MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2025

Management's Discussion and Analysis

1. Introduction

Neo Performance Materials Inc. ("**Neo**", the "**Company**" or the "**Group**"), together with its direct and indirect subsidiaries, is a public company listed on the Toronto Stock Exchange ("**TSX**") under the ticker symbol 'NEO'. The Company was incorporated on September 12, 2017, under the *Business Corporations Act* (Ontario). Neo's registered and head office is located at 121 King Street West, Suite 1740, Toronto, Ontario, Canada, M5H 3T9.

This management's discussion and analysis ("**MD&A**"), prepared as of May 8, 2025, relates to the financial condition and results of operations of Neo together with its subsidiaries, as at March 31, 2025 and for the period then ended, and is intended to supplement and complement Neo's unaudited interim condensed consolidated financial statements for the period ended March 31, 2025 and the notes thereto (the "**financial statements**"). Readers are cautioned that the MD&A contains forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Statement on Forward Looking Information below and to consult Neo's financial statements and corresponding notes to the financial statements as well as Neo's most recent Annual Information Form for the year ended December 31, 2024, dated March 18, 2025 ("**2024 AIF**"), which are available on www.neomaterials.com and www.sedarplus.ca.

Certain prior period disclosures may have been reclassified for consistency with the current period presentation. This MD&A has been prepared based upon information available to management as of May 8, 2025. This MD&A should not be considered all-inclusive, as it does not include changes that may occur as a result of economic, political, environmental and other events that may occur (or not occur) in the future and affect the operations and financial results of Neo.

Unless otherwise noted, all amounts in this MD&A are expressed in thousands of United States dollars.

2. Cautionary Statement on Forward-Looking Information

This MD&A 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 in this MD&A, other than statements of historical facts, with respect to Neo's objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions are forward-looking information.

Specific forward-looking information in this MD&A include, but are not limited to: expectations regarding certain of Neo's future results and information, including, among other things; revenue; expenses; growth prospects; capital expenditures; and operations; risk factors relating to national or international economies, geopolitical risk and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo, including but not limited to the price of rare earth elements; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates and changes in rare earth prices; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; expectations regarding demand for fan motors and superalloys; expectations regarding the growth of superconductor materials; anticipated completion and launch of Neo's new permanent magnet facility in Europe and related commercial production estimates, forecasted budget, commissioning and costs associated with the facility; Neo's requalified product portfolio, including the NAMCO product portfolio, and continued product qualification expected in 2025; anticipated final costs associated with the NAMCO project; expectations regarding tariffs and export restrictions; securing new automotive customer agreements for permanent magnet and emissions control facilities; expectations concerning the continued growth of the Magnequench project and improvements in C&O; expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures; and Neo's 2025 guidance and the assumptions relating thereto.

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 risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

Additionally, Neo's 2025 guidance reflects Neo's expectations as to financial performance in 2025 based on assumptions which Neo believes to be reasonable as of the date of this MD&A, including but not limited to continued Magnequench growth, significant improvements in C&O, exiting lower-margin separation assets, strong hafnium demand despite pricing moderation, continued reduction in SG&A expenses, expectations regarding tariffs and export controls; securing new automotive customer agreements for permanent magnet and emissions control facilities, expectations concerning the continued growth of the Magnequench project and improvements in C&O. 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 discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review filings available under Neo's profile at www.sedarplus.ca.

Information contained in forward-looking statements in this MD&A is provided as of the date hereof and Neo disclaims any obligation to update any forward-looking information, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

3. Non-IFRS Financial Measures

This MD&A refers to certain specified financial measures and ratios, including "**EBITDA**", "**Adjusted EBITDA**", "**Adjusted EBITDA Margin**", "**Adjusted Net Income**", "**Adjusted Earnings per Share**", "**Free Cash Flow**" and "**Free Cash Flow conversion**", "**Gross Margin**" and "**Net Debt**". These specified financial measures are not recognized measures under International Financial Reporting Standards ("**IFRS**") Accounting Standards as issued by the International Accounting Standards Board, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these specified financial measures ("**non-IFRS financial measures**") are provided as additional information to complement IFRS financial measures by providing further understanding of Neo's results of operations from management's perspective. Neo's definitions of non-IFRS financial measures used in this MD&A may not be the same as the definitions for such measures used by other companies in their reporting.

Specified financial measures such as non-IFRS financial measures and ratios have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo's financial information reported under IFRS. Neo uses specified financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use specified financial measures such as non-IFRS financial measures and ratios in the evaluation of issuers. Neo's management also uses non-IFRS financial measures and ratios to facilitate operating performance comparisons from period to period. Readers are cautioned that these measures should not be construed as an alternative to their nearest or directly comparable financial measures determined in accordance with IFRS as an indication of Neo's financial performance.

Neo defines non-IFRS financial measures and ratios as follows:

"EBITDA" is defined as net income (loss) before finance costs (income), net, income tax expense, depreciation and amortization included in cost of sales, and depreciation and amortization included in operating expenses. EBITDA represents core operating performance of Neo's business excluding income tax and leverage related items. Management believes EBITDA is a meaningful measure of Neo's operating performance as it provides insight into performance independent of tax and capital structures.

"**Adjusted EBITDA**" is defined as EBITDA before equity income (loss) in associates, other income (expense), foreign exchange (gain) loss, share and value-based compensation, impairment of long-lived assets, and other costs (recoveries). Adjusted EBITDA represents core operating performance of Neo's business excluding leverage, income tax and non-core accounting items. Management believes Adjusted EBITDA is a meaningful measure of Neo's operating performance because it excludes certain items included in the calculation of net income (loss) that may not be appropriate determinants of long-term operating performance.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by revenue. Management believes Adjusted EBITDA Margin is a meaningful measure of Neo's ability to generate Adjusted EBITDA from revenue earned.

"**Adjusted Net Income (Loss)**" is defined as net income or loss before foreign exchange (gain) loss, share and value-based compensation, impairment of assets, other costs (recoveries), and other items included in other expense (income), net of the related tax effects. Management believes this is a meaningful measure as it adjusts for non-cash and certain non-recurring items to help communicate earnings on a sustainable basis.

"**Adjusted Earnings per Share**" is defined as Adjusted Net Income (Loss) attributable to shareholders of Neo on a per share basis using the weighted average number of common shares outstanding for the respective period.

"**Free Cash Flow**" is defined as Adjusted EBITDA less capital expenditures. Management believes Free Cash Flow is a meaningful measure of Neo's ability to generate cash flow, after on-going obligations, to reinvest in growth and to fund dividends to shareholders of Neo.

"**Free Cash Flow Conversion**" is defined as Free Cash Flow divided by Adjusted EBITDA. Management believes Free Cash Flow Conversion is a meaningful measure of Neo's ability to convert earnings to Free Cash Flow.

"**Gross Margin**" is defined as revenue less cost of sales. Management believes Gross Margin is a meaningful measure of Neo's efficiency in managing input costs in relation to revenue.

"**Net Debt**" is defined as Neo's total debt obligations less cash and cash equivalents. Management believes Net Debt is a meaningful measure of Neo's ability to pay off debt obligations if they became due in the short-term.

For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 9.1 Reconciliations of Net (Loss) Income to EBITDA, Adjusted EBITDA and Free Cash Flow* for a reconciliation of consolidated Net (Loss) Income under IFRS to reported EBITDA, Adjusted EBITDA and Free Cash Flow, and *Section 9.2 Reconciliations of Net Loss to Adjusted Net (Loss) Income* for a reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and respective per share amounts.

4. Business Overview

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

As at March 31, 2025, Neo has approximately 1,466 employees and a global platform that includes eight manufacturing facilities located in China, Germany, Canada, Estonia, the United Kingdom ("**UK**") and Thailand as well as one dedicated research and development ("**R&D**") centre in Singapore. Since its formation in 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets. Neo is a leading commercial partner to some of the world's largest customers in the automotive, manufacturing, semiconductor, advanced electronic and specialty chemical industries. As a result, Neo is well positioned in markets that are forecast to see robust, long-term growth driven by multiple global macro trends, such as vehicle electrification, industrial automation, consumer electronics, energy efficient lighting, air and water pollution control and super-alloys. Neo identifies growth markets driven by global macro trends and produces highly engineered industrial materials that are critical to the performance of applications in those markets. In addition to Toronto, Canada, Neo has offices in Greenwood Village, Colorado, United States; Singapore; and Beijing, China.

Neo has three operating segments: Magnequench, Chemicals & Oxides ("**C&O**") and Rare Metals, as well as the Corporate segment.

Magnequench

Neo's Magnequench segment manufactures bonded neodymium-iron-boron ("**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 NdFeB magnets. These powders are formed through Magnequench's market-leading technology related to the development, processing, and manufacturing of magnetic powders. Magnequench uses a proprietary process to manufacture Magnequench Powder using a blend of various inputs. These powders are used in the production of bonded permanent magnets that are components in automotive motors, pumps, micro motors, traction motors, sensors and other applications requiring high levels of magnetic strength, improved performance and reduced size and weight. Maqnequench's bonded magnet facilities include Korat in Thailand, Chuzhou and Tianjin in China, and SGTec in the UK. Magnequench is expanding into the sintered magnet market with a new European facility currently under construction and expected to be commissioned in 2025.

C&O

Neo's C&O segment manufactures and distributes a broad range of advanced industrial materials that have become an indispensable part of modern life. The C&O segment has historically been comprised of two businesses, the production of mixed oxides for emission control catalysts, and the separation and processing of rare earth minerals into advanced industrial materials. Neo's world-class midstream processing and advanced materials manufacturing capabilities enable the Company to meet increasingly demanding specifications from manufacturers requiring custom engineered materials. Applications from these products include emissions catalysts, permanent magnetics, consumer electronics, petroleum refining catalysts, medical devices and wastewater treatment. Neo's C&O segment operates one facility in China, having sold two facilities in March 2025, and a multi-building manufacturing campus in Sillamäe, Estonia (the "**Silmet facility**"), shared with Rare Metals.

Rare Metals

Neo's Rare Metals ("**RM**") segment sources, reclaims, produces, refines and markets high-value specialty 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. Rare Metal's facilities include the Silmet facility, a facility in Peterborough, Canada and in Sagard, Germany (Buss & Buss Spezialmetalle GmbH ("**Buss & Buss**")).

5. Select Financial Highlights

	Three Months Ended March 31, 2025	2024	2023
Revenue			
Magnequench	$ 44,273	$ 45,480	$ 55,165
C&O	47,500	40,513	51,289
Rare Metals	32,705	37,278	29,076
Corporate / Eliminations	(2,868)	(1,176)	—
Consolidated Revenue	**$ 121,610**	**$ 122,095**	**$ 135,530**
Operating Income (Loss)			
Magnequench	$ 1,894	$ 3,384	$ 955
C&O	5,728	(2,104)	(6,126)
Rare Metals	8,151	8,800	5,832
Corporate / Eliminations	(6,184)	(4,132)	(4,658)
Consolidated Operating Income (Loss)	**$ 9,589**	**$ 5,948**	**$ (3,997)**
Adjusted EBITDA			
Magnequench	$ 6,657	$ 6,112	$ 3,256
C&O	6,842	(380)	(4,562)
Rare Metals	8,640	9,238	6,164
Corporate / Eliminations	(5,005)	(4,210)	(4,071)
Consolidated Adjusted EBITDA	**$ 17,134**	**$ 10,760**	**$ 787**
Net (Loss) Income	**$ (1,387)**	**$ 849**	**$ (10,700)**
Attributable to:			
Equity holders of Neo	(1,480)	873	(10,454)
Non-controlling interest	93	(24)	(246)
(Loss) earnings per share attributable to equity holders of Neo			
Basic	$ (0.04)	$ 0.02	$ (0.23)
Diluted	$ (0.04)	$ 0.02	$ (0.23)
Adjusted Net Income (Loss)	**$ 3,647**	**$ 393**	**$ (8,981)**
Attributable to:			
Equity holders of Neo	3,554	417	(8,735)
Non-controlling interest	93	(24)	(246)
Adjusted earnings (loss) per share attributable to equity holders of Neo:			
Basic	$ 0.09	$ 0.01	$ (0.19)
Diluted	$ 0.08	$ 0.01	$ (0.19)
Cash spent on property, plant and equipment and intangible assets	$ 11,428	$ 15,979	$ 3,512
Cash taxes paid	$ 5,206	$ 7,513	$ 5,261
Dividends paid to shareholders	$ 2,921	$ 3,084	$ 3,379
Dividend paid to Buss & Buss minority shareholder	$ 7,343	$ —	$ —
Repurchase of common shares under Normal Course Issuer Bid	$ —	$ 2,250	$ —

As at:	March 31, 2025	December 31, 2024	2023
Cash and cash equivalents	$ 77,329	$ 85,489	$ 86,895
Short-term debt, bank advances & other	$ 2,756	$ 2,740	$ —
Current & long-term debt	$ 68,389	$ 68,796	$ 25,331

6. Business Updates

Significant developments and events that occurred in 2025 and through the date of this MD&A are summarized below. Additional information for certain matters below is included in Neo's 2024 AIF.

Business Updates

- ***Neo Maintains Full Year 2025 Adjusted EBITDA Guidance***: Neo continues to monitor the evolving geopolitical landscape, utilizing its globally diversified supply chain to address customer needs, mitigate risk and capture opportunities. For fiscal year 2025, Neo maintains its previously communicated Adjusted EBITDA outlook of $55.0 million to $60.0 million.

- ***European Permanent Magnet Facility Launch On Track:*** Neo's European permanent magnet ("**PM**") facility in Narva, Estonia (the "**PM facility**") is on track for a 2026 launch. In April 2025, the facility shipped its first sintered magnet samples for a Tier 1 traction motor customer, marking a significant step forward in providing high-performance materials for the electric vehicle market. The initial production includes 18,000 assembled magnet pieces, which will be tested by the customer and Original Equipment Manufacturer. The magnets are traction motor grade and represent an important technical milestone. Production part approval process ("**PPAP**") products are scheduled for the first half of 2026, with mass production to start later in that year.

  This facility will position Neo as Europe's largest domestic sintered magnet supplier and a solution for customers seeking geographic diversity in their supply chain. Currently, over 90% of sintered magnets are produced in China, making this facility a strategic addition to establishing a parallel global supply chain. Strategically located near Neo's Estonian rare earth separation facility, the European PM facility will meet demand for clean energy technologies, including electric vehicle motors and offshore wind turbines. Phase 1 will establish an initial capacity of 2,000 tonnes annually, with potential expansion to cumulatively 5,000 tonnes annually in Phase 2.

  Neo has spent $62.3 million on the facility as of March 31, 2025, with an expected Phase 1 total capital cost of $75.0 million before an EU grant reimbursement of 23% of eligible project costs. Neo received a total of $5.6 million in EU grant reimbursement to date as of March 31, 2025.

- ***Heavy Rare Earth Pilot Line Being Designed at the Silmet Facility***: Neo has started the initial design phase of a heavy rare earth pilot line at its Silmet facility. The pilot line is planned to produce dysprosium and terbium, supplying the newly constructed European PM facility during its ramp-up phase. This initiative serves as a precursor to a potential full-scale commercial production line, positioning Neo to significantly enhance its production capabilities in Europe. With a lack of commercial-scale heavy rare earth separation capacity outside of China and an acute need for localized capabilities giving the shifting geopolitical landscape, Neo will be uniquely positioned to meet growing market demands for these essential rare earth elements, given the company's direct rare earth separation experience and established operation base in the West.

- ***Completed Sale of Majority Equity Interest of China Rare Earth Separation Assets***: On March 31, 2025, Neo completed the sale, of (i) 86% of the equity interest in JAMR and (ii) 88% of the equity interest in ZAMR to an affiliate of Shenghe Resources Holding Co. Ltd. ("**Shenghe**"). The two transactions ("**sale of JAMR and ZAMR**") generated approximately $28.0 million in aggregate cash proceeds. Neo retains a 9% equity interest in JAMR and a 10% equity interest in ZAMR. Neo also secured the exclusive right to distribute JAMR's heavy rare earth products outside of China for an initial term of five years from the closing date, which will provide Neo's customers outside of China with continuity of supply. After the sale of a Rare Metals facility in Oklahoma in late 2024, these sales mark another key milestone in Neo's operational transformation, as the Company streamlines its business globally and optimizes its asset portfolio to support its long-term growth ambitions.

- ***Strengthening Rare Metals Supply Chain*****:** In April 2025, Neo announced the signing of a non-binding memorandum of understanding with Globe Metals & Mining Ltd. ("**Globe**") for the offtake of up to 150 metric tonnes per year of niobium pentoxide from the Kanyika Project in Malawi (the "**Kanyika Project**"). This action provides the framework for negotiations for future binding commercial offtake agreements for niobium pentoxide. Under the contemplated offtake agreement, Neo's Silmet facility is expected to purchase up to 150 metric tonnes per year of high-purity niobium pentoxide in Phase 1 of the Kanyika Project, which is targeted to start production in 2027. Neo also has a limited right of first refusal to purchase other critical metals produced at the Kanyika Project, such as tantalum and zircon concentrates.

- ***Notable Intellectual Property Litigation Settlement***: In March 2025, Neo settled, in cash, the legal dispute with respect to European patent #1435338 for €10.3 million, plus procedural interest of €1.3 million totaling €11.6 million ($12.5 million), following a court-issued judgment in February 2025. As part of the resolution, both parties waived their rights to appeal. The expired patent does not impact Neo's current products or financial performance.
- ***Strategic Review Progressing***: Neo continues its previously announced Special Committee-led strategic review process, which includes the consideration of strategic alternatives and opportunities to maximize shareholder value. The Special Committee remains committed to advancing the strategic review process with Neo's financial advisors. There can be no assurance that the strategic review process will result in any transaction or other alternative, nor any assurance as to its outcome or timing. In parallel, management has continued to optimize the business, including divestment of non-core assets and improvements to operational performance.

7. Operating Segment Highlights

Magnequench

Magnequench performed in line with expectations in the first quarter of 2025 with volumes up 7.3% and Adjusted EBITDA Margin expanding over the same quarter last year. The solid performance was driven by continued execution in strategic growth areas including bonded magnets and bonded powders in traction motor applications. The segment continues to capitalize on key growth areas while optimizing its cost structure, driving improved profitability. Key news and highlights this quarter include:

- ***European permanent magnet plant ships first samples to Tier 1 traction motor customer;*** in April 2025, the newly constructed facility shipped its first sintered magnet samples, marking a significant milestone for the project and breakthrough operational achievement exemplifying Neo's technical and operational capabilities. Neo has produced over 18,000 assembled magnet pieces which will be used in traction motor performance testing by the Tier 1 customer and OEM. The magnets are EV traction motor grade and represent an important technical accomplishment.
- ***Bonded magnet sales outperformed expectations to deliver record quarterly volumes up 53% from the prior year and 17% sequentially.*** The business continues to execute its strategy, leveraging decades of experience to successfully move from bonded powders to bonded magnets and move up the value chain. Magnequench has continued its strong commercial momentum as it secures new customers and grows volumes in both automotive applications and cooling fan solutions for AI servers and data centers.
- ***Enhanced value proposition for heavy rare earth free bonded powders amidst geopolitical restrictions;*** with recent Chinese export restrictions on select heavy rare earths, the Magnequench business remains well-positioned, as the vast majority of its bonded powder and magnet products do not contain heavy rare earths. More importantly, the business maintains a strategic advantage with its co-developed product offering, which provides the only heavy rare earth free magnet on a traction motor platform. This product has seen commercial success as the business announced an award for a next-generation product platform in 2024, and this product is strategically positioned to address automotive OEMs' concerns regarding the risks and security of heavy rare earths in their supply chains.
- ***Adjusted EBITDA of $6.7 million for the quarter was up $0.5 million, or 9% versus the prior year period***, and Adjusted EBITDA Margin expanded 160 basis points demonstrating the value-add nature of Magnequench's product portfolio, and its ability to deliver strong margins even in a low rare earth pricing environment.

Chemicals & Oxides

C&O delivered ahead of expectations with its strongest Adjusted EBITDA performance in recent quarters. C&O faced a challenging 2024, with rare earth pricing headwinds and the implementation of improvements to reshape the business for improved performance and resilience in the longer term. With the ramp-up of Neo's new emissions control catalyst facility and the sale of the Chinese separation facilities complete, C&O is well positioned for success. Key news and highlights this quarter include:

- ***Emissions Catalyst volumes up 4% from the prior year and 21% sequentially;*** with the relocation, customer qualification, and production ramp completed at the new NAMCO facility, the emissions catalyst business delivered solid volumes, and with several new customers secured in the quarter, is poised for growth. The new state-of-the-art NAMCO facility has begun to yield benefits from an improved manufacturing layout, automation, and environmental management systems.

- ***Wastewater treatment volumes for the quarter up 25% from prior year*** as the business continues to grow its recurring customer base winning several new awards in the quarter, including key U.S. municipal wastewater treatment facilities. The wastewater treatment business is an example of C&O's deep expertise in developing new rare earth-based products in new markets and leveraging its technical sales staff to drive commercial success.

- ***Sale of China rare earth separation facilities delivers $28.0 million in aggregate cash proceeds;*** the transaction closed on March 31, 2025 and will reduce C&O's exposure to rare earth price volatility going forward. The C&O segment will continue operation of its European separation facility which provides capacity and capability generally considered scarce outside of China.

- ***Design and engineering underway for a heavy rare earth separation pilot line in Europe*** and is expected to be completed by the end of 2025. Leveraging C&O's separation expertise, the project aims to enhance Neo's production capabilities, supply Neo's European permanent magnet facility during its ramp-up, serve as a prototype for a full-scale production line, and provide a sole Europe-based solution for customers looking to derisk their heavy metal supply chains globally.

- ***Adjusted EBITDA of $6.8 million for the quarter was up $7.2 million or 1,901% versus the prior year period*** which marks the strongest financial performance for C&O since the third quarter of 2023. After a transformative 2024, management believes the C&O business is well-positioned for growth as well as expanding and stabilizing earnings.

Rare Metals

Rare Metals delivered a solid quarter, with Adjusted EBITDA down marginally versus prior year due to the normalization of hafnium pricing, as expected. Rare Metals continues to deliver strong operational execution and financial performance across all of its facilities, while benefiting from market tailwinds across many of its critical material products amid rising geopolitical tension. Key news and highlights this quarter include:

- ***Hafnium gross margins were down 34% from prior year on flat volumes,*** as expected, hafnium prices have normalized from historic highs resulting in reduced margins versus the prior year. The fundamentals of the hafnium business remain strong with further tailwinds driven by increased U.S. tariffs on Chinese hafnium. Rare Metals is well-positioned as the largest European recycler of hafnium, and the business continues to secure long-term contracts and spot sales at healthy margins.

- ***Gallium business continues to see strong demand and higher prices amidst regulatory tailwinds;*** export restrictions on gallium continue to create supply constraints outside of China driving prices higher. As one of the only gallium recycling operations in North America, Rare Metals continues to deliver volume and margin growth. The business is focused on procuring additional sources of gallium scrap to meet the robust end market demand.

- ***Rare Metals continues to strengthen its niobium and tantalum supply chain;*** the business signed a memorandum of understanding with Globe for the potential offtake of up to 150 metric tonnes of niobium pentoxide annually from the Kanyika Project in Malawi, starting in 2027. The memorandum of understanding aims to secure long-term access to critical metals and continues Neo's operational transformation.

- ***Adjusted EBITDA of $8.6 million for the quarter was down $0.6 million or 6% versus the prior year period***, primarily due to the anticipated decline in hafnium gross margins which was partially offset by growth in gallium. Gross margins expanded 190 basis points reflecting Rare Metals' ability to capitalize on strong end-market demand, navigate a complex geopolitical environment, and execute its operational and commercial strategies.

8. Impact of Geopolitical and Trade Developments

Significant geopolitical and trade developments in 2025 and through the date of this MD&A are summarized below. Refer to the MD&A for the year ended December 31, 2024 for additional information on these matters.

8.1 Potential Impact of China Export Restrictions

As Neo navigates through a complex geopolitical landscape, the Company remains vigilant in monitoring and adapting to the evolving global trade regulations. The Government of China has announced a series of export restrictions on critical materials, which present both opportunities and challenges for Neo's operations. Neo is well-positioned to manage these changes, leveraging its globally diversified supply chain to capture opportunities and mitigate adverse impacts. Notable Chinese export restrictions impacting Neo include:

- **Gallium Products** — Since August 2023, the Government of China has introduced a series of escalating export controls impacting critical materials, including gallium— a key product of Neo's Peterborough facility. These measures include export control restrictions, followed by an export ban on gallium to the U.S. As expected, exports from China have declined from historical levels as market participants undergo a licensing and approval process to export gallium. This has resulted in a bifurcation of pricing, with gallium outside of China selling at an approximately 90% premium versus gallium inside of China. Neo's Peterborough facility is well positioned to benefit from this dynamic as one of the only North American recyclers of gallium. The primary constraint to growth is the supply of gallium waste streams which the business continues to address through its sourcing efforts.

- **Rare Earth Technolog**y — In December 2023, China adopted revisions to the Catalogue of Technologies Prohibited or Restricted from Exporting. This update included the addition of rare earth magnet technology, expanding the previous restrictions on extraction and separation technologies. These export restrictions are anticipated to create incremental barriers for new companies attempting to enter the rare earth magnet industry outside of China. In June 2024, China announced national level regulation aimed at further strengthening controls on rare earth supply and distribution. These regulations took effect on October 1, 2024, and management expects that certain elements of the regulation such as an improved traceability system will provide further stability, as well as environmental, social, and economic benefits for the rare earth industry.

- **Heavy Rare Earth Products** — In connection with escalating trade tensions with the U.S., in April 2025, the Government of China announced an export control on specific heavy rare earth elements and related downstream material. Neo's C&O business exports heavy rare-earth-containing specialty oxides to customers primarily in Japan and Europe from its minority-owned joint venture in China. These exports contain the now export controlled gadolinium, terbium, dysprosium and yttrium. The Company is reviewing the new export license application process and policy developments to ensure compliance with all regulations. Neo's Magnequench division is largely unaffected by restrictions on heavy rare earths, as its bonded magnetic products typically do not contain these heavy rare earth elements. There is a moderate long-term risk regarding access to heavy rare earths outside of China to support the PM facility; however, the Company has been planning and executing strategies to mitigate this risk well ahead of export restrictions, including developing relationships with upstream mines that have heavy rare earths in their feed and through engineering work of Neo's own heavy rare earth separation line. In addition, these restrictions present an opportunity for the Magnequench business, which currently offers the only heavy rare earth-free bonded powder for traction motor applications. The restriction of heavy rare earth products will affect the JAMR facility, which was recently largely divested of (with 9% ownership remaining) and the international distribution agreement for specialty heavy rare earth included in that divestiture agreement. At present, certain mixed oxide products for emission control catalysts contain small amounts of heavy rare earths (mainly yttrium) and discussions are ongoing to release these products from China as they are not considered dual-use products.

8.2 Potential Impact from Global Tariffs

As a global company, Neo closely monitors the evolving landscape of trade and industrial policy, which directly impacts its operational, commercial, and strategic decisions across multiple end markets. Policy changes announced or implemented throughout 2024 and into 2025—including new tariffs and sourcing requirements in the U.S., E.U., and China—present both challenges and opportunities. Notable developments include rising tariff and non-tariff barriers on critical minerals, electric vehicles, and permanent magnets, as well as E.U. regulations aimed at reducing dependency on a single foreign supplier for key materials.

In recent months, the U.S. has implemented a range of global tariffs impacting supply chains, and several other countries have responded with retaliatory tariff measures, contributing to increased uncertainty in global trade flows as negotiations around tariff agreements continue. Management assesses the recent tariff developments through two key lenses: (i) Neo's comparative advantage from relative tariffs under current tariff regimes, and (ii) existing and potential domestic production capabilities in regions implementing elevated trade barriers. The geographic distribution of Neo's asset base, combined with its established midstream and downstream capabilities, and long-standing commercial relationships, enhances its ability to capture market share in this environment. Notable U.S. tariffs impacting Neo include:

- **Rare Metals Hafnium Products** — Most of Rare Metals' hafnium products are produced in Europe and sold into the U.S., and hafnium represented approximately two-thirds of Neo's imports into the U.S. in 2024. The current U.S. tariffs on hafnium imports from China are significantly higher than those on imports from Europe. This disparity creates a competitive advantage for Neo, as the U.S. has minimal production capacities for hafnium, relying heavily on downstream producers. Neo's midstream hafnium products from Europe are crucial in filling this gap, ensuring a steady supply to U.S. customers and maintaining market stability.
- **C&O Emission Control Catalysts Products** — A small portion of C&O's emission catalyst products are produced in China and sold into the U.S. and have been subject to tariffs for approximately seven years. Although there is moderate risk given escalating tariffs in recent months, Neo remains well-positioned due to the fact the products are globally qualified, key competition is primarily in China, and Neo is positioned to provide customers an alternative production location for selected products in Europe.
- **Magnequench Powder and Magnet Products** — The Magnequench business has no material sales from China to the U.S., as the majority of motor integrator customers are located in Southeast Asia. Furthermore, Magnequench's new permanent magnet facility in Europe offers a significant relative advantage over Chinese imports, particularly for customers in the automotive sector.
- **Rare Earth Separated Products (Including Export Controlled Heavy Rare Earths)** — The C&O business exports minimal rare earth separated products from China to the U.S. Consequently, the recent tariffs imposed on these materials do not have a direct impact on Neo's operations.

Neo continues to maintain a comparative advantage under current tariff conditions, and management believes that the current tariff regime will not have a material direct, short-term impact on Neo's outlook, particularly due to the smaller volume and specific characteristics of products sold from China to the U.S. However, Neo acknowledges that its products are integrated into other downstream products that are globally distributed, including those imported into the U.S. As a result, Neo is unable to predict the impact of tariffs or restrictions on these downstream products, nor can it foresee the potential effects of an economic slowdown. The

Company remains focused on monitoring international trade developments, ensuring regulatory compliance, evaluating risks, and capturing emerging opportunities.

8.3 Sourcing and Rare Earth Supply Strategy

Neo is among the most geographically diverse rare earth value-add companies in the world. Neo's C&O business has rare earth separation capacity and the Magnequench business has magnetic powder, magnets and magnetic assemblies manufacturing capabilities in Europe and Asia, both inside and outside of China. In addition, Neo's Rare Metals business maintains a global network of recycled scrap metal suppliers supporting its product portfolio. Neo is committed to maintaining sourcing strategies tailored to its business units and end markets which meet its global customers' growing demands for geographically diverse sources, while ensuring material comes exclusively from licensed suppliers that comply with environmental and labour regulations.

8.4 Impact of Rare Earth Prices on Margins and Mitigating Actions

In recent years, rare earth prices have been highly volatile, with substantial price increases from late 2020 through early 2022, followed by sharp price declines from early 2022 through early 2024. Rare earth prices have been stable since the second quarter of 2024 with a modest upward movement in the first quarter of 2025 as neodymium ("**Nd**") and praseodymium ("**Pr**") increased by approximately 10%. Numerous supply and demand factors impact rare earth prices including: restocking and destocking activities, end-market magnet demand, production quotas in China, existing operating mines in the rest of the world increasing capacity, and output and changes in global trade regulations (such as tariffs and export restrictions).

For Magnequench, the largest input costs are Nd oxide and Pr oxide, both of which are tied to market indexes. To mitigate exposure to commodity price fluctuations, Magnequench contractually passes through changes in these costs to end customers (on a monthly or quarterly basis) for a majority of its contracted volumes. As a result, Magnequench's long-term margins are primarily driven by value-added conversion activities rather than raw material price fluctuations. However, in periods of high rare earth price volatility, short-term margin impacts may occur due to differences in inventory turnover timing relative to contract price adjustments (the "**lead-lag effect**").

For C&O rare earth separation, the largest input cost is rare earth carbonate, which contains many different rare earth elements in specified compositions (per feed source), and the purchase cost of the rare earth carbonate is highly correlated to the market index price of the key rare earth magnetic elements. C&O's primary strategy is to convert these rare earth raw materials into highly engineered value-added products including proprietary formulations and specialty purity products. Similar to Magnequench, in short-term periods of high rare earth pricing volatility, there may be favourable or unfavourable lead-lag effect related to the duration of inventory turnover relative to selling the majority of the compounds at current spot market index prices. The C&O rare earth separation business is most exposed to the lead-lag effect due to high inventory requirements, and its position in the rare earth value chain, as it generally sources and processes rare earth carbonate from upstream mining companies. With the disposition of Neo's two Chinese separation assets in March 2025, the C&O segment has reduced its exposure to fluctuations in rare earth prices, which is expected to translate into more stable earnings.

8.5 Potential Impact of Ongoing Conflict with Russia in Ukraine

The actions of Russian military forces in Ukraine have escalated tensions between Russia and Ukraine, the EU, the North Atlantic Treaty Organization, the UK, the U.S., Canada and other countries. Several countries have imposed a series of sanctions targeting Russia, two separatist pro-Russian regions in Ukraine, and certain individuals, banks and corporations seen as allies to the administration in Russia. The Silmet facility sources the majority of its rare earth feedstock from a Russian supplier. Through to March 31, 2025, there has been no significant impact on Neo's operations.

With the assistance of external advisors with expertise in global sanctions, Neo continues to monitor the impact of sanctions on its business and its continued compliance including purchases and sales to entities that may have connections to Russia. Neo currently expects, but cannot be certain, that these sanctions will not materially affect its access to the inputs needed to operate the Silmet facility.

9. Consolidated Results of Operations

($000s)	Three Months Ended March 31,	
	2025	**2024**
Revenue	$ 121,610	$ 122,095
Cost of sales		
Cost excluding depreciation and amortization	88,881	94,748
Depreciation and amortization	1,921	1,930
Gross profit	**30,808**	**25,417**
Expenses		
Selling, general and administrative	15,308	14,642
Share-based compensation	936	(96)
Depreciation and amortization	1,781	1,728
Research and development	3,194	3,195
Total expenses	21,219	19,469
Operating income	**9,589**	**5,948**
Other (expense) income	(4,712)	3,679
Finance cost, net	(6,073)	(1,340)
Foreign exchange gain (loss)	3,785	(722)
Income from operations before income taxes and equity loss of associates	2,589	7,565
Income tax expense	(4,356)	(4,341)
(Loss) income from operations before equity income (loss) of associates	(1,767)	3,224
Equity income (loss) of associates (net of income tax)	380	(2,375)
Net (loss) income	**(1,387)**	**849**
Attributable to:		
Equity holders of Neo Performance Materials Inc.	$ (1,480)	$ 873
Non-controlling interest	93	(24)
	$ (1,387)	**$ 849**
(Loss) earnings per share attributable to equity holders of Neo:		
Basic and diluted	$ (0.04)	$ 0.02

Revenue

Consolidated revenues of $121.6 million for the three months ended March 31, 2025, decreased slightly by $0.5 million or 0.4% compared to the same quarter last year primarily due to lower prices realized in the Rare Metals and Magnequench segments, partly offset by higher rare earth selling prices realized in the C&O segment. Revenue often trends along with commodity prices due to pass-through pricing mechanisms in most contracts. These provisions are contractual mechanisms that adjust selling prices based on changes in input costs over defined timeframes (e.g., monthly, quarterly, semi-annually, or annually). These provisions help mitigate gross margin volatility resulting from timing differences between cost being recognized and sales being recorded.

($000s)	Three Months Ended March 31,		
	2025	2024	%
Magnequench	$ 44,273	$ 45,480	(2.7%)
C&O	47,500	40,513	17.2%
Rare Metals	32,705	37,278	(12.3%)
Eliminations	(2,868)	(1,176)	(143.9%)
Consolidated Revenue	**$ 121,610**	**$ 122,095**	(0.4%)

Inter-segment revenues have been eliminated on consolidation from C&O segment revenue as C&O sold product to Magnequench in the respective periods. The products sold to Magnequench are potential marketable third-party sales and sold at market value.

Further commentary on the revenue changes in each segment are included in *Section 10. Discussion and Analysis of Business Segments*.

Cost of Sales

Consolidated cost of sales, excluding depreciation and amortization, for the three months ended March 31, 2025 was $88.9 million or 73.1% of revenue, compared to $94.7 million or 77.6% of revenue for the same quarter last year. Cost of sales, excluding depreciation and amortization, as a percentage of revenue improved mainly due to favourable rare earth commodity prices and product mix within the business segments. Consolidated cost of sales include raw materials and conversion costs — the expenses directly associated with transforming raw materials into finished products (including labour, energy, and processing expenses). Neo continues to focus on optimizing production efficiency to improve its controllable conversion costs.

Consolidated depreciation and amortization in cost of sales of $1.9 million for the three months ended March 31, 2025, remained flat compared to the same periods in 2024 primarily due to the cessation of depreciation and amortization on JAMR and ZAMR commencing in the third quarter of 2024 upon classification as held for sale, offset by increased depreciation in the current year at the recently-constructed NAMCO facility.

Selling, General and Administrative ("SG&A") expense

SG&A expense consists primarily of personnel and related costs, including freight, legal, accounting and other professional service fees, and information technology costs. SG&A expense of $15.3 million for the three months ended March 31, 2025, respectively, increased $0.7 million compared to the same quarter last year primarily due to advisory fees associated with the strategic review process.

Share-Based Compensation

Share-based compensation expense was $0.9 million for the three months ended March 31, 2025, respectively, compared to a recovery of $0.1 million for the same quarter last year, primarily due to the impact of share price movement relative to the same period in 2024 on cash-settled awards.

Research and Development ("R&D") Expense

A critical success factor for Neo is to continually develop and evolve new products that meet new and emerging markets and customer's exacting specifications. Neo maintains close relationships with key customers to better understand changes in market factors, and to deliver innovative products both as improvements to existing applications and for developing new applications and solutions. Neo's R&D activities aim to identify new commercial applications for its products, provide technical solutions to its customers, as well as drive new process and market development.

R&D expense, primarily comprised of salaries, outside labour, materials, and equipment, of $3.2 million for the three months ended March 31, 2025, remained stable compared to the same quarter last year. In general, R&D costs are project-based and may fluctuate in any given period.

Depreciation and Amortization

Depreciation and amortization, unrelated to production, of $1.8 million for the three months ended March 31, 2025, remained stable compared to the same quarter last year.

Other (Expense) Income

Other expense of $4.7 million was recorded for the three months ended March 31, 2025, compared to other income of $3.7 million for the same quarter last year. Included in other expense for the three months ended March 31, 2025 was $5.9 million for the loss on sale of JAMR and ZAMR, primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of $4.8 million. Other (expense) income includes changes in provisions for damage claims related to legal proceedings and has historically included estimated costs for the disposal of naturally occurring radioactive materials ("**NORM**") generated at rare earth separation facilities.

Finance (Costs) Income, Net

Neo's finance costs are primarily comprised of interest and finance costs on credit facilities, re-measurement of Neo's derivative liability put option issued to the non-controlling shareholders of two subsidiaries, Buss & Buss and SGTec, and re-measurement of consideration to be paid in 2026 to SGTec's selling shareholders contingent on certain criteria. Also, in March 2025, Neo paid special dividends totaling €6.8 million ($7.3 million) to the minority shareholder of the Buss & Buss subsidiary, which is done on a periodic basis as the Company evaluates capital and liquidity requirements across its subsidiaries.

Neo's interest-bearing credit facilities include revolving loans in China and in Germany and term loans in Estonia, the UK and Canada. Where applicable, interest cost is capitalized into property, plant and equipment, for production facilities under construction.

Neo's derivative liabilities are remeasured each reporting period based on forecasts of future performance of Buss & Buss and SGTec, long term growth factors and changes in discount rates.

	Three Months Ended March 31,	
	2025	**2024**
Dividend paid to Buss & Buss minority shareholder	$ 7,343	$ —
Change in fair value of derivative liabilities	(1,865)	1,436
Interest expense on credit facilities, net of capitalized costs	491	42
Interest earned on bank deposits and other	104	(138)
Total	**$ 6,073**	**$ 1,340**

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) represents realized and unrealized losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities. Inter-company loans within the Group between entities with different functional currencies can result in unrealized foreign exchange gains or losses in the statement of other comprehensive income and the statement of profit or loss, respectively, which are not eliminated on consolidation.

Income Tax Expense

For the three months ended March 31, 2025, Neo recorded an income tax expense of $4.4 million that was unfavourably impacted by $3.0 million due to losses and temporary differences for which there are no recognized tax benefits, $1.5 million due to non-deductible finance costs and favourably impacted by $1.0 million due to foreign exchange rate fluctuations on certain non-monetary assets. Non-deductible finance costs primarily comprise of the dividends paid to Buss & Buss' minority shareholder and the re-measurement of derivative liabilities.

For the three months ended March 31, 2024, Neo recorded an income tax expense of $4.3 million that was unfavourably impacted by $1.0 million due to foreign exchange rate fluctuations on certain non-monetary assets, and $1.4 million due to losses and temporary differences for which there are no recognized tax benefits.

Capital Expenditures

Neo reinvests to enhance production capabilities, improve operational efficiency, support innovation in advanced materials, modernize manufacturing infrastructure, expand sustainable supply chains and meet growing demand for high-performance magnets, catalysts and engineered materials. These investments align with long-term industry trends, including electrification, clean energy and advanced automotive technologies. By strengthening capabilities in separation, refining and precision manufacturing, Neo enhances its competitive position while ensuring the reliability and quality of critical materials used in key industries worldwide.

For the three months ended March 31, 2025, Neo capitalized expenditures of $6.8 million, including $3.9 million for the ongoing construction of the PM facility, $0.6 million in associated capitalized interest expense, $1.0 million for the development of the heavy rare earth pilot line at the Silmet facility and the remainder of capital expenditures were comprised of a combination of sustaining capital expenditures, growth capital investment to assist in adding new capacity or new products and strategic capital tied to longer-term planning initiatives.

Neo’s European PM facility has total capital expenditures of $56.7 million since project inception (net of EU grant reimbursement to date of $5.6 million).

For the three months ended March 31, 2024, capital expenditures totaled $17.5 million primarily for the construction of NAMCO, including $1.1 million in capitalized interest expenses relating to the EDC credit facilities, and other growth and sustaining capital expenditures.

9.1 Reconciliations of Net (Loss) Income to EBITDA, Adjusted EBITDA and Free Cash Flow

Unaudited; *($000s, except volume)*	Three Months Ended March 31,				
		2025		**2024**	%
Sales volume (tonnes)		3,325		3,082	7.9 %
Revenue	$	121,610	$	122,095	(0.4)%
Net (loss) income	**$**	**(1,387)**	**$**	**849**	(263.4)%
Add back:					
Finance costs, net		6,073		1,340	
Income tax expense		4,356		4,341	
Depreciation and amortization included in cost of sales		1,921		1,930	
Depreciation and amortization included in operating expenses		1,781		1,728	
EBITDA	**$**	**12,744**		**10,188**	25.1 %
Adjustments to EBITDA:					
Other expense (income)		4,712		(3,679)	
Foreign exchange (gain) loss		(3,785)		722	
Equity (income) loss of associates		(380)		2,375	
Share-based compensation		936		(96)	
Project start-up and transition costs		2,907		1,250	
Adjusted EBITDA	**$**	**17,134**		**10,760**	59.2 %
Adjusted EBITDA Margin		*14.1%*		*8.8%*	
Less:					
Capital expenditures		6,830		17,477	(60.9)%
Free Cash Flow	**$**	**10,304**	**$**	**(6,717)**	253.4 %

Other expense (income) generally represents non-operational activities deemed not indicative of Neo's ongoing operations. For the three months ended March 31, 2025, other expense includes a loss of $5.9 million related to the sale of JAMR and ZAMR, primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of $4.8 million.

Foreign exchange (gains) losses include non-cash adjustments in translating foreign currency denominated monetary assets and liabilities.

Project start-up and transition costs represent primarily pre-operational staffing costs at the PM facility, as well as strategic review advisor costs. Neo has removed these charges to provide comparability with historic periods.

Consolidated Free Cash Flow of $10.3 million for the three months ended March 31, 2025 increased $17.0 million compared to the same period of 2024 primarily due to higher Adjusted EBITDA and lower capital expenditures.

9.2 Reconciliations of Net Loss to Adjusted Net (Loss) Income:

($000s)	Three Months Ended March 31,	
	2025	**2024**
Net (loss) income	**$ (1,387)**	**$ 849**
Adjustments to net (loss) income:		
Foreign exchange (gain) loss	(3,785)	722
Share-based compensation	936	(96)
Project start-up & transition costs	2,907	1,250
Other items included in other expense (income)	4,808	(3,048)
Tax impact of the above items	168	716
Adjusted net income	**$ 3,647**	**$ 393**
Attributable to:		
Equity holders of Neo	$ 3,554	$ 417
Non-controlling interest	93	(24)
Weighted average number of common shares outstanding:		
Basic (000s)	41,773	41,832
Diluted (000s)	42,427	42,494
Adjusted earnings per share attributable to equity holders of Neo:		
Basic	$ 0.09	$ 0.01
Diluted	$ 0.08	$ 0.01

Other items included in other income represent items resulting from non-operational activities, primarily related to provisions for damages for outstanding legal claims related to historical volumes. Other expense for the three months ended March 31, 2025, includes $5.9 million for the loss on sale of JAMR and ZAMR, primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of $4.8 million. These costs or recoveries are not indicative of Neo's ongoing activities.

Consolidated Adjusted Net Income of $3.6 million for the three months ended March 31, 2025 increased $3.3 million primarily due to higher gross profit relative to the same quarter last year.

10. Discussion and Analysis of Business Segments

The following analysis of Neo's three business segments presents operating results on an unconsolidated basis (i.e., before intercompany eliminations).

10.1 Magnequench

($000s, except volume)	Three Months Ended March 31,		
	2025	**2024**	**%**
Sales volume (tonnes)	1,302	1,213	7.3%
Revenue	$ 44,273	$ 45,480	(2.7%)
Operating income	**$ 1,894**	**$ 3,384**	(44.0%)
EBITDA	**$ 6,145**	**$ 2,698**	127.8 %
Other expense	(247)	(492)	
Foreign exchange (gain) loss	(1,413)	1,300	
Equity (income) loss of associates	(371)	2,108	
Share-based compensation	248	18	
Project start-up & transition costs	2,295	480	
Adjusted EBITDA	**$ 6,657**	**$ 6,112**	8.9 %
Adjusted EBITDA Margin	15.0%	13.4%	

For the three months ended March 31, 2025, Magnequench contributed 35.6% of revenues, 12.0% of operating income and 30.1% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenues for the Magnequench segment of $44.3 million for the three months ended March 31, 2025 decreased $1.2 million compared to the same quarter last year. This was primarily due to unfavourable product mix partially offset by higher volumes.

Operating income of $1.9 million for the three months ended March 31, 2025 decreased $1.5 million compared to the same quarter last year primarily due to increases in operating expenses driven by pre-operational staffing costs for the European Permanent Magnet facility.

Adjusted EBITDA for the three months ended March 31, 2025 was $6.7 million, an increase of $0.5 million compared to the same quarter last year. This represents the fundamental operating performance of the business with Magnequench delivering volume gains in targeted growth areas and reducing operating expenses (after adjusting for pre-operational staffing costs).

Adjusted EBITDA Margin for three months ended March 31, 2025 improved 160 basis points demonstrating the value-add nature of Magnequench's product portfolio where margins expand in a low rare earth pricing environment due to pass-through pricing mechanisms mitigating exposure to commodity price fluctuations.

10.2 Chemicals & Oxides

($000s, except volume)	Three Months Ended March 31,		
	2025	**2024**	%
Sales volume (tonnes)	1,985	1,802	10.2%
Revenue	$ 47,500	$ 40,513	17.2%
Operating income (loss)	**$ 5,728**	**$ (2,104)**	372.2%
EBITDA	**$ 692**	**$ 2,776**	(75.1%)
Other expense (income)	4,997	(3,176)	
Foreign exchange loss (gain)	1,030	(1,039)	
Equity (income) loss of associates	(9)	267	
Share-based compensation	132	22	
Project start-up & transition costs	—	770	
Adjusted EBITDA	**$ 6,842**	**$ (380)**	1,900.5%
Adjusted EBITDA Margin	14.4%	(0.9%)	

For the three months ended March 31, 2025, C&O contributed approximately 38.2% of revenues, 36.3% of operating income and 30.9% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenues in the C&O segment of $47.5 million and for the three months ended March 31, 2025, increased by $7.0 million compared to the same quarter last year. This was primarily due to higher rare earth input prices, favourable mix (driven by heavy rare earth products), and increased volume.

Operating income of $5.7 million for the three months ended March 31, 2025, increased by $7.8 million compared to the same quarter last year primarily due to the above factors, as well as lower conversion costs at the new NAMCO facility driven by increased efficiency and automation.

Adjusted EBITDA of $6.8 million for the three months ended March 31, 2025, increased by $7.2 million compared to the same quarter last year primarily due to the factors listed above. The business delivered a notable rebound, completed significant strategic actions, and has emerged better positioned for growth and reduced volatility in financial performance.

10.3 Rare Metals

($000s, except volume)	Three Months Ended March 31,		
	2025	**2024**	%
Sales volume (tonnes)	88	87	1.1 %
Revenue	$ 32,705	$ 37,278	(12.3)%
Operating income	**$ 8,151**	**$ 8,800**	(7.4)%
EBITDA	**$ 8,991**	**$ 9,939**	(9.5)%
Other income	(38)	(11)	
Foreign exchange gain	(384)	(710)	
Share-based compensation	71	20	
Adjusted EBITDA	**$ 8,640**	**$ 9,238**	(6.5)%
Adjusted EBITDA Margin	26.4%	24.8%	

For the three months ended March 31, 2025, Rare Metals contributed approximately 26.2% of revenues, 51.7% of operating income and 39.0% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the Rare Metals segment of $32.7 million for the three months ended March 31, 2025, decreased $4.6 million compared to the same quarter last year primarily due to lower hafnium pricing, with the prior year benefiting from long-term contracts negotiated at prices above current market spot prices.

Operating income of $8.2 million for the three months ended March 31, 2025, decreased $0.6 million compared to the same quarter last year primarily due to the above factors, with hafnium pricing and gross margins normalizing. Rare Metals also delivered improved gross margins in the gallium business driven by strong demand and pricing tailwinds from Chinese regulations.

Adjusted EBITDA of $8.6 million for the three months ended March 31, 2025, similarly decreased $0.6 million compared to the same quarter last year. With strong end market demand and strategic emphasis on operational and commercial initiatives, the business continues to perform well. Rare Metals' hafnium business has benefited from a robust order book, stable spot sales, and strong consignment pull-through. As expected, hafnium prices have normalized resulting in lower margins compared to prior year, however the fundamentals of the hafnium business remain solid.

11. Summary of Consolidated Quarterly Results

($000s, except for per share amounts)	2025	2024				2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	$121,610	$134,903	$111,281	$107,549	$122,095	$128,668	$136,917	$170,430
Net (loss) income attributable to equity holders of Neo	(1,480)	(12,050)	(2,627)	859	873	(1,367)	3,069	310
Basic EPS	(0.04)	(0.29)	(0.06)	0.02	0.02	(0.03)	0.07	0.01
Diluted EPS	(0.04)	(0.29)	(0.06)	0.02	0.02	(0.03)	0.07	0.01
Operating income (loss)	9,589	12,355	11,176	5,824	5,948	(5,470)	6,959	13,675
Net (loss) income	(1,387)	(12,037)	(2,711)	883	849	(1,129)	3,109	329
EBITDA	12,744	13,724	14,873	9,377	10,188	2,319	11,053	14,584
Adjusted EBITDA	$ 17,134	$ 20,691	$ 19,555	$ 13,392	$ 10,760	$ 3,097	$ 13,160	$ 19,548
Adjusted EBITDA Margin	14.1%	15.3%	17.6%	12.5%	8.8%	2.4%	9.6%	11.5%

12. Liquidity and Capital Resources

12.1 Cash flow and Liquidity

Neo maintains sufficient liquidity to meet short- and medium-term cash needs and ensures that it has access to sufficient resources to fund quarterly cash dividend requirements, meet growth expenditure commitments, capitalize on investment opportunities, and other needs in the normal course of operations. Neo finances these commitments through cash flow from operations, corporate credit facilities, and equity, such as common and preferred shares.

	Three Months Ended March 31,	
Cash flow:	**2025**	**2024**
Cash (used in) provided by operating activities	$ (17,676)	$ 11,330
Cash provided by (used in) investing activities	14,015	(12,702)
Cash (used in) provided by financing activities	(10,550)	17,491

Financial position - as at	**March 31, 2025**	**December 31, 2024**
Cash and cash equivalents	$ 77,329	$ 85,489
Property, plant and equipment	185,191	178,925
Total assets	621,129	653,254
Current portion of long-term debt	4,476	4,610
Long-term debt	63,913	64,186

As at March 31, 2025, Neo had cash and cash equivalents of $77.3 million, compared to $85.5 million as at December 31, 2024. For the three months ended March 31, 2025, Neo paid $2.9 million in dividends to its shareholders. Neo's financial position and ability to generate cash from its operations in the short and long-term remains sound.

The primary cash inflows and outflows contributing to the change from December 31, 2024 were the following:

Inflows

- $25.7 million in net proceeds from the sale of JAMR and ZAMR;
- $3.0 million from operations before net change in working capital, income taxes paid and net interest received;

Outflows

- $12.5 million settlement for the European patent '338 litigation;
- $11.4 million of other capital spending;
- $7.3 million of dividends paid to Buss & Buss' minority shareholder;
- $5.2 million of income taxes paid; and
- $2.9 million of dividends paid to shareholders

Cash Used in (Provided by) Operating Activities

Cash used in operating activities was $17.7 million for the three months ended March 31, 2025, compared to cash provided by operating activities of $11.3 million for the three months ended March 31, 2024.

The $14.5 million net change in working capital for the three months ended March 31, 2025, was primarily due to the $12.5 million settlement for the European patent litigation, as well as higher accounts receivable due to timing of customer sales, and higher inventory as the business held strategic inventory in select jurisdictions given the geopolitical uncertainties.

Cash Provided by (Used in) Investing Activities

For the three months ended March 31, 2025, cash provided by investing activities was $14.0 million, compared to cash used of $12.7 million for the three months ended March 31, 2024. The cash provided was primarily related to $25.7 million in net proceeds for the sale of JAMR and ZAMR, offset by $4.3 million used for the NAMCO relocation, upgrade and modernization, $5.2 million for the establishment of the permanent magnet manufacturing plant in Europe, as well as additional capital projects performed at the Silmet facility.

Cash (Used in) Provided by Financing Activities

Cash used in financing activities during the three months ended March 31, 2025 was $10.6 million, compared to cash provided of $17.5 million for the three months ended March 31, 2024. For the three months ended March 31, 2025, Neo has distributed $7.3 million of dividends paid to Buss & Buss' minority shareholder, as well as $2.9 million in dividends distributed to Neo's shareholders.

($000s) *Cash and cash equivalents by Country*	**March 31, 2025**	**December 31, 2024**
China (including Hong Kong)	$ 14,816	$ 17,604
Estonia	10,314	27,796
United States	1,698	4,297
Canada	3,086	6,692
Japan	7,059	4,330
United Kingdom	2,013	1,970
Germany	5,160	11,388
Singapore	1,829	4,900
Barbados	24,757	63
Thailand	5,839	5,012
Cayman Islands	48	2
Other	710	1,435
Total cash and cash equivalents	**$ 77,329**	**$ 85,489**

Approximately $5.2 million of cash on hand held by Neo's foreign operating subsidiaries relates to earnings considered indefinitely reinvested in these foreign subsidiaries. Although substantially all of Neo's cash and cash equivalents can be repatriated, a portion may be subject to withholding taxes under current tax laws. While some of Neo's subsidiaries are subject to local governmental restrictions on the flow of capital into and out of their jurisdictions (including in the form of cash dividends, loans or advances), these restrictions have not had a material impact on Neo's ability to meet its cash obligations. Therefore, management does not consider this to be a significant risk to its ability to meet ongoing commitments or fund operations.

In addition to cash on hand, the primary sources of liquidity for Neo's domestic and foreign subsidiaries are cash provided by operations and, in the case of the activities in China, Estonia, Germany and the UK, borrowings under certain bank loans. From time to time, the sources of liquidity for Neo's operating subsidiaries may be supplemented by intercompany loans in the form of unsecured promissory notes. Neo's operating subsidiaries' liquidity is generally used to fund their working capital requirements, investments, capital expenditures and third-party debt service requirements.

As at March 31, 2025, Neo's only off-balance sheet arrangements were purchase obligations.

12.2 Outstanding Shares Information

Class of Equity Security	Total Outstanding as at March 31, 2025
Common Shares	41,824,315
Stock Options (1)	2,076,960
Restricted Share Units & Performance Stock Units	456,879

(1) Each stock option can be exercised to purchase one common share.

The number of common shares outstanding as at May 8, 2025 is 41,824,315.

During the three months ended March 31, 2025, there were no issuances of Options, equity-settled RSUs, or cash-settled RSUs under the Omnibus LTIP.

13. Contractual Obligations

In the normal course of business, Neo is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable.

Financial liabilities	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Short-term debts	$ 2,756	$ —	$ —	$ —	$ 2,756
Accounts payable and other accrued charges	62,672	—	—	—	62,672
Derivative liabilities(1)	45,551	—	1,352	—	46,903
EDC credit facilities	10,274	52,934	22,247	—	85,455
Provisions(2)	540	6,318	—	—	6,858
Lease obligations(3)	1,369	1,173	812	2,335	5,689
Other liabilities	889	626	59	330	1,904
Total	**$ 124,051**	**$ 61,051**	**$ 24,470**	**$ 2,665**	**$ 212,237**

(1) Represents the fair value of the put options on shares of the non-controlling interest shareholders of Buss & Buss and SGTec.

(2) Primarily represents management's best estimate of damages provision related to legal proceedings (see “Legal Proceedings and Regulatory Actions”).

(3) Represents the lease payment obligations for office space, land, office equipment and machinery.

As at March 31, 2025, Neo had $77.3 million of cash and cash equivalents. Management believes Neo has sufficient cash available, including cash from operating activities, to meet Neo's non-cancelable contractual obligations and other commercial commitments and the capital program for the next twelve months. Management considers cash to be “available” to the extent it can be utilized in operating activities, for capital expenditures, for intercompany loans or for repatriation. Neo also maintains access to credit facilities and short-term borrowings for its working capital needs, capital expenditures, and general corporate purposes.

14. Business Risks and Uncertainties

Neo's risk factors are substantially unchanged from and should be read in conjunction with Neo’s MD&A for the year ended December 31, 2024 and Neo’s 2024 AIF.

15. Legal Proceedings and Regulatory Actions

In the ordinary course of business, Neo and its subsidiaries occasionally face litigation claims, primarily concerning alleged intellectual property infringements. Neo manufactures and sells products utilizing scientific formulations and processes, which may lead competitors to assert patent infringement claims. The Company 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 initiated 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 multiple cases were decided adversely, Neo's operations, cash flows, prospects, or financial condition could be materially affected. In jurisdictions where an injunction or similar remedy is imposed, the Company may face significant disruption.

Refer to the 2024 AIF for additional information on on-going legal proceedings.

For the three months ended March 31, 2025, no penalties or sanctions were imposed against Neo by a court relating to Canadian provincial and territorial securities legislation or by a securities regulatory authority.

16. Related Party Transactions

Neo's related parties are its joint venture partners, associates, directors and executive officers.

Neo's related party transactions are made on terms equivalent to those that prevail in arm's length transactions. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

A summary of transactions with associates, with joint venture partners and any other related parties can be found in Note 19 to Neo’s consolidated financial statements for the three months ended March 31, 2025.

17. Recent Accounting Pronouncements

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Neo’s consolidated financial statements. As at March 31, 2025, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Neo’s consolidated financial statements beyond those described in Note 2.3 of the interim condensed consolidated financial statements for the period ended March 31, 2025.

18. Internal Control Over Financial Reporting and Disclosure Controls and Procedures

Disclosure controls and procedures

Neo's Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) are responsible for establishing and maintaining disclosure controls and procedures (“**DC&P**”) for Neo. Neo maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO evaluated the design and operating effectiveness of Neo's DC&P as of December 31, 2024 and based on the evaluation, the CEO and CFO have concluded that Neo’s DC&P were effective. There have been no changes in Neo’s DC&P during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, Neo’s financial reporting.

Internal controls over financial reporting

Neo's internal controls over financial reporting (“**ICFR**”) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Neo's management is responsible for establishing and maintaining adequate ICFR. National Instrument 52-109 of the Canadian Securities Administrators requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for Neo and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

In designing such controls, management, including the CEO and CFO, recognized that due to inherent limitations, any controls, no matter how well designed and operating effectively, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect all errors and fraud with respect to the financial statement preparation and presentation. Additionally, management is required to use judgment in evaluating controls and procedures.

The CEO and CFO are also responsible for disclosing any changes to Neo's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Neo's management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of Neo's ICFR based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As of December 31, 2024, management assessed that Neo's ICFR were effective. There have been no changes in Neo’s ICFR during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, Neo’s financial reporting.