes, and other events and factors outside of Neo's control.

In addition, the stock markets from time to time have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Common Shares. 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. As well, general economic and political conditions could adversely affect the market price for the Common Shares.

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 becoming 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 effected 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, the U.K., Germany, Barbados, South Korea, Thailand 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

Oaktree holds 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, Oaktree holds approximately 68.9% of Neo's issued and outstanding Common Shares. Accordingly, the interests of Oaktree 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 minority shareholders.

As long as Oaktree 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 Oaktree 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 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 rare earth 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 favorable 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

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 of .

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 ("**CFS Certification**") by the EICC that its purchases of tantalum comply with the EICC's Conflict Free Smelter Program. Neo is required to renew its CFS Certification annually and there can be no assurance that such CFS 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 form 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 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 earth 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 rare earth oxides by the C&O segment for use in auto catalysts are subject to lesser regulation in China than the rare earth separation process, 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 rare earths for auto catalysts, water treatment and 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 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*".

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.

Expiry of Joint Venture Agreements

The joint venture agreements in respect of ZAMR and JAMR are set to expire in 2023. These agreements may be extended by mutual consent, subject to the receipt of approval from applicable Chinese authorities. While the terms of these agreements do not permit Neo's Chinese partners to unilaterally terminate such agreements, there can be no assurance that the parties will agree to extend the agreements or that they will receive approval from applicable Chinese authorities to do so.

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 rare earth products. Nevertheless, citing environmental protection and a need to protect exhaustible natural resources, China has implemented a series of rigorous policies to manage rare earth production and to control exports, through quotas, licenses and taxes. China continues to institute increasingly stringent environmental law, regulations and standards across its rare earths industry, force industry consolidation, constrict rare earths production and promote stockpiling, which, among other things, creates a general lack of certainty among rare earths customers regarding the reliability of the future supply of REEs. 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 rare earth industry.

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 rare earth 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 rare earths production and exports.

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 (formerly Zhang Chengyong who left ZAMR on December 1, 2017), Head of the Administration Department at ZAMR; 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 Zhou Linjin, Head of the Administration Department at Shanxi Jia Galaxy Electronic Materials Co., Ltd. ("**SGEM**"). Wei Changbao, Finance Controller, is authorized to use the Finance Chop at ZAMR facility; Zhang Huajun, Finance Manager, is authorized to use the Finance Chop at JAMR facility; Liu Zhenguo, Finance Manager, is authorized to use the Finance Chop at MQTJ and MQTJ2; and Zhang Li, Finance Manager, is authorized to use the Finance Chop at SGEM.

Each of Neo's material operating subsidiaries in China (being MQTJ, MQTJ2, JAMR and ZAMR) has entered into a stamp management agreement (collectively, the "**Custodian Agreements**") with licensed and internationally reputable third party custodians. Tianjin Zhang Ying (Wuqing) law firm has been engaged to act as custodian for MQTJ and MQTJ2 pursuant to Custodian Agreements dated effective December 1, 2017; Jiangyin Chengxin accounting firm has been engaged to act as custodian for JAMR pursuant to a Custodian Agreement dated November 29, 2017; and Zibo Chen Guang accounting firm has been engaged to act as custodian for ZAMR pursuant to a Custodian Agreement dated November 29, 2017. 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 Custodial 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. Upon termination of any Custodian Agreement or removal or replacement of the custodian, Neo has undertaken to issue a press release forthwith a file a material change report in accordance with applicable securities laws. In connection with the IPO, Neo has agreed to appoint a reputable custodian for as long as reasonably required by the Ontario Securities Commission, as principal regulator of Neo. 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.

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). Since Bulletin 7 has only recently been promulgated, 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, waste water, 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 waste water from their solvent extraction processes. Effective July 1, 2017, Chinese environmental protection regulations were revised to impose a much lower limit on the discharge of total nitrogen in waste water. In order to comply with the new total nitrogen discharge limits, ZAMR temporarily reduced its rate of production of certain automotive catalyst products while it installed equipment to enable it to meet the new discharge requirement. As at December 31, 2017, ZAMR completed all elements of the new wastewater treatment system which allowed it to run at its normal production capacity. The installation of the new wastewater treatment system cost ZAMR approximately $2.5 million.

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. The Silmet facility's permit to treat NORM-containing feedstocks expired in 338, and it is currently seeking new permits for the continued storage and eventual disposition of NORM residue generated from production activities. There can be no assurance that the necessary permits will be obtained or renewed in the future.

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.

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 Russia and China. Economic or political sanctions imposed on Russia or China could adversely impact Neo's access to its supplies of feedstock. In addition, the Chinese government is actively monitoring and regulating rare earth mining operations. In some cases, it is shutting down or curtailing illegal or environmentally damaging mining activities. This could have an adverse impact on rare earth raw

material supply. Although Neo believes there is an adequate supply of rare earth feedstock for its processing facilities, there is no assurance that the prices of such rare earth 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 rare earth feedstock may be offset by increasing the prices of Neo's rare earth 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 rare earths are a primary raw material. In addition, if market prices for the C&O segment's rare earth 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.

Fluctuations in Demand for, and Prices of, Rare Earth Products

Because Neo's primary source of revenue is the sale of rare earth-based engineering materials, changes in demand for, and the market price of, rare earth minerals and products 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. The value and price

of the Common Shares and Neo's financial results may be affected by volatility in the prices of rare earth minerals and products. Rare earth 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 rare earth minerals and products, and the political and economic conditions of countries that produce rare earth minerals and products.

Demand for Neo's products is impacted by demand for downstream products incorporating rare earths, 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 rare earth minerals supply and demand and ultimately to the broader markets. Strong rare earth mineral prices, as well as real or perceived disruptions in the supply of rare earth minerals, also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for rare earth 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

Neo may require additional financing in order to make further investments or take advantage of future opportunities. There can be no assurance that Neo will be successful in its efforts to arrange additional financing on terms satisfactory to Neo. If additional financing is raised by the issuance of Common Shares or other forms of convertible securities from treasury, control of Neo may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, Neo may not be able to take advantage of growth opportunities.

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, it 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 its 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 its 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 it 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.

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, 2017, 115 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.

PROMOTER

During the two years immediately preceding the date of this document, the promoter of Neo has been and is as follows:

Name of Promoter	Number of Common Shares as at December 31, 2018	Percentage
Oaktree	27,316,655	68.9%

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 will 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 18% of total revenue in the year ended December 31, 2018. These products include multiple formulations in multiple jurisdictions 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, 2018, for some of the proceedings outlined below, where Neo believes it would be more likely than not 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, 2016.

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. A hearing before the EPO took place on September 27, 2018, and the EPO ruled that the 018 patent would be upheld, subject to amendments that significantly narrowed the scope of the 018 patent claims. Both Neo C&O Europe and Rhodia Operations have appealed this ruling by the EPO, and a hearing on the appeal has not yet been scheduled..

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. The Düsseldorf Regional Court has not yet issued a decision in this case.

Chinese Patent #Z 03817110.4 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 #ZL03817110.4 pertaining to rare earth mixed oxides for use in automotive catalysts ("110"). Both 110 and 018 contain the same claims. On September 29, 2016, the Supreme People's Court ruled that the case should be sent to the Zibo Intermediate People's Court for adjudication. In response to the infringement action, on December 15, 2015, ZAMR initiated an action before the Patent Re-examination Board of the State Intellectual Property Office of China ("PRB) requesting that it invalidate 110. On March 28, 2017, Rhodia Operations and DKKK refiled their infringement case before the Zibo Intermediate People's Court requesting an injunction, damages of RMB20 million (approximately $3 million) and legal costs. On April 18, 2018, the PRB ruled in favor of ZAMR by invalidating all patent claims associated with 110. On May 23, 2018, the Intermediate People's Court of Zibo, China, dismissed the lawsuit alleging infringement of 110. Rhodia Operations has appealed the decisions of the PRB and the Intermediate People's Court of Zibo concerning 110.

European Patent #1894620 B1 Patent Litigation

On June 21, 2017, Neo C&O Europe initiated opposition proceedings before the European Patent Office, requesting that it revoke 620 on the basis of its invalidity. On November 19, 2018, the EPO revoked all product claims associated with 620, but maintained one process claim. DKK and Neo C&O Europe have both appealed this EPO ruling and a hearing on the appeal has not been scheduled. Rhodia Operations and/or DKKK have not initiated proceedings in Europe against Neo and/or its subsidiaries, alleging infringement of 620.

Chinese Patent #ZL 200710146613.6 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 200710146613.6 pertaining to rare earth mixed oxides for use in automotive catalysts ("**613**"). Both 613 and 620 contain the same claims. On September 29, 2016, the court ruled that the case should be sent to the Zibo Intermediate People's Court for adjudication. In response to the infringement action, on December 15, 2015, ZAMR initiated an action before the PRB requesting that the court invalidate 613. On March 28, 2017, Rhodia Operations and DKKK refiled the case before the Zibo Intermediate People's Court. Rhodia Operations and DKKK are seeking an injunction, damages of RMB15 million (approximately $2.3 million) and legal costs. On September 26, 2018, the PRB ruled in favor of ZAMR by invalidating all of the product claims associated with 613, but maintained one process claim. On October 24, 2018, the Intermediate People's Court of Zibo, China, dismissed the lawsuit alleging infringement of 613. Rhodia Operations and DKKK have appealed the decisions of the PRB and the Intermediate People's Court of Zibo concerning 613.

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. Rhodia has declared that until there is a final decision of the German Federal Supreme Court on the validity of 984, it will only enforce the patent in the limited scope as upheld by the German Federal Patent Court in first instance. Should Rhodia enforce a recall of infringing products, Neo does not believe it would have a material adverse impact on Neo. On June 13, 2017 Rhodia asked Neo C&O Europe. for a damages payment of EUR 5.2 million (approximately $6.1 million). No further steps have yet been taken in this regard and the precise amount of damages has not been judicially determined, for which separate legal proceedings could be initiated. 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. A hearing date has on April 25, 2019. 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. A hearing date has been set on March 12, 2019.

Chinese Patent #ZL 94194552.9 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 94194552.9 pertaining to rare earth mixed oxides for use in automotive catalysts ("552"). Both 984 and 552 contain the same claims and both expired on December 20, 2014. On September 29, 2016, the Supreme People's Court ruled that the case should be sent to the Zibo Intermediate People's Court for adjudication. In response to the infringement action, ZAMR initiated two actions before the PRB requesting that the Board invalidate 552. On December 18, 2018, the PRB issued its decision which invalidated the patent in part, but maintained certain process claims. The decision of the PRB is subject to appeal by ZAMR and Rhodia Operations. On March 28, 2017, Rhodia Operations and DKKK refiled the case before the Zibo Intermediate People's Court, claiming damages of RMB5 million (approximately $0.8 million) and legal costs. Two preliminary hearings were held in 2017 and further substantive hearings are pending. No decision has yet been issued with respect to the allegation of infringement of the remaining process claims in 552.

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. However, the Court stayed the proceedings until there is a first instance decision of the German

Federal Patent Court about the validity of 846. On March 3, 2017, the Regional Court of Düsseldorf confirmed that it holds 846 to be infringed and it did not order a further stay of the proceedings until a final decision on the validity of 846 by the German Federal Supreme Court on appeal. It thus 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. The precise amount of damages has not been judicially determined, for which separate legal proceedings could be initiated. Should Rhodia enforce a recall of infringing products, Neo does not believe it would have a material adverse impact on its results. 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. A date for an oral hearing has not yet been set and no decision has been rendered. 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. A hearing date has been set on June 4, 2019.

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. No decision has been issued by the Zibo Intermediate People's Court in this case. The PRB, on October 20, 2016, ruled against ZAMR's first petition to invalidate 505. However, in December, 2018, ZAMR filed a second petition to invalidate 505, on the basis of new legal grounds.

Chinese Patent #ZL 97195463.1 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 97195463.1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**463**"). 463 expired on May 9, 2017. 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 the case before the Zibo Intermediate People's Court and claimed damages of RMB5 million (approximately $0.8 million) and legal costs. Two preliminary hearings were held in 2017 and further substantive hearings are pending. In response to the infringement action, ZAMR filed two petitions before the PRB to invalidate 463. On January 29, 2019, the PRB ruled that all claims of 463 are invalid in China. In light of the PRB ruling invalidating 463, on February 28, 2019, the Zibo Intermediate People's Court dismissed the case against ZAMR for infringement of 463. The invalidation and infringement decisions are subject to appeal by Rhodia Operations and DKKK.

No action has been taken in Europe against Neo and its subsidiaries based on European patent #0906244 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**244**"). 244 contains the same claimed subject matter as 463 and also expired on May 9, 2017.

European and UK Patents #1444036 B1 Litigation

On October 26, 2015, MEL initiated an 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) and ZAMR, alleging infringement of European and United Kingdom patents #1444036 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("036"). Neo C&O Europe and ZAMR each filed a defence and counterclaim and are seeking to invalidate 036.

On February 15, 2018, Neo C&O Europe, ZAMR, and MEL reached a confidential settlement agreement regarding European and UK Patents #1444036 B1. As a result, MEL agreed to withdraw their patent infringement claim and Neo agreed to withdraw its invalidity counterclaim.

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 and is seeking to invalidate 338. In the action, the plaintiffs are seeking: (i) an injunction to restrain Neo C&O Europe from infringing 338; (ii) an order for delivery up or destruction of all products which would infringe 338; and (iii) an inquiry as to damages or account of profits for infringement of 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, (vi) 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 on the ground that the trial court should have found 338 to be invalid and the appeal is set for hearing in July, 2019.

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. Neo C&O Europe has filed its defence, requesting the complaint be dismissed or at least that the proceedings are stayed until there is a final decision on the validity of 338. In its complaint, Rhodia Operations is seeking that the defendants cease and desist from offering, distributing using or importing or possessing products that infringe certain claims of 338 and to render account. Also, Rhodia Operations has called for the destruction of infringing products that are in New C&O Europe's possession and that Neo C&O Europe recalls infringing products from the distribution chain. Furthermore, Rhodia Operations has asked the court to determine that the defendants pay damages. The trial took place on November 21, 2017. 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 has appealed this ruling. The amount of damages has not been judicially determined.

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. In light of the revocation of the German designation of 338, Neo is seeking a stay enforcement of the 2017 judgment by the Regional Court of Mannheim , including a stay of the injunction prohibiting sale or distribution of products in Germany. The revocation decision by the German Federal Patent Court is subject to appeal.

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. The precise amount of damages has not been judicially determined. On April 1, 2016, Neo C&O Europe filed an appeal with the Higher Regional Court of Düsseldorf. Following the revocation of 274 by the German Federal Patent Court, Neo C&O Europe requested the Higher Regional Court of Düsseldorf to order that enforcement by Rhodia of the lower court judgement be stayed. On October 4, 2016, the Higher Regional Court of Düsseldorf met this request. Also, the appeal proceedings have been stayed by the Higher Regional Court of Düsseldorf with the consent of both parties, pending a final decision on the patent invalidation proceeding of 274 by the German Federal Court of Justice. 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. Neo C&O Europe replied on September 25, 2017. A hearing date has been set on March 12, 2019.

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 have appealed the EPO's ruling and a decision on the appeal is pending.

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. The Düsseldorf Regional Court has not yet set a hearing date and a decision has not yet been issued.

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 patents pertaining to 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. The precise amount of damages has not been judicially determined. On January 21, 2019, Neo C&O Europe filed an appeal with the Higher Regional Court of Düsseldorf. Neo C&O Europe filed nullity proceedings against the German part of 267 on December 18, 2017. The German Federal Patent Court has not yet set a hearing date and a decision has not yet been issued. 267 expired on December 24, 2017.

European Patent #1603667 Litigation

On April 13, 2017, Neo C&O Europe initiated opposition proceedings before the European Patent Office requesting it revoke European patent #1603667 granted to Rhodia Operations pertaining to rare earth mixed oxides for use in automotive catalysts ("667") on the basis of its invalidity. A hearing was held on November 29, 2018, and the EPO ruled that the 667 patent would be upheld, subject to amendments that significantly narrowed the scope of the 667 patent claims.

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

Except for contracts made in the ordinary course of business, the following are the material contracts entered into by Neo within two years prior to the date hereof and which are currently in effect:

1. Arrangement Agreement dated December 18, 2018 among Neo, Luxfer Holdings plc, 267 Ontario Inc. and 2671219 Ontario Inc. in respect of the Transaction – see "*The Transaction*".

This agreement is available online at www.sedar.com under Neo's profile.

INTERESTS OF EXPERTS

Neo has retained KPMG LLP to be the independent auditors of Neo within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Neo may be found on SEDAR at www.sedar.com under Neo's profile and on Neo's website at 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 final prospectus dated November 30, 2017 prepared and filed in connection with the Offering completed on December 8, 2017. 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 Neo (the "**Board**") on November 7, 2017.

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 Neo. 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 Neo are traded or any governmental or regulatory body exercising authority over Neo (each a "**Regulatory Body**", and collectively, the "**Regulatory Bodies**").

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 the composition of the Committee. Committee members may enhance their familiarity with finance and accounting by participating in education programs conducted by Neo 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 Neo's management and others may attend Committee meetings as the Committee considers necessary or desirable. Neo'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, Neo's independent auditors, the Chair of the Board or the Chief Executive Officer or Chief Financial Officer may call a meeting by notifying Neo'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 Neo. 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 Neo. Minutes of each meeting will be made available to the members of the Board and Neo'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 auditors, and annually recommend to the Board, for approval by the shareholders, the appointment of the independent auditors of Neo in accordance with the Business Corporations Act (Ontario);

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 Neo, and where it is determined that independence no longer exists, recommend that the Board take appropriate action;

5. 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;

6. approve any non-audit services to be provided by the firm of the independent auditors to Neo in accordance with NI 52-110;

7. review and approve annually the overall scope of the independent auditors' annual audit plan;

8. 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;

9. 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;

10. 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 to 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;

11. review and discuss Neo's major financial risk exposures and the steps taken to monitor and control such exposures;

12. review and make recommendations to the Board regarding, the adequacy of Neo's risk management policies and procedures with regard to identification of Neo'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 Neo;

13. periodically review Neo's policies and procedures for reviewing and approving or ratifying related-party transactions;

14. 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;

15. 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;

16. 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;

17. review significant changes in the accounting principles to be observed in the preparation of the accounts of Neo and its subsidiaries, or in their application, and in financial statement presentation;

18. 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 Neo;

19. review Neo'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;

20. cause the Chair to review and approve all expense reimbursements of the Chief Executive Officer;

21. 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

22. monitor and periodically review the Whistleblower Policy of Neo and associated procedures for:

    - the receipt, retention and treatment of complaints received by Neo regarding accounting, internal accounting controls or auditing matters;
    - the confidential, anonymous submission by directors, officers and employees of Neo 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 Neo's Code of Conduct.

D. ACCESS TO MANAGEMENT A ND INDEPENDENT ADVICE

The Committee shall have unrestricted access to Neo's management and employees and to the books and records of Neo and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with Neo'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 Neo, 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 Neo, 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 Neo's accounting and financial reporting systems, or to determine that Neo's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

GLOSSARY OF TERMS

"**4N**" means purity of 99.99%;

"**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;

"**Ce**" means cerium, a rare earth element;

"**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;

"**Dy**" means dysprosium, a rare earth element;

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

"**Er**" means erbium, a rare earth element;

"**Eu**" means europium, a rare earth element;

"**EV**" means electric vehicles;

"**Ga**" means gallium;

"**$GaCl_3$**" means gallium trichloride;

"**$Ga2O_3$**" means gallium oxide;

"**Gd**" means gadolinium, a rare earth element;

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

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

"**Hf**" means hafnium, a rare earth element;

"**Ho**" means holmium, a rare earth element;

"**HREC**" means heavy rare earth concentrate;

"**HREE**" means heavy rare earth element;

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

"**In**" means indium;

"**$InCl_3$**" means indium trichloride;

"**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;

"**La**" means lanthanum, a rare earth element;

"**LCD**" means liquid crystal display;

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

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

"**LREC**" means light rare earth concentrate;

"**Lu**" means lutetium, a rare earth element;

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

"**Magnequench Powders**" means 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;

"**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;

"**Nb**" means niobium;

"**Nd**" means neodymium, a rare earth element;

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

"**NEDC**" means new European driving cycle;

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

"**Oaktree**" means, collectively, OCM Neo Holdings (Cayman), L.P. and OPPS NPM II SARL, and their affiliates;

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

"**Offering**" 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;

"**Over-Allotment Option**" means the option granted in the Offering to the underwriters, by Oaktree, to purchase up to an additional number of Common Shares representing 15% of the number of offered shares sold under the Offering; the closing of which was announced by Neo on January 8, 2018;

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

"**Pr**" means praseodymium, a rare earth 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 rare earth 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;

"**Sc**" means scandium, a rare earth element;

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

"**Sm**" means samarium, a rare earth element;

"**SmCo**" means samarium-cobalt;

"**Ta**" means tantalum;

"**Tb**" means terbium, a rare earth element;

"**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;

"**Y**" means yttrium, a rare earth element;

"**Yb**" means ytterbium, a rare earth element;

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

"**Zr**" means zirconium, a rare earth element.