



ANNUAL INFORMATION FORM

NEO PERFORMANCE MATERIALS INC.

FOR THE YEAR ENDED DECEMBER 31, 2020

MARCH 22, 2021

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

FORWARD-LOOKING INFORMATION

This annual information form ("AIF") contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements other than statements of historical fact are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or 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:

- potential impact of COVID-19;
- 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;
- emerging market considerations;
- customer dependence;
- general economic conditions;
- competition;
- uncertainty regarding Chinese withholding tax and indirect transfers of Chinese enterprises by non-Chinese residents;
- environmental liability exposure;
- supplies of raw materials;
- fluctuations in demand for, and prices of, certain critical minerals products;
- product recalls;
- rapid technological change;
- changes in tax laws;
- risks of operations and insurance;

- additional financing requirements;
- inability to effectively manage Company growth;
- potential for incurring unexpected costs or liabilities as a result of acquisitions;
- Zibo land use rights;
- 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,

	2020	2019	2018
Closing	1.2732	1.2988	1.3642
High	1.4496	1.3600	1.3642
Low	1.2718	1.2988	1.2552
Average	1.3415	1.3269	1.3068

CORPORATE STRUCTURE

Name and Incorporation

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

Corporate History

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

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

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

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

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

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

The Arrangement

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

The Initial Public Offering and Secondary Offerings

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

On December 22, 2020, Neo completed a secondary offering of Common Shares whereby Oaktree sold an aggregate of 3,932,500 Common Shares to the public. On February 17, 2021, Neo completed another secondary offering of Common Shares whereby Oaktree sold an additional 5,175,000 Common Shares to the public.

As of the date hereof, Oaktree holds, directly or indirectly, an aggregate of 17,109,155 Common Shares, representing 45.7% of the issued and outstanding Common Shares.

Intercorporate Relationships

The following chart identifies Neo's subsidiaries (including jurisdiction of formation). All entities are wholly-owned, directly or indirectly, by Neo, except where indicated. Outlined below is information related to Neo's subsidiaries and associates at December 31, 2020:

	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 Water Treatment 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	98%	China
NPM Silmet OU	Estonia	Subsidiary	100%	Estonia
Magnequench Japan, Inc.	Japan	Subsidiary	100%	Japan
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	50.004%	Germany
Neo Rare Metals (Oklahoma), LLC	United States	Subsidiary	80%	Delaware
Magnequench Magnetics (Chu Zhou) Co., Ltd.	China	Subsidiary	100%	China

	Place of business	Entity type	Economic interest	Jurisdiction of Incorporation
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
Neo Jia Hua Advanced Materials (Zibo) Co., Ltd.	China	Subsidiary	98%	China
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
Zibo Shijia Trading Co., Ltd.	China	Subsidiary	59.6%	China

RECENT DEVELOPMENTS

2018

On March 18, 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 "**2018 NCIB**"). The 2018 NCIB, which commenced on March 21, 2018 and expired on March 20, 2019, enabled Neo to purchase, for cancellation, up to an aggregate of 1,996,078 Common Shares in total. Under the 2018 NCIB, Neo purchased and cancelled an aggregate of 367,560 Common Shares at an average price of C\$14.96 per Common Shares.

On December 18, 2018, Neo entered into an 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. On March 10, 2019, Luxfer and the Company mutually agreed to terminate the Transaction.

2019

On March 18, 2019, Neo received acceptance from the TSX of a notice filed by Neo of its intention to make a normal course issuer bid (the "**2019 NCIB**"). The 2019 NCIB, which commenced on March 21, 2019 and will expire on March 20, 2020, enables Neo to purchase, for cancellation, up to an aggregate of 1,982,517 Common Shares in total. Under the 2019 NCIB, Neo had purchased and cancelled 1,982,493 Common Shares at an average price of C\$11.68 per Common Share.

On June 24, 2019, Neo announced the appointment of G. Gail Edwards as a director following the resignation of Aman Kumar.

In August 2019, Neo's Magnequench division, through a newly formed wholly-owned subsidiary, Magnequench Magnetics (Chu Zhou) Co., Ltd., completed the acquisition of the assets of Anhui Asia Magnets Co., Ltd. ("**SAMAG**"), a privately-owned manufacturer of compression molded NdFeB bonded magnets.

In November 2019, Neo entered into an equity interest transfer agreement to purchase the entire 59.6% equity interest of ZSTC from Mr. Sun for a purchase price of \$1.1 million (RMB 7.9 million). ZSTC is a privately-owned holding company in Shandong, China which holds 5% equity interest in ZAMR, one of Neo's subsidiaries in Shandong, China. The acquisition of the 59.6% equity interest in ZSTC increased Neo's equity interest in ZAMR from 95% to 98% when the transaction closed on December 29, 2019.

On December 4, 2019, Emily Stephens resigned as a director of Neo.

2020

On May 14, 2020, Neo received acceptance from the TSX of a notice filed by Neo of its intention to make a normal course issuer bid (the "**2020 NCIB**"). The 2020 NCIB, which commenced on May 19, 2020 and will expire on May 18, 2021, enables Neo to purchase, for cancellation, up to an aggregate of 1,883,637 Common Shares in total. At December 31, 2020, Neo had purchased and cancelled 271,836 Common Shares at an average price of C\$10.54 per Common Share.

On July 7, 2020, Constantine E. Karayannopoulos was appointed as President and Chief Executive Officer of the Company replacing Geoffrey R. Bedford. Mr. Karayannopoulos resigned as Chairman of the Board (but remained a director) and Claire M.C. Kennedy was appointed Chair of the Board.

On July 31, 2020, Gregory Share was appointed a director of the Company to fill the vacancy arising from the resignation of Nicholas D. Basso as a director on June 30, 2020.

On August 18, 2020, the Company announced that, due to increased demand, its Magnequench segment intended to significantly expand its capacity to produce compression molded NdFeB magnets and assemblies, used in the automotive, electronics, home appliances and other industries.

On October 22, 2020, at the Company's annual general and special meeting, the shareholders elected Claire M.C. Kennedy, Constantine E. Karayannopoulos, Eric Noyrez, Brook Hinchman, Edgar Lee, G. Gail Edwards and Gregory Share as directors of the Company.

On December 22, 2020, Neo completed a secondary offering of Common Shares whereby Oaktree sold an aggregate of 3,932,500 Common Shares to the public.

In February 2018, ZAMR received notice from Zibo City of a new zoning plan being implemented in order to protect ground water resources in the area. The notice indicated that all industrial enterprises in the area of ZAMR's production facility would be required to relocate. At that time, ZAMR commenced discussions with the local government to discuss alternatives to relocation, including the implementation of additional water treatment protocols, as well as the terms and timing of the proposed relocation. The government commissioned the construction of a new industrial park in the area designated for the relocation, and construction of the industrial park is still in progress. In December 2020, an indirect Chinese subsidiary of the Company paid a in the approximate amount of US\$0.8 million to secure its right to bid on such land use rights. The Company expects that an additional deposit of approximately US\$1.2 million will be made by the end of the first quarter of 2021. See "*Risk Factors – Zibo Land Rights*".

COVID -19 Developments

The Company operates in numerous regions of the world, each of which has been impacted by the novel coronavirus ("COVID-19") to differing degrees and for differing time frames. The Company's customers (the largest of which are in automotive, aerospace and general industrial) generally operate through complex global supply chains and maintain various target inventory levels with varying periods for purchase commitments. Throughout 2020, the Company's sales were negatively impacted by customers shutting down operations, cancelling orders, delaying orders and irregular changes to customer purchasing patterns due to customers' managing inventory levels. The overall impact to automotive, aerospace and industrial activities varies region to region and period to period but generally reflect a significant negative trend in economic activity and sales.

The Company's operating activities were also impacted by various differing COVID-19 shutdown requirements and the ensuing impact on raw materials and other supplies needed for production. The Company's manufacturing operations in China were shut down for an additional one to two weeks following the regularly scheduled Lunar New Year shutdown in February 2020. Following the re-opening of the factories, manufacturing operations were slowed due to lack of demand, availability of raw materials and supplies and other human resource restrictions. By the end of March 2020, the operations in China were largely capable of running at normal capacity, notwithstanding the reduced demand at the time. During the month of June 2020, Neo partially suspended production activities at its Silmet facility in Estonia due to a number of factors arising from the COVID-19 pandemic, including reduced demand from customers and disruption to the supply of essential raw materials. The Silmet facility slowed down or altered its operations from June 2020 through November 2020 due to a lack of primary raw materials. The reduced availability of raw materials was due to suppliers shutting down operations as a result of COVID-19 restrictions in their regions. In North America, the Company slowed or shut down manufacturing facilities due to government requirements through much of the second quarter of 2020. In early November 2020, four employees at the Quapaw, Oklahoma facility tested positive for COVID-19. As the Quapaw facility has a total of eight employees, the production activities at the Quapaw facility were suspended for approximately 10 days. The Quapaw facility resumed normal production on November 16, 2020. Despite the changes to the operating patterns noted above, Neo did not miss any required shipments to its customers.

The Company applied for various forms of government support in various regions of the world related to generally announced and available COVID-19 support funding. In addition, the Company engaged in numerous cost containment strategies over the period reflecting the reduced demand including temporary shutdowns and slowdowns to manufacturing facilities, reduced discretionary expenditures such as travel and entertainment, delayed human resource recruitment, delays in certain capital expenditures, delays in certain project and development related expenditures and reductions in working capital to support lower demand.

Each Neo facility established policies and procedures to minimize the risk that its employees become exposed to COVID-19 in the course of their employment. In addition, each Neo facility has implemented necessary protocols in order to comply with applicable legal requirements related to COVID-19. Employees have been given formal training on Neo's COVID-19 policies. Employees who can work from home are strongly encouraged to do so. Neo performs temperature screening and health checks upon entry to all facilities. Those who have recently travelled, who have cold or flu-like symptoms, or who are known to have been exposed to the COVID-19 virus, are not permitted to enter Neo facilities for an appropriate quarantine period. Employees and visitors who enter Neo facilities are required to maintain two metres of physical separation and wear masks or respirators, as appropriate. In addition, Neo has also implemented enhanced protocols for plant and office hygiene.

While the suspension of production activities described above did not themselves cause a material impact on Neo's results of operations or financial condition, the impact of COVID-19 on customer demand and revenue has been more significant, as is more fully described in the management's discussion and analysis for the year ended December 31, 2020.

2021

At the end of January 2021, the Company completed the transfer of the business carried on by ZAMR, other than the rare earth separation business, into a newly formed subsidiary, Neo Jia Hua Advanced Materials (Zibo) Co., Ltd., which has the same ownership structure as ZAMR. The rare earth separation business carried out by ZAMR remains in ZAMR.

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

On March 1, 2021, the Company announced that it entered into a non-binding agreement in principle with Energy Fuels Inc., to create an initiative to produce value-added rare earth products from natural monazite sands, a by-product of heavy mineral sands mined in the southeastern United States. Energy Fuels will process the monazite sands into a mixed rare earth carbonate in Utah for use as feed material for Neo's value-added separated rare earth production plant in Estonia.

DESCRIPTION OF THE BUSINESS

Overview of the Business

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

Neo has a global platform that includes 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. Since 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets, establishing the #1 global market position for powders used in bonded and hot-deformed, fully dense NdFeB or neo magnets, a top three global market position in auto emission control catalysts, a leading global producer of GaCl₃ for LEDs and growth opportunities into end markets such as wastewater treatment and superalloys for aerospace and other applications.

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

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



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

Magnequench

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

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

Chemicals & Oxides

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

Rare Metals

The Rare Metals segment sources, produces, reclaims, refines and markets high-value rare metals and their compounds. These products include both high temperature metals (tantalum, niobium, hafnium and rhenium) and electronic metals (gallium and indium). Applications from products made in this segment primarily include superalloys for jet engines, 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., Singapore and Beijing, China. The functions of this group include finance, administration, information technology, accounting and legal.

Neo Business Segment Overview



Corporate

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

Magnequench Segment

Overview

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

Neodymium and/or praseodymium metal are the primary raw materials in Magnequench Powders. They are alloyed with iron and boron prior to being processed into a metal powder, which is the precursor to bonded and hot-deformed NdFeB magnets. Other elements (such as zirconium or cobalt) are sometimes added to the alloy in small quantities to achieve certain characteristics.

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

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

Magnequench also completed the construction of a Magnequench Magnet facility which is co-located with its Magnequench Powder production site in Tianjin, China. Both bonded magnet facilities will use substantially similar manufacturing processes to produce compression molded Magnequench Magnets.

Products

Neo produces Magnequench Powders used in the production of both bonded and hot-deformed NdFeB permanent magnets. Neo also produces Magnequench Magnets, which are bonded NdFeB permanent magnets. Bonded magnets consist of magnetic powder combined with a binding agent, which results in a slight reduction of the magnetic strength of the material, but allows it to be formed into a variety of shapes without further processing. Hot deformed magnets do not require a binding agent, and are instead heated and pressed to form particular sizes and shapes. Approximately 76% 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 works closely with motor and sensor manufacturers to design-in Magnequench Magnets into a broad range of applications which require various magnetic and mechanical properties. Magnequench Magnets use newly developed and/or optimized Magnequench Powders in order to ensure greatest value is provided to its customers.

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

Applications

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

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

Customers

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

In 2020, Magnequench's top 10 customers accounted for over 76% of total segment's sales, with the largest customer accounting for approximately 33%. Longstanding customers of the Magnequench segment include Daido Electronics Co., Ltd., Grundfos Operations A/S and MATE Co., Ltd., among others.

Sales and Marketing

Magnequench maintains a local sales force presence in all major geographic areas in which Neo operates in order to serve regional supply chains. There are a total of 20 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 NdFeB magnet industry, Magnequench is specifically focused on bonded and hot deformed magnets. Hot deformed magnets compete directly with sintered magnets, which are the most common form of NdFeB magnet. Bonded magnets primarily compete with ferrite magnets. The market for bonded magnets is, in part, a result of end applications' requirements to improve performance, while also reducing size and weight. For example, ferrite magnets are used in the majority of automotive seat motors. However, as automobile manufacturers increase the functionality of car seats, the number of motors in the seat proliferates, and smaller sizes of motors are often preferred to larger ferrite based motors. Sintered magnets, on the other hand, have higher magnetic properties and are found in applications without size or shape constraints. Sintered magnets, which compete directly with hot deformed magnets, are used in applications such as HEV traction motors and wind turbines. Within the ferrite magnet market, Neo primarily competes with TDK Corporation, Hitachi, Ltd. and Beijing General Research Institute of Metals & Metallurgy. Within the sintered magnet market, Neo primarily competes with ShinEtsu Chemical, Hitachi Metals, Ltd. and Beijing San Huan New Material Hi-Tech, Ltd.

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

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

Research and Development

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

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

The applications technology team works with motor manufacturers to design and optimize bonded NdFeB magnets for their applications. The team works closely with micro motor designers in order to take market share from ferrite and sintered, as well as improve the performance of existing micro motors. The applications technology team interacts closely with the materials science and magnet business teams to enable new applications for bonded NdFeB magnets. The cooperation between the R&D teams ensures that the latest Magnequench material, polymer, and magnet design developments are "designed in" at the beginning of the motor design phase. Current projects slated for this team in 2021 include several customer led initiatives to design and optimize motors used in seats, door and trunk lift assemblies for automobiles.

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

Sourcing of Raw Materials

Magnequench's Tianjin facility sources its Nd and Pr raw materials primarily from Chinese critical minerals processors, while its Korat, Thailand operation sources material from Silmet and third parties outside China. 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.

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

Production Facilities

	Tianjin	Korat	Chuzhou
Location	• Tianjin, China	• Korat, Thailand	• Chuzhou, China
Type	• NdFeB Powder manufacturing	• NdFeB Powder manufacturing	• NdFeB Magnet manufacturing
Products	• NdFeB powders and magnets	• NdFeB powders	• NdFeB Magnets
Nameplate Capacity			
Powder (mT)	• 7,200	• 1,800	
Magnets (million pieces)	• 18		• 180
Primary Applications	<ul style="list-style-type: none"> • Automotive • HDD • Factory automation 	<ul style="list-style-type: none"> • Automotive • HDD 	<ul style="list-style-type: none"> • Consumer electronics • Automotive
Certifications	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • ISO/TS16949:2016 • ISO 9001:2005 • ISO 140001:2015 • BS OHSAS18001:2007 • IECQ HSPM QC 080000:2012 • EcoVadis – Silver • GLP 	<ul style="list-style-type: none"> • ISO9001:2015
Neo Ownership	• 100%	• 100%	• 100%

Tianjin Facility

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

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

Chuzhou Facility

The Chuzhou facility is a NdFeB magnet manufacturing facility situated on approximately four acres of land located approximately 385 kilometres northwest of Shanghai in the city of Chuzhou, Eastern Anhui Province, China. Magnequench Magnetics (Chu Zhou) Co., Ltd., the entity that operates the Chuzhou facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

Chemicals and Oxides Segment

Overview

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

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

Products

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

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

Applications

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

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, certain critical minerals, zirconia and other inorganics. The system is under continual development in order to provide for enhanced performance as well as more efficient use of the PGM. The largest markets for auto catalysts are North America, Europe and Japan. China, India and the rest of the world is increasing due to increasingly stringent environmental standards.

Magnetics

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

Glass and Ceramics (Electronics)

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

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

Customers

C&O derives significant value from its longstanding customer relationships and experience built over the past 28 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 2020, C&O's top 10 customers accounted for approximately 67% 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 13 people located across three continents in order to support customers on a local level. The primary sales activities are deployed on a regional basis while certain large multinational customers are managed globally. The sales team members report to a sales director who has responsibility for the segment's global sales.

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

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

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

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

Research and Development

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

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

Neo's R&D centres work closely with customers and research institutions on applied research and novel product developments which, upon customer acceptance, are transferred to full production at Neo's manufacturing facilities. The C&O R&D tasks are distributed among 61 scientists in 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 and Estonian facilities involved in the development of specialty chemicals and advanced industrial materials for the auto catalyst market. Similarly, growth in the Asian auto catalyst and electronics applications markets are supported out of Singapore.

Sourcing of Raw Materials

The raw materials required for C&O are critical minerals that are subject to annual processing quotas in China of approximately 1,500 tonnes (REO) at Neo's ZAMR facility and 1,100 tonnes (REO) at the Company's JAMR facility, both of which provide a degree of vertical integration as they have the ability to purchase and separate specialty chemicals for their own internal use and/or to sell to third parties. Also, ZAMR and JAMR may use RE concentrates from outside China, which may enable them to produce more than the allotted quota limits. The balance of the material inputs needed by Neo can be purchased from a number of alternative suppliers in Australia (via Malaysia), Russia and China. Neo's ability to

produce certain specialty chemicals is contingent upon quotas received from the Chinese government. See "*Risk Factors – Changes in China's Regulation of the Rare Earths Industry*".

Production Facilities

	ZAMR	JAMR	Silmet
Location	<ul style="list-style-type: none"> • Zibo, China 	<ul style="list-style-type: none"> • Jiangyin, China 	<ul style="list-style-type: none"> • Sillamäe, Estonia
Type	<ul style="list-style-type: none"> • Processor of critical minerals 	<ul style="list-style-type: none"> • Processor of critical minerals 	<ul style="list-style-type: none"> • Process of critical minerals
Products	<ul style="list-style-type: none"> • Specialty chemicals used in the production of auto catalysts, magnetic materials, glass formulations, electronic components including MLCCs 		
Nameplate Capacity (mT)	<ul style="list-style-type: none"> • 4,500 	<ul style="list-style-type: none"> • 4,000 	<ul style="list-style-type: none"> • 2,500
Primary Applications	<ul style="list-style-type: none"> • Auto catalysts 	<ul style="list-style-type: none"> • Various 	<ul style="list-style-type: none"> • Various
Certifications	<ul style="list-style-type: none"> • ISO9001:2015 • ISO14001:2004 • OHSAS 180001:2007 • IATF 16949:2016 	<ul style="list-style-type: none"> • ISO9001:2008 • ISO14001:2004 • OHSAS 180001:2007 	<ul style="list-style-type: none"> • ISO9001:2000 • ISO14001:2004 • OHSAS 18001:2007
Neo Ownership	<ul style="list-style-type: none"> • 98% 	<ul style="list-style-type: none"> • 95% 	<ul style="list-style-type: none"> • 100%

ZAMR Facility

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

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

JAMR Facility

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

has excess capacity to accommodate higher volumes. JAMR currently utilizes domestic and international critical minerals feedstock to maximize its processing capacity. JAMR is a joint venture in which Neo holds a 95% indirect interest with the remaining 5% owned by local management. See "*Corporate Structure – Intercorporate Relationships*".

Silmet Facility

This facility consists of various manufacturing, research and administration buildings located on 67 acres of land in Sillamäe, Estonia, approximately 200 kilometres from Tallinn, the Estonian capital. At Silmet, Neo transforms critical minerals feedstock into various specialty chemicals and has extensive experience manufacturing niobium and tantalum rare metal products. Silmet is currently the only operating rare earth solvent extraction plant in Europe. As of December 31, 2020, Silmet had the nameplate capacity to produce up to 2,500 tonnes of specialty chemicals and advanced industrial materials per year in addition to its rare metals production capabilities. 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 OÜ, 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 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 / Purity	Value-Add
High Temperature Metals					
Tantalum	√	√	√	√	√
Niobium	√		√	√	√
Hafnium		√	√	√	√
Rhenium		√	√	√	√
Electronic Metals					
Gallium		√	√	√	√
Indium		√	√	√	√

The Rare Metals segment has five 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, superconductor, LED lighting, medical imaging and mobile communication, among others.

Applications

Neo's refractory metals (tantalum, niobium, rhenium and hafnium) used in superalloys for turbine blades enable high temperature operation and efficient combustion of these advanced engines, resulting in a lower carbon footprint and improved fuel efficiency. Other applications for products made in this segment include LED lighting medical imaging, wireless technologies, flat panel displays, solar, steel additives, batteries and electronics applications.

Customers

In 2020, the Rare Metals segment's top 10 customers accounted for approximately 70% of the total segment's sales, with the largest customer accounting for approximately 20%. Longstanding customers include the ICD Alloys, PCC Group, H.C. Starck, Cannon-Muskegon Corporation, Sumitomo Electric and Freiburger Compound Materials.

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, H.C. Starck, Sumitomo Electric, AMG Brasil and Guangdong Zhiyuan New Materials.

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., Solikamsk Magnesium Works, Sumitomo Electric, AMG Brasil and Guangdong Zhiyuan New Materials.

Gallium

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

Research and Development

The 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 six 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	Quapaw	Peterborough	Hyeongok
Location	• Sillamäe, Estonia	• Sagard, Germany	• Quapaw, Oklahoma	• Peterborough, Ontario	• Hyeongok, South Korea
Type	• Refinery	• Recycling and alloy production	• Chemicals	• Recycling • Upgrading	• Chemicals
Products	• Nb • Ta	• Ta • Re (metal & salt) • Hf compounds	• GaCl ₃ • Ga ₂ O ₃ • InCl ₃	• Ga • In	• GaCl ₃
Nameplate Capacity (mT)	• Ta: 78 • Nb: 381	• Ta: 40 • Re (metal): 4 • Hf: 20-25	• GaCl ₃ : 97 • Ga ₂ O ₃ : >1 • InCl ₃ : 2.5	• Ga /In: 15-20	• GaCl ₃ : 105
Primary Applications	• Superalloys • Superconductive wires	• Superalloys	• LED lighting (white LED) • Li batteries	• LED lighting • Recycled solar • Li batteries	• LED lighting • Li batteries
Certifications	• ISO9001 • ISO14001 • ISO18011	• ISO9001	• None	• None	• ISO9001 • ISO14001 • ISO18011
Neo Ownership	• 100%	• 50.1%	• 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 critical minerals into various specialty chemicals and advanced industrial materials. The facility has extensive experience manufacturing niobium and tantalum rare metal products. As of December 31, 2020, Silmet had the nameplate capacity to produce up to 560 tonnes of rare metal oxides or 220 tonnes of rare metal products per year, in addition to its production of advanced industrial materials. 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".

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*".

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 manufacturers waste and residue. The facility also upgrades these rare metals into the 6N to 8N purity range and produces gallium nitrate from recycled gallium. Neo Performance Materials ULC, the entity that operates the Peterborough facility, is an indirect wholly-owned subsidiary of Neo. See "*Corporate Structure – Intercorporate Relationships*".

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, Singapore and Beijing, China. The functions of the head office include finance, administration, information technology, accounting and legal.

Environmental

Neo's operations are subject to numerous detailed and increasingly stringent international, national, federal, provincial, state and local environmental laws, regulations and permits affecting the processing industry, including those pertaining to environmental permitting and licensing, air quality, greenhouse gas, water usage, 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 ("IEP") that regulates its air pollution, solid and hazardous wastes, water, and wastewater. The IEP is issued for an indefinite period and is reviewed if Neo expands its operations. NPM Silmet also holds several Radiation Practice Licences. One of the Radiation Practice Licences expired on January 31, 2019. As a result, Silmet no longer has a permit to process feedstock that contains Naturally Occurring Radioactive Materials ("NORM"). Silmet continues to manage and store NORM residue accumulated from historic production activities under the supervision of the Estonian Environmental Board. On November 22, 2019, Silmet received a new permit to allow on-site storage of NORM residue pending exportation of the NORM residue for processing by a third party. Management is in process of preparing an application for a new permit, as agreed with the Environmental Board. Silmet also holds a permit to transport the NORM, which expires March 31, 2021. Management is prepared to request an extension of this permit, if necessary. The Silmet facility continues to produce tantalum and niobium using an alternative feedstocks that it is permitted to process. The specialty chemical and advanced industrial materials operations at Silmet,

which are part of the C&O business unit, do not require a Radiation Practice License. See "*Risk Factors – Environmental Liability Exposure*".

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

Hazardous and Radioactive Substances and Wastes

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

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

As at December 31, 2020, Neo recorded a provision of \$4.6 million for the offsite disposal of the NORM and other related costs in China, and \$2.2 million for the disposal and other related costs in Estonia. The total provision for NORM increased by \$1.2 million in comparison to 2019. The increase was due to updated estimates to remove the existing NORM, and foreign exchange impact of \$0.2 million, net of \$1.1 million in cash paid to prepare the NORM for disposal. With respect to the NORM in Estonia, Neo, in agreement with the government in Estonia, has set aside \$2.8 million (€2.3 million) in a restricted cash account. These amounts represent management's best estimate of the costs to be incurred by Neo to transport the NORM residue to a third party for processing. Neo expects the provision for transportation of the NORM to be settled by the end of 2021.

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 1,805 full-time employees worldwide as of December 31, 2020, 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 84% of employees.

Employee Headcount

By Geography		By Segment		By Function	
Canada	49	Corporate	30	Executive	6
U.S.	40	C&O	781	Production	1,198
Europe	16	Magnequench	722	Logistics	98
Estonia	413	Rare Metals	272	Sales and Marketing	44
Japan	7			R&D	161
South Korea	7			Finance and Accounting	66
China	1,100			Administration	153
Singapore	33			Engineering	79
Thailand	140				
Total	1,805	Total	1,805	Total	1,805

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

to fulfill their responsibilities or misappropriate or misuse these corporate instruments, our business and operations could be materially and adversely affected" for a description of the risks associated with the chops of Neo's subsidiaries in China.

Occupational Health and Safety

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

DIVIDEND POLICY

Neo has adopted a dividend policy, subject to the solvency restrictions in the OBCA, pursuant to which it anticipates, subject to applicable corporate and securities laws, paying cash dividends on the Common Shares to shareholders of Neo as of each dividend record date, targeted to be the last day of each calendar quarter. From the first quarter of 2018 to the first quarter of 2019, the Company paid a quarterly dividend of C\$0.095 per Common Share. Commencing with the second quarter of 2019, the dividend was increased to C\$0.10 per Common Share.

DESCRIPTION OF SHARE CAPITAL

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

Common Shares

Neo's authorized capital consists of an unlimited number of Common Shares without par value. The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Neo and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of Neo. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of Neo, are entitled to receive such dividends in any financial year as the Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Neo, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Neo, the remaining property and assets of Neo. As at the date of this AIF, there are 37,456,990 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 ratably 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.

Period	High (C\$/share)	Low (C\$/share)	Volume
2020			
January	12.48	10.75	133,598
February	11.30	7.49	223,668
March	8.96	5.55	497,389
April	8.00	5.62	213,562
May	8.62	7.03	440,575
June	9.42	7.50	275,667
July	10.29	7.80	246,478
August	10.94	9.59	204,151
September	10.99	9.76	95,465
October	12.27	10.26	214,796
November	12.80	11.51	222,595
December	14.19	12.10	451,050

Prior Sales

The following table summarizes details of the Common Shares or securities convertible or exercisable into Common Shares issued by Neo during the year ended December 31, 2020:

Date of Issuance	Security	Issue / Exercise Price per Security	Number of Securities
September 1, 2020	Common Shares ⁽¹⁾	nil	36,113
August 12, 2020	Options	C\$9.81	61,165
July 7, 2020	Common Shares ⁽¹⁾	nil	22,257

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 seven directors.

Name, Occupation and Security Holding

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

DIRECTORS

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<p>Claire M.C. Kennedy⁽¹⁾⁽³⁾⁽⁵⁾⁽⁸⁾ Toronto, Ontario, Canada <i>Chair</i> <i>Independent Director</i></p>	<p>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 was a Partner in the Toronto office of Bennett Jones LLP from 2009. In 2019, she became Senior Advisor, Clients and Industries. Ms. Kennedy is Lead Director of the Bank of Canada. 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 and 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.</p>	<p><i>Company:</i> October 2017 <i>NEM:</i> February 2010</p>
<p>Eric Noyrez⁽¹⁾⁽⁴⁾⁽⁶⁾ Bidart, France <i>Lead Independent Director</i></p>	<p>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. From February 2010 to June 2014, he served successive roles from Chief Operating Officer to Director and Chief Executive Officer at Lynas Corporation, an integrated rare earth mining and separation company. Prior to Lynas, he served as President of the SILCEA division of Rhodia (named Solvay S.A. now) and before 2000, spent 11 years in different business leadership roles at Shell. Eric started his career as an automotive designer at Peugeot-Citroën. He holds a Master's Degree in Engineering (Meng) from École des Mines de Douai, France.</p>	<p><i>Company:</i> October 2017 <i>Neo Cayman:</i> August 2016</p>

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
<p>Constantine E. Karayannopoulos⁽⁵⁾ Toronto, Ontario, Canada <i>Chief Executive Officer and Director</i></p>	<p>Mr. Karayannopoulos was appointed Neo's President and Chief Executive Officer in July 2020. He is also a Director and serves on the Health, Environment, Safety and Sustainability (HESS) Committee. He has worked in senior executive positions at Neo and its predecessor companies for more than 20 years, including as Director, President, and Chief Executive Officer of Neo Material Technologies ("NEM") (TSX:NEM) from 2005 until NEM was acquired in June 2012 for US \$1.3 billion. Mr. Karayannopoulos also serves as non-executive Chairman of the Board of Neo Lithium Corp., a position he has held since February 9, 2016. He is also a director of the board of the Canada China Business Council, and a member of the Board of Advisors of the University of Toronto's Department of Chemical Engineering and Applied Chemistry. He holds Bachelor's and Masters' of Applied Science degrees in Chemical Engineering from the University of Toronto.</p>	<p><i>Company:</i> October 2017 <i>NEM:</i> May 1995</p>
<p>G. Gail Edwards⁽²⁾ Toronto, Ontario, Canada <i>Independent Director</i></p>	<p>Gail Edwards has been a director of Neo since June 2019 and is Chair of the Audit Committee. She is a C-suite financial and real estate executive who is currently a director of Amica Senior Lifestyles and Chair of the Audit Committee. Ms. Edwards is also a member of the Real Estate Advisory Committee (REAC) for OP Trust, which manages one of Canada's largest pension funds, and a member of the REAC of the US\$247 billion New York State Common Retirement Fund. Ms. Edwards has held executive management positions with the Minto Group, JH Investments Inc., a New York based real estate developer, a NYSE listed entertainment company, a U.S. based global food service and hospitality company and a Canadian banking institution. Ms. Edwards has her ICD.D designation and is a Canadian Chartered Accountant holding a Bachelor of Science degree in Mathematics from the University of Western Ontario.</p>	<p><i>Company:</i> June 2019</p>
<p>Brook Hinchman⁽³⁾⁽⁷⁾ Santa Monica, California, U.S. <i>Director</i></p>	<p>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.</p>	<p><i>Company:</i> October 2017 <i>Neo Cayman:</i> August 2016</p>
<p>Edgar Lee⁽⁷⁾ Medina, Washington, U.S. <i>Independent Director</i></p>	<p>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. He is a private investor and has over 20 years of finance, mergers and acquisition and capital markets experience. Previously, Mr. Lee founded and was the portfolio manager of Oaktree's \$6 billion Strategic Credit strategy until December 2019. He was also the CEO and CIO of Oaktree's three business development companies (BDCs) including Oaktree Specialty Lending and Oaktree Strategic Income Corporations. Prior to founding the strategy, he was a senior investment professional within the firm's Opportunities Funds group. Before joining Oaktree, Mr. Lee worked within the Investment Banking division at UBS Investment Bank in Los Angeles, where he was responsible for advising clients on equity and debt financings and mergers and acquisitions. Prior experience includes work at Lehman Brothers Inc., Katzenbach Partners LLP and the Urban Institute. He received a B.A. degree in economics from Swarthmore College and his master's degree from Harvard University.</p>	<p><i>Company:</i> October 2017 <i>Neo Cayman:</i> August 2016</p>

Name, Principal Residence and Position Held	Principal Occupation for the Past Five Years	Director or Officer Since
Gregory Share Greenwich, Connecticut, U.S. <i>Director</i>	Mr. Share has been a director of Neo since July 2020 and is a seasoned manager and investment professional with extensive experience working with companies in a broad range of industries and at different stages of their development. He currently serves as a Managing Director for the Opportunities Funds within Oaktree Capital Management L.P. since January 2021. He is also Chairman of Ambina Partners LLC, as a director of Kinsale Capital Group and has served on several public and private company boards. He was Managing Partner of Ambina Partners LLC, an investment firm focused on investing in financial services and software companies from March 2015 to December 2020. Mr. Share also has over twenty years of private equity experience in the U.S. and Europe, which included leadership positions at Moelis Capital Partners LLC, Fortress Investment Group LLC and Madison Dearborn Partners, LLC. He began his career in investment banking and private equity at Lazard Freres & Co., LLC. Mr. Share holds a Bachelor of Science in Economics from the Wharton School, University of Pennsylvania and is also a Board Leadership Fellow of the National Association of Corporate Directors (NACD) and a CFA Charterholder.	<i>Company:</i> July 31, 2020

Notes:

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

EXECUTIVE OFFICERS

Rahim Suleman Toronto, Ontario, Canada <i>Chief Financial Officer</i>	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.	<i>Company:</i> September 2017 <i>Neo Cayman:</i> January 2017
Kevin D. Morris Castle Pines, Colorado, U.S. <i>Chief Operating Officer</i>	Mr. Morris was appointed Executive Vice President and Chief Operating 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.	<i>Company:</i> September 2017 <i>Molycorp:</i> November 2011
Jeffrey (Jeff) R. Hogan Burton, Ohio, U.S. <i>Executive Vice President, C&O</i>	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.	<i>Company:</i> September 2017 <i>NEM:</i> January 2006

Gregory K. Kroll Singapore <i>Executive Vice President, Magnequench</i>	Mr. Kroll was appointed the Executive Vice President, Magnequench 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.	<i>Company:</i> January 2018 <i>Magnequench:</i> April 2010
Frank Timmerman Veldhoven, The Netherlands <i>Senior Vice President, Rare Metals</i>	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. He joined NEM in February 2005.	<i>Company:</i> September 2017 <i>NEM:</i> June 2012

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⁾	% of Issued and Outstanding Common Shares
Claire Kennedy	4,150	0.01%
Eric Noyrez	3,771	0.01%
Constantine Karayannopoulos	28,250	0.07%
G. Gail Edwards	Nil	Nil
Brook Hinchman	Nil	Nil
Edgar Lee	Nil	Nil
Greg Share	Nil	Nil
Rahim Suleman	94,656	0.25%
Kevin Morris	97,167	0.25%
Jeff Hogan	64,572	0.17%
Greg Kroll	36,173	0.09%
Frank Timmerman	32,814	0.08%

Note:

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

As of the date of this AIF, the directors and executive officers of Neo beneficially own, directly or indirectly, as a group, 361,553 Common Shares, representing approximately 0.96% 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 Constantine Karayannopoulos, Kevin Morris and Jeff Hogan were officers or directors of Molycorp, the predecessor company to Neo when Molycorp's common shares were cease traded and delisted from the New York Stock Exchange in connection with the Reorganization. See "*Corporate Structure – Corporate History*".

Bankruptcies

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

- (a) is, at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Neo) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with 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 Constantine Karayannopoulos, Kevin Morris and Jeff Hogan were directors or officers of Molycorp, the predecessor company to Neo, when Molycorp underwent the Reorganization. See "*Corporate Structure – Corporate History*".

Each of Brook Hinchman and Gregory Share 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 and Gregory Share 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⁾
G. Gail Edwards (Chair)	Yes	Yes
Claire Kennedy	Yes	Yes
Eric Noyrez	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
G. Gail Edwards (Chair)	Gail Edwards has been a director of Neo since June 2019 and is Chair of the Audit Committee. She is a C-suite financial and real estate executive who is currently a director of Amica Senior Lifestyles and Chair of the Audit Committee. Ms. Edwards is also a member of the Real Estate Advisory Committee (REAC) for OP Trust, which manages one of Canada's largest pension funds, and a member of the REAC of the US\$247 billion New York State Common Retirement Fund. Ms. Edwards has held executive management positions with the Minto Group, JH Investments Inc., a New York based real estate developer, a NYSE listed entertainment company, a U.S. based global food service and hospitality company and a Canadian banking institution. Ms. Edwards has her ICD.D designation and is a Canadian Chartered Accountant holding a Bachelor of Science degree in Mathematics from the University of Western Ontario.
Claire Kennedy	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 was a Partner in the Toronto office of Bennett Jones LLP from 2009. In 2019, she became Senior Advisor, Clients and Industries. Ms. Kennedy is Lead Director of the Bank of Canada. 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 and 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 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. From February 2010 to June 2014, he served successive roles from Chief Operating Officer to Director and Chief Executive Officer at Lynas Corporation, an integrated rare earth mining and separation company. Prior to Lynas, he served as President of the SILCEA division of Rhodia (named Solvay S.A. now) and before 2000, spent 11 years in different business leadership roles at Shell. Eric started his career as an automotive designer at Peugeot-Citroën. He holds a Master's Degree in Engineering (Meng) from École des Mines de Douai, France.

Audit Committee Oversight

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

Pre-Approval Policies and Procedures

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

Audit Fees

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

Financial Year Ended	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2019	\$1,742,807	\$233,662	\$283,085	\$278,284
December 31, 2020	\$1,917,897 ⁽¹⁾	\$5,582	\$208,366	nil

Note:
(1) The fees for December 31, 2020 include fees associated with Neo's secondary offering in December 2020, administrative and out-of-pocket expenses.

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

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

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

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 these risks occur, Neo's business, financial position, results of operations or cash flows could be materially adversely affected.

Risks Related to the Common Shares

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

Volatility of Price of the Common Shares

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

materially adversely 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 45.7% 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 critical minerals commodity prices;
- disruptions in the production process at any facility where it produces products;
- the timing, size and mix of sales to customers for its products;
- the effects of competitive pricing pressures, including decreases in average selling prices of its products;
- unanticipated expenses associated with changes in governmental regulations and environmental, health and safety standards and enforcement policies;
- departure of executives or other key management employees;
- business interruptions such as earthquakes and other natural disasters;
- its ability to integrate businesses that it may acquire;

- risks associated with litigation in which Neo may be involved from time to time, including intellectual property matters (see "*Risk Factors – Risks Related to Intellectual Property*");
- risks associated with the international aspects of its business; and
- changes in general economic, industry and market conditions, both domestically and in its foreign markets.

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

Board Discretion

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

The Board and management have broad discretion to use cash reserves, and shareholders will be relying on their judgment regarding the application of this cash. The Board and management might not apply the cash in ways that increase the value of your investment. Until Neo uses the cash, it plans to invest it, and these investments may not yield a 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

COVID-19 Pandemic

The outbreak of COVID-19, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the novel coronavirus continue to evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may continue to impact, or have a future impact on, the Company's business activities will depend on future developments, such as the continued geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States of America and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their financial impact at this time. The Company may face future disruption to operations, supply chain and/or production delays, travel and trade restrictions. The impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce and could be a major health-care challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by these pandemics. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, physical distancing, government response actions, business closures and business disruptions, may have an impact on the Company's operations and access to capital. There can be no

assurance that the Company will not be impacted in the future by adverse consequences on global financial markets that may be brought about by the continuing COVID-19 pandemic which may reduce resource prices, share prices and financial liquidity and thereby severely limit the financing capital available to the Company.

Risks Associated with International Operations

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

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

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

In addition, Neo could be adversely affected by violations of the CFPO and similar worldwide anti-bribery laws. The CFPO and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-Canadian officials for the purpose of obtaining or retaining business. Neo's policies mandate compliance with these anti-bribery laws. Neo operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local business customs and practices. There can be no assurance that Neo's internal controls and procedures will protect Neo from the reckless or criminal acts committed by employees, consultants or agents of Neo or otherwise ensure compliance with the CFPO. If Neo is found to be liable for CFPO violations or other applicable anti-bribery laws, it could incur criminal or civil penalties or other sanctions, which could have a material adverse effect on its business.

Additionally, certain customers of Neo have requested that it certify whether any "**conflict minerals**" (as such term is defined in Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*) used in some of its products come from the Democratic Republic of the Congo (or an adjoining country). The Silmet facility has received certifications from the Responsible Minerals Initiative ("RMI") that its management systems and sourcing practices are in conformance with RMI's Responsible Minerals Assurance Process ("RMAP"). The most recent RMAP Certification from RMI was issued to Silmet effective November 28, 2019. There can be no assurance that such RMAP Certification will be renewed in any given year.

Neo's international operations in China and Thailand are subject to a number of special risks including trade barriers, exchange controls and restrictions on currency conversion, political risks and risks of increased duties, taxes, tariffs and

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

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

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

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

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

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

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

Risks Related to Intellectual Property Protection

Proprietary trade secrets and unpatented know-how are very important to Neo's business. Much of the technology used in the markets in which it competes is unprotected by patents, and the commercial success of Neo will depend primarily on its

ability to obtain and maintain trade secret protection and confidentiality for Neo's products and methods. To compete in these markets, Neo relies primarily on a combination of trade secret protection, non-disclosure agreements and trademarks to establish and protect proprietary intellectual property rights, including proprietary production processes that are not patented or are otherwise not subject to robust intellectual property protection.

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

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

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

Intellectual Property Litigation

Neo's intellectual property rights and applications may be challenged, misappropriated, or infringed upon by third parties, or Neo may be unable to maintain, renew or enter into new license agreements with third-party owners of intellectual property on reasonable terms. Identifying unauthorized use of Neo's intellectual property may be difficult, and proceedings to enforce or defend its intellectual property rights could result in substantial costs. The enforcement of intellectual property rights is subject to considerable uncertainty, and patent reform laws, and court decisions interpreting such laws, may create additional uncertainty around the ability to obtain and enforce patent protection for Neo's technologies. These associated challenges facing Neo are often amplified by the international scope of its operations and the differing application of intellectual property rights in various foreign jurisdictions. If Neo seeks to enforce its rights, it may also be subject to claims that its intellectual property rights are invalid or otherwise unenforceable. In addition, intellectual property may be subject to infringement or other unauthorized use. In such case, Neo's ability to protect its intellectual property rights by legal recourse or otherwise may be limited, particularly in countries where laws or enforcement practices are undeveloped or do not recognize or protect intellectual property rights to the same extent as 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 certain critical minerals products. Nevertheless, citing environmental protection and a need to protect exhaustible natural resources, China has implemented a series of rigorous policies to manage critical minerals production and to control exports, through quotas, licenses and taxes. China continues to institute increasingly stringent environmental law, regulations and standards across its critical minerals industry, force industry consolidation, constrict critical minerals production and promote stockpiling, which, among other things, creates a general lack of certainty among critical minerals customers regarding the reliability of the future supply of such minerals. The Chinese Ministry of Industry and Information Technology, along with other relevant government departments, plays an active role in supervising and developing regulations affecting the critical minerals industry.

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

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 and NAMCO; Xu Qiuxia, Head of the Administration Department at JAMR; Angie Fang, Head of the Administration Department at Magnequench (Tianjin) Co., Ltd. ("**MQTJ**") and Magnequench International Trading (Tianjin) Co., Ltd. ("**MQTJ2**"); and Tang Xiangbo, Head of HR & Administration at MQCZ. Wei Changbao, Finance Controller, is authorized to use the Finance Chop at ZAMR and NAMCO; Zhang Huajun, Finance Manager, is authorized to use the Finance Chop at JAMR; Liu Zhenguo, Finance Manager, is authorized to use the Finance Chop at MQTJ and MQTJ2; and Xiao Yao, Accountant, is authorized to use the Finance Chop at MQCZ.

Each of Neo's material operating subsidiaries in China (being MQTJ, MQTJ2, JAMR, ZAMR and NAMCO) has entered into a stamp management agreement (collectively, the "**Custodian Agreements**") with licensed and internationally reputable third party custodians. 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; Zibo Chen Guang accounting firm has been engaged to act as custodian for ZAMR and NAMCO pursuant to Custodian Agreements dated November 29, 2017 and July 3, 2020, respectively; and Jiangsu Fa De Dongheng law firm has been engaged to act as custodian for MQCZ pursuant to a Custodian Agreement dated March 18, 2020. 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 and 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.

Emerging Market Considerations

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

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

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

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

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

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

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

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

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

Customer Dependence

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

General Economic Conditions

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

Competition

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

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

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

There is uncertainty as to the application of Bulletin 7 (Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-Chinese Resident Enterprises) or previous rules under Circular 698 (Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Chinese Resident Enterprises). 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 2019, 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. See "*Environmental - Hazardous and Radioactive Substances and Wastes*".

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

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

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

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

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

Product Recalls

The sale of Neo's products involves the risk of product recalls and associated product liability claims. Some of Neo's products are used in the manufacture of end-products (and, in some instances, may be considered by certain of Neo's customers integral to the manufacture of such products). Neo could face significant liability if Neo's products used, for example, in the manufacture of an automotive catalyst were determined to have contributed to a problem that led to a third-party product recall. No assurance can be given that Neo or its customers will not be subject to voluntary or government-ordered product recalls. If one of Neo's or its customers' products is the subject of a recall, Neo may incur significant costs and reputational damage and suffer loss of customers as a result. In addition, if a person brings a product liability claim or suit against one of Neo's customers, this customer may attempt to seek contribution from Neo. While Neo considers the

probability of the occurrence of such an event to be low and attempts to mitigate such risk by negotiating liability limits in its customer contracts when possible, a product recall or successful product liability claim or series of claims against Neo in excess of its insurance coverage for which it is not otherwise indemnified could have an adverse effect on Neo's business, financial condition, results of operations or cash flows.

Rapid Technological Change

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

Changes in Tax Laws

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

Risks of Operations and Insurance

Neo's production and distribution activities are subject to natural hazards and uncertainties including fires, equipment failure, and other risks that can result in personal injuries, loss of life, and property damage. Management believes that the current insurance coverage of Neo's production facilities is in line with industry practice. Neo does not maintain insurance coverage in place for patent infringement, political, or environmental risks because management believes that the premium costs for this additional coverage are in excess of the perceived exposures.

Additional Financing Requirements

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.

Zibo Land Use Rights

In February 2018, ZAMR received notice from Zibo City of a new zoning plan being implemented in order to protect ground water resources in the area. The notice indicated that all industrial enterprises in the area of ZAMR's production facility would be required to relocate. At that time, ZAMR commenced discussions with the local government to discuss alternatives to relocation, including the implementation of additional water treatment protocols, as well as the terms and timing of the proposed relocation. The government commissioned the construction of a new industrial park in the area designated for the relocation, and construction of the industrial park is still in progress. The Company recently made the determination to acquire land use rights in the industrial park through an indirect Chinese subsidiary and made a deposit in late December 2020 in the approximate amount of US\$0.8 million to secure its right to bid on such land use rights. The Company expects that an additional deposit of approximately US\$1.2 million will be made in the first quarter of 2021. In addition, ZAMR has engaged a consultant to design a new production facility to be constructed in the new industrial park once it is completed. Despite ZAMR continuing to work closely with the government authorities, based on the current pace of development of the new industrial park, the timing and costs of the proposed relocation (including any possible

government incentives that ZAMR may be eligible for) cannot be determined at this time. The ability of ZAMR to successfully acquire the new land use rights, design and build the new plant in compliance with applicable regulatory standards and necessary customer specifications is uncertain at this time. The relocation of the ZAMR plant may have adverse consequences on the production output of the plant, despite any mitigating factors that ZAMR may implement or adopt. In addition, the total costs associated with the acquisition of the land use rights, and the design and building of the new plant may have a material impact on the financial condition and results of operations of the Company.

Dependence on Good Relations with Employees

Neo's success depends on the skills and abilities of its employees. There is keen competition for engineers and others with industry expertise. Neo's ability to hire and retain such persons is key to its operations. A shortage of skilled labour could impact on its planned internal growth or require it to use less skilled employees which could adversely affect Neo's ability to carry out its work. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by relevant government authorities in the jurisdictions in which Neo conducts business. Changes in such legislation or otherwise in relationships with Neo's employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on the operations, results of operations and financial condition of Neo. As of December 31, 2020, 110 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 the date hereof	Percentage
Oaktree	17,109,155	45.7%

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 10 to 20% of total revenue in the year ended December 31, 2020. 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, 2020, 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. Following an appeal by Neo C&O Europe and Rhodia Operations, the ruling of the EPO was upheld by the Appeal Board of the EPO. Neo C&O (Europe) subsequently filed a lawsuit in the German Federal Patent Court challenging the validity of the 018 patent on additional grounds. This case has not yet gone to trial.

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

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 favour 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 appealed the decisions of the PRB and the Intermediate People's Court of Zibo concerning 110. On March 1, 2019, the Shandong Higher Court dismissed the appeal of Rhodia Operations in the infringement action. In December 2020 the Beijing IP Court upheld the PRB ruling that invalidated 110 and dismissed the appeal of Rhodia Operations. Rhodia Operations' appeal from this judgment to the Supreme People's Court is still pending.

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 European patent #1894620 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**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. DKKK 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 Claim 4, which is a 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 appealed the decisions of the PRB and the Intermediate People's Court of Zibo concerning 613. On November 22, 2019, the Shandong Higher Court reversed the ruling of the Zibo Intermediate Court and ordered that the infringement case be sent to the Ji'nan Intermediate Court for a trial on the alleged infringement of Claim 4. The Ji'nan Intermediate Court has yet to set a hearing in the matter.

European Patent #0735984 B1 Litigation

On July 31, 2014, Rhodia Chimie S.A.S ("**Rhodia Chimie**") and Rhodia Operations (collectively, "**Rhodia**") initiated an action before the Regional Court of Düsseldorf, Germany against Molycorp C&O Europe (now, Neo C&O Europe), alleging infringement of European patent #0735984 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**984**"). 984 expired on December 20, 2014. The Regional Court of Düsseldorf found that 984 had been infringed and ordered that Rhodia could seek to have Neo C&O Europe render account and to recall infringing products from the distribution chain. It also determined that Neo C&O Europe is obliged to pay damages. Neo C&O Europe appealed the first instance decision of the Regional Court of Düsseldorf to the Higher Regional Court of Düsseldorf, Germany on April 1, 2016. Neo C&O Europe subsequently withdrew its appeal after Rhodia narrowed the scope of its claim for infringement, and the judgment of infringement by the Regional Court of Düsseldorf is final. The amount of damages for past infringing sales has not yet been determined. On March 16, 2016, Molycorp C&O Europe (now Neo C&O Europe) initiated nullity proceedings before the German Federal Patent Court seeking to invalidate certain claims of the German part of 984. On October 11, 2016, the German Federal Patent Court maintained the German part of 984, but only in restricted form. On April 4, 2017, both Rhodia and Neo C&O Europe appealed the decision of the Federal Patent Court to the Federal Supreme Court. The German Federal Supreme Court maintained the validity of 984, in restricted form.

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. ZAMR appealed this decision of the PRB, but subsequently

withdrew its appeal in November 2020. 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. On May 10, 2019, the Zibo Intermediate Court found that Neo had not infringed the remaining process claims and dismissed the complaint of infringement in its entirety. Rhodia Operations and DKKK did not appeal the judgment of dismissal, and it is now final.

European Patent #0863846 B1 Litigation

On July 31, 2014, Rhodia initiated an action in the Regional Court of Düsseldorf, Germany i.a. against Molycorp C&O Europe (now, Neo C&O Europe) alleging infringement of European patent #0863846 B1 pertaining to rare earth mixed oxides for use in automotive catalysts ("**846**"). 846 expired on June 28, 2016. On February 2, 2016 the court found that 846 had been infringed. On August 15, 2017, Neo C&O Europe appealed the first instance decision of the Regional Court of Düsseldorf to the Higher Regional Court of Düsseldorf, but as yet 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. In June of 2019 the German Federal Supreme Court upheld the validity of 846 in restricted form.

Chinese Patent #ZL 96196505.3 Litigation

On August 21, 2015, Rhodia Operations and DKKK initiated a patent infringement action in China against ZAMR before the Shandong Higher People's Court, alleging infringement of Chinese patent #ZL 96196505.3 pertaining to rare earth mixed oxides for use in automotive catalysts ("**505**"). 505 expired on June 28, 2016. (Both 846 and 505 contain the same claims). On September 29, 2016, following an application by ZAMR, the Supreme People's Court ruled that the case should be sent to the Zibo Intermediate People's Court for adjudication. On March 28, 2017, Rhodia Operations and DKKK refiled their infringement claim before Zibo Intermediate People's Court and claimed damages of RMB45 million (approximately \$6.8 million) and legal costs. On December 13, 2019, Rhodia Operations and DKKK withdrew the 505 patent infringement action against ZAMR. In November of 2020 Rhodia Operations refiled a lawsuit alleging ZAMR had infringed 505, this time before the Ji'nan Intermediate Court,. The case before the Ji'nan Intermediate Court is still pending.

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. Rhodia Operations and DKKK appealed the invalidation of 463 to the Beijing IP Court, and in November 2020 the Beijing IP Court upheld the PRB's judgment that all claims of 463 are invalid. Rhodia Operations has appealed this ruling to the Supreme People's Court.

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 seeking to invalidate 036.

On February 15, 2018, Neo C&O Europe, ZAMR, and MEL reached a confidential settlement agreement regarding European and 036. 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, (v) provision to the co-claimants of a letter of credit in relation to any sum ordered in relation to damages or an account of profits up to £750,000, and (vii) that the judgment be advertised and publicized. Neo C&O (Europe) was granted permission to appeal the judgment, but on October 9, 2019, the Court of Appeal dismissed Neo's appeal.

Rhodia Operations and AKC have opted for an inquiry as to damages, which is set for trial in January 2022. As yet there is no judicial determination of damages. Rhodia Operations and AKC received Court permission to join Neo Canada to the pending action as a joint tortfeasor.

European Patent #1435338 B1 Germany Litigation

On September 15, 2016, Rhodia Operations initiated an action in the Regional Court of Mannheim against Neo C&O Europe and two of its employees, alleging infringement of 338. On December 19, 2017, the Regional Court of Mannheim ruled that Neo C&O Europe had infringed 338 in Germany and ordered that Rhodia could seek to have Neo C&O Europe render account and to recall infringing products from the distribution chain. The court also determined that Neo C&O Europe is obliged to pay damages, and it issued an injunction prohibiting future acts of infringement, including but not limited to the sale or distribution of products infringing 338 in Germany. Neo C&O Europe has appealed this ruling, but the appeal has been stayed due to 338 having been revoked in Germany. 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. Rhodia Operations appealed the revocation decision by the German Federal Patent Court to the German Federal Supreme Court. A hearing has been scheduled in April 2021.

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, but subsequently withdrew its appeal in January 2021. On March 16, 2015, Molycorp C&O Europe (now, Neo C&O Europe) commenced nullity proceedings in the German Federal Patent Court to invalidate certain claims of the German part of 274. On September 27, 2016, the German Federal Patent Court invalidated those claims. On March 21, 2017, Rhodia Chimie appealed the decision of the Federal Patent Court to the German Federal Supreme Court. In March of 2019, the German Federal Supreme Court reversed the ruling of the Federal Patent Court and upheld the validity of the German designation of 274 in restricted form.

European Patent #2007682 Litigation

On February 6, 2017, Neo C&O Europe initiated opposition proceedings before the European Patent Office requesting it revoke European patent #2007682 granted to Rhodia Operations pertaining to rare earth mixed oxides for use in automotive catalysts ("682") on the basis of its invalidity. A hearing was held on October 24, 2018, and the EPO ruled that the 682 patent would be upheld, subject to amendments that significantly narrowed the scope of the 682 patent claims. Both Neo C&O (Europe) and Rhodia Operations appealed the EPO's ruling and the patent was upheld, in restricted form, by the Board of Appeal of the EPO on March 6, 2020. The EPO's Board of Appeal maintained the patent in restricted form. Neo C&O Europe subsequently filed an action to invalidate 682 before the German Federal Patent Court, and that case is still pending with no trial date set.

On October 30, 2018, Rhodia Operations filed a lawsuit against Neo C&O Europe in the Regional Court of Düsseldorf, Germany, alleging infringement of 682. Following a hearing on July 2, 2020, the Düsseldorf Regional Court ruled that the infringement case should be stayed pending the German Federal Patent Court's determination of Neo's petition to invalidate 682. Rhodia Operations has appealed the ruling staying the infringement action.

European Patent #0955267 Litigation

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

On June 8, 2017, Rhodia Operations sought to include 267 in the infringement proceedings regarding 846 before the Regional Court of Düsseldorf. In the oral hearing regarding infringement of 846, the Regional Court of Düsseldorf decided to separate the infringement proceedings regarding 267. On December 20, 2018, the Regional Court of Düsseldorf ruled that 267 had been infringed and ordered that Rhodia Operations could seek to have Neo C&O Europe render account, to recall infringing products from the distribution chain and determined that Neo C&O Europe is obliged to pay damages. 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. On January 23, 2020, the Higher Regional Court of Düsseldorf affirmed the trial court ruling of infringement. Neo C&O Europe filed nullity proceedings against the German part of 267 on December 18, 2017. The German Federal Patent Court upheld 267, which expired on December 24, 2017.

European Patent #2523907 Litigation

In June of 2020, Rhodia Operations file a complaint against Neo C&O Europe in the Regional Court of Düsseldorf alleging infringement of European patent #2520907 ("**907**"). A hearing on this case is scheduled in September 2021. Neo C&O Europe has filed a nullity action against 907 before the German Federal Patent Court. A hearing has not yet been scheduled in this case.

European Patent #3009403 Litigation

On October 23, 2020, Rhodia Operations obtained an ex parte order (the "**Seizure Order**") from a court in Estonia authorizing a bailiff to enter Silmet's production facility in Sillamäe, Estonia, in order to take samples of certain materials and to remove/copy and issue to Rhodia Operations certain documents that would allegedly constitute evidence of Silmet's infringement of a patent application of Rhodia Operations (EP 3009403) ("**EP '403 Application**") that allegedly acquired interim protection in Estonia in May 2020. The Seizure Order was executed by the bailiff in November 2020. Silmet has presented a request to the court to annul the Seizure Order and has otherwise challenged the validity of the Seizure Order due to various procedural and legal defects. Rhodia responded to the court; however, the court has not yet ruled on the merits of the challenges raised by Silmet or set a date for a hearing of arguments to annul the Seizure Order. In addition, Silmet filed a complaint against the bailiff's actions based on defects in the manner in which the evidentiary seizure was conducted and is seeking an annulment and rewinding of this bailiff's disclosure of the documents to Rhodia, the imposition of restrictions on the bailiff's disclosure of such materials to Rhodia and disclosure of the bailiff's correspondence with Rhodia. In addition, Silmet filed a request with the court for recusal of the bailiff from the enforcement proceedings regarding the evidentiary seizure ruling. The bailiff has responded to the court in accordance with the court's request. The court has not yet ruled on the merits of the challenges raised by Silmet against the bailiff's actions or his recusal.

On November 23, 2020, Rhodia Operations filed an action in an Estonian court alleging that Silmet has infringed the claims in the pending EP '403 Application and requesting that Silmet (i) be prohibited from manufacturing, distributing, selling, offering for sale or acquiring any products that infringe the EP '403 Application, and using or offering for use any methods that infringe the EP '403 Application, (ii) remove from sale, and destroy infringing products, and (iii) be ordered to pay Rhodia Operations €100,000 as initial damages. On December 9, 2020, Silmet submitted its request to the Court asking to deny acceptance of the infringement action into proceedings, which was subsequently denied, and the Court has accepted the infringement action into proceedings. This case may implicate a mixed oxides product manufactured by Silmet for certain C&O customers. On January 25, 2021, Silmet filed a response to the action to identify that the EP '403 Application is a patent application and not a granted patent and that the invention described in the EP '403 Application has not acquired provisional protection in Estonia. A ruling in favour of Silmet would preclude the processing of Rhodia's claims by the court because it would mean that there is no provisional protection for the pending EP '403 Application, which would render Rhodia Operations' claims premature, pending issuance of the patent. The court has not yet set a date for the trial of the action commenced by Rhodia Operations. Management believes that the products in question do not infringe the EP '403 Application and intends to continue to vigorously challenge this action.

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, there are no material contracts entered into by Neo within two years prior to the date hereof and which are currently in effect:

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 management information circular dated September 9, 2020 prepared and filed in connection with the annual general meeting of shareholders held on October 22, 2020. 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.
Reviewed, with no changes, by the Audit Committee of the Board on November 11, 2020.

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 AND 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 chemical element;

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

"**CM**" means compression molded;

"**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 chemical element;

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

"**Er**" means erbium, a chemical element;

"**Eu**" means europium, a chemical element;

"**EV**" means electric vehicles;

"**Ga**" means gallium;

"**GaCl₃**" means gallium trichloride;

"**Ga₂O₃**" means gallium oxide;

"**Gd**" means gadolinium, a chemical element;

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

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

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

"**InCl₃**" means indium trichloride;

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

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

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

"**La**" means lanthanum, a chemical 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 Magnets**" means NdFeB magnets produced by Magnequench;

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

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

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

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

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

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

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

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

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

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

"**Nb**" means niobium;

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

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

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

"**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, Oaktree Capital Management L.P., the manager of OPPS NPM S.a.r.l and OPP NPM II S.a.r.l, the registered holders of an aggregate of 17,109,135 Common Shares, as of the date hereof;

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

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

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

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

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

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

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

"**REE**" means a chemical element;

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

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

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

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

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

"**Sc**" means scandium, a chemical element;

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

"**Sm**" means samarium, a chemical element;

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

"**Ta**" means tantalum;

"**Tb**" means terbium, a chemical 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 chemical element;

"**Yb**" means ytterbium, a chemical element;

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

"**Zr**" means zirconium, a chemical element.