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neo Performance Materials











Neo Performance Materials Inc.

Management's Discussion and Analysis

FOR THE YEAR ENDED
DECEMBER 31, 2025







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TABLE OF CONTENTS

1. Introduction	1
2. Cautionary Statement on Forward-Looking Information	1
3. Non-IFRS Financial Measures	2
4. Business Overview	3
5. Select Financial Highlights	5
6. Business Updates	6
7. Operating Segment Highlights	7
8. Impact of Geopolitical and Trade Developments	10
9. Consolidated Results of Operations	13
10. Discussion and Analysis of Business Segments	20
11. Summary of Consolidated Quarterly Results	22
12. Liquidity and Capital Resources	23
13. Contractual Obligations	25
14. Financial Instruments and Risk Management	25
15. Business Risks and Uncertainties	28
16. Legal Proceedings	29
17. Related Party Transactions	30
18. Accounting Policies and Critical Accounting Estimates, Assumptions and Judgments	30
19. Internal Control Over Financial Reporting and Disclosure Controls and Procedures	30

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 March 19, 2026, relates to the financial condition and results of operations of Neo together with its subsidiaries, as at December 31, 2025 and for the year then ended, and is intended to supplement and complement Neo's audited consolidated financial statements for the year ended December 31, 2025 and the notes thereto (collectively, 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 as well as Neo's most recent Annual Information Form for the year ended December 31, 2025, dated March 19, 2026 (the "**AIF**"), which is available on neomaterials.com and sedarplus.ca.

Certain prior period disclosures may have been reclassified for consistency with the current presentation. This MD&A has been prepared based upon information available to management as of March 19, 2026. 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 products and applications; expectations regarding the growth of superalloy and superconductor materials; anticipated commercial 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; expectations regarding tariffs and export restrictions; securing new automotive customer agreements for permanent magnet and emission catalyst facilities; expectations concerning the continued growth of the Magnequench project and improvements in operations; expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures; and Neo's 2026 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 2026 guidance reflects management’s expectations regarding the Company’s financial performance in fiscal 2026 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, operational improvements in C&O, relative stability in rare earth pricing, continued strong hafnium demand alongside elevated pricing and tight raw material supply conditions, reduction in operating expenses, expectations regarding tariffs and export controls, and securing new customer agreements for permanent magnet and emission catalyst facilities. 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 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 non-IFRS financial measures and ratios such as “**EBITDA**”, “**Adjusted EBITDA**”, “**Adjusted EBITDA Margin**”, “**Adjusted Net Income**”, “**Adjusted Earnings per Share**”, “**Free Cash Flow**” and “**Gross Margin**”. 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) from associates, other income (expense), foreign exchange rate (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.

"**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.

For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 9.1 Reconciliation of Net Loss 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 Reconciliation of Net Loss to Adjusted Net 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.

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 forecasting robust, long-term growth driven by multiple global macro trends including 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.

Neo has three operating segments: Magnequench, Chemicals & Oxides ("**C&O**") and Rare Metals, as well as the Corporate segment. As at December 31, 2025, Neo has 1,524 employees and a global platform that includes manufacturing facilities located in Canada, China, Estonia, Germany, Thailand, and the United Kingdom ("**UK**") as well as one dedicated research and development ("**R&D**") centre in Singapore.

Magnequench

Neo's Magnequench segment manufactures neodymium-iron-boron ("**NdFeB**") bonded powders, bonded permanent magnets, and sintered 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 produced through Magnequench's market-leading technology related to the development, processing, and manufacturing of magnetic powders. These powders are used in the production of bonded permanent magnets that are components in automotive motors, pumps, micro motors, traction motors, sensors and other applications requiring high levels of magnetic strength, improved performance and reduced size and weight. Magnequench's bonded magnet facilities include Korat in Thailand, Chuzhou and Tianjin in China, and SGTec in the UK. Magnequench has expanded into the sintered magnet market with a new European Permanent Magnet facility in Narva, Estonia. This facility is designed to produce high-performance sintered NdFeB magnets for strategic markets including electric vehicles, wind turbines, and industrial automation. It will leverage advanced manufacturing processes to meet demanding specifications for magnetic strength and thermal stability. With vertically integrated capabilities, the facility positions Neo as a key supplier to original equipment manufacturers ("**OEMs**") seeking secure and sustainable magnet sourcing.

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 is generally comprised of three businesses, the production of mixed oxides for emission catalysts, the separation and processing of rare earth minerals into advanced industrial materials, and Neo's WaterFX® solution which is a rare earth based product (primarily cerium and lanthanum) used in municipal and industrial wastewater treatment systems. Neo's world-class midstream separation process and advanced materials manufacturing capabilities enable the Company to meet increasingly demanding specifications from manufacturers requiring custom engineered materials. 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. By integrating separation with application-specific engineering and shifting from commodity-based rare earths to value-added functional materials, the C&O segment is well-positioned and differentiated by its rare earth separation capabilities and proprietary product portfolio.

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, as well as facilities in Peterborough, Canada and Sagard, Germany (Buss & Buss Spezialmetalle GmbH ("**Buss & Buss**")).

Corporate

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

5. SELECT FINANCIAL HIGHLIGHTS

	Three Months Ended December 31,			Year Ended December 31,		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Revenue						
Magnequench	$ 54,956	$ 43,500	$ 54,827	$ 204,555	$ 176,649	$ 213,735
C&O	29,252	43,606	55,552	135,030	146,516	235,929
Rare Metals	39,686	48,441	19,724	147,665	156,206	124,601
Corporate / Eliminations	(3,624)	(644)	(1,435)	(8,457)	(3,543)	(2,720)
Consolidated Revenue	**$ 120,270**	**$ 134,903**	**$ 128,668**	**$ 478,793**	**$ 475,828**	**$ 571,545**
Operating Income (Loss)						
Magnequench	$ (4,530)	$ 2,018	$ 2,675	$ 1,486	$ 10,123	$ 7,618
C&O	5,330	27	2,622	17,480	(2,854)	4,088
Rare Metals	11,622	16,910	(5,597)	40,727	50,134	19,670
Corporate / Eliminations	(6,831)	(6,600)	(5,170)	(27,939)	(22,102)	(20,209)
Consolidated Operating Income (Loss)	**$ 5,591**	**$ 12,355**	**$ (5,470)**	**$ 31,754**	**$ 35,301**	**$ 11,167**
Adjusted EBITDA						
Magnequench	$ 6,017	$ 6,824	$ 5,950	$ 28,377	$ 25,528	$ 21,149
C&O	7,093	1,350	3,218	23,444	4,924	9,306
Rare Metals	12,288	17,383	(2,200)	43,200	51,762	24,207
Corporate / Eliminations	(5,031)	(4,866)	(3,871)	(19,375)	(17,816)	(17,443)
Consolidated Adjusted EBITDA	**$ 20,367**	**$ 20,691**	**$ 3,097**	**$ 75,646**	**$ 64,398**	**$ 37,219**
Net loss	**$ (15,628)**	**$ (12,037)**	**$ (1,129)**	**$ (9,969)**	**$ (13,016)**	**$ (8,391)**
Attributable to:						
Common shareholders	(15,639)	(12,050)	(1,367)	(9,984)	(12,946)	(8,442)
Non-controlling interest	11	13	238	15	(70)	51
Loss per share attributable to common shareholders						
Basic	$ (0.38)	$ (0.29)	$ (0.03)	$ (0.24)	$ (0.31)	$ (0.19)
Diluted	$ (0.38)	$ (0.29)	$ (0.03)	$ (0.24)	$ (0.31)	$ (0.19)
Adjusted Net Income	**$ 566**	**$ (4,880)**	**$ 901**	**$ 20,462**	**$ 1,905**	**$ (975)**
Attributable to:						
Common shareholders	555	(4,893)	663	20,447	1,975	(1,026)
Non-controlling interest	11	13	238	15	(70)	51
Adjusted earnings per share attributable to common shareholders:						
Basic	$ 0.01	$ (0.12)	$ 0.02	$ 0.49	$ 0.05	$ (0.02)
Diluted	$ 0.01	$ (0.12)	$ 0.02	$ 0.49	$ 0.05	$ (0.02)
Cash spent on property, plant and equipment and intangible assets	$ 3,518	$ 12,019	$ 24,332	$ 31,664	$ 64,202	$ 41,743
Cash taxes (refunded) paid	$ (863)	$ 3,579	$ 2,089	$ 10,328	$ 22,411	$ 13,410
Dividends paid to shareholders	$ 2,959	$ 3,062	$ 3,335	$ 12,053	$ 12,330	$ 13,396
Dividend paid to Buss & Buss minority shareholder	$ —	$ 7,967	$ —	$ 7,343	$ 15,183	$ —
Repurchase of common shares under Normal Course Issuer Bid	$ 106	$ —	$ 3,209	$ 3,995	$ 2,250	$ 19,893

As at:	December 31,		
	2025	**2024**	**2023**
Cash and cash equivalents	$ 38,360	$ 85,489	$ 86,895
Short-term debt, bank advances & other	$ 12,949	$ 2,740	$ —
Total debt	$ 101,804	$ 71,536	$ 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 on select matters is provided in Neo's most recent AIF.

- ***2025 Results Exceed Guidance, Providing a Strong Foundation for 2026***: Neo delivered financial results for both the fourth quarter and fiscal year 2025 that exceeded the Company's previously issued guidance. Adjusted EBITDA for the fourth quarter of 2025 was $20.4 million, while full-year 2025 Adjusted EBITDA was $75.6 million, above the Company's guidance range of $67.0 million to $71.0 million. This represents a year-over-year increase of approximately 17%, up from $64.4 million in 2024. The outperformance reflects strong end-market demand, a favourable pricing environment, effective cost management, and the Company's ability to manage supply chain constraints through its global platform. This performance provides a solid foundation entering 2026. Accordingly, Neo is establishing Adjusted EBITDA guidance for 2026 in the range of $75.0 million to $80.0 million, reflecting management's expectations for continued operational improvement, and the Company's ability to respond to evolving market conditions.

- ***European Permanent Magnet Facility Advances Toward Commercial Production in 2026:*** During the fourth quarter of 2025, Neo continued to make meaningful progress at its European Permanent Magnet facility following its official opening in September 2025 which was attended by more than 270 guests including senior leadership from the global automotive, renewable energy, and technology sectors, alongside government officials, media, and investors from across Europe, North America, Australia, and Japan. The event showcased the facility's advanced capabilities and its strategic importance in the global shift toward electrification and sustainability.

  The state-of-the-art facility continues to advance through its planned ramp-up and achieved key operational milestones, including the production of its one-millionth magnet in February 2026. The facility is producing and shipping qualification sample magnets in support of awarded automotive platforms which remain on track to achieve start of commercial production in 2026.

  In addition, in September 2025, Neo announced the extension of its strategic partnership with Bosch through a multi-year memorandum of understanding, under which Neo has committed to reserve annual magnet production capacity for Bosch at its European Permanent Magnet facility. The arrangement supports localized supply and advances the development roadmap for the next phase of the Company's magnet manufacturing operations in Europe.

  Co-funded by the European Union's Just Transition Fund, the facility is projected to produce 2,000 metric tonnes ("**mt**") per year of magnets in Phase 1A, with plans to scale to over 5,000 mt annually in Phase 1B.

  Neo has spent $74.0 million on the European Permanent Magnet facility as of December 31, 2025, before an EU grant reimbursement of 23% of eligible project costs. As of December 31, 2025, Neo has received a total of $8.4 million in EU grant reimbursement to date.

- ***Heavy Rare Earth Demonstration Line at Silmet Remains on Track for Production Launch***: During 2025 and into early 2026, Neo continued to make steady progress on its Heavy Rare Earth Separation demonstration line at its Silmet facility in Estonia, achieving key construction, commissioning, and operational milestones. The line is running on a continuous basis as part of its planned commissioning and ramp-up activities. Production milestones are expected to be achieved in 2026, with the facility producing pre-cursor dysprosium and terbium to support the ramp-up of Neo's European Permanent Magnet facility, as well as other customers and end-markets. The demonstration line represents an important step toward establishing localized heavy rare earth processing capability in Europe and serves as a precursor to potential future commercial-scale expansion, positioning Neo to significantly enhance its production capabilities. 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 positioned to meet growing market demands for these essential rare earth elements, given the Company's direct rare earth separation experience and established operational base in Europe.

- ***Final Resolution and Settlement of Patent Litigation:*** On December 31, 2025, Neo entered into a settlement agreement with Rhodia Opérations S.A.S ("**Rhodia**"), a wholly-owned subsidiary of the Solvay Group, relating to certain legacy patent proceedings. Pursuant to the settlement agreement, on January 30, 2026, Neo made an aggregate cash payment for €7.1 million ($8.3 million) in exchange for both the parties mutually releasing all claims and withdrawing outstanding court proceedings. All patents subject to the settlement (other than EP '682) have expired. Neo does not expect the settlement to limit the Company's ongoing sales of its current emission catalyst products.
- ***Neo Maintains Capital Discipline While Investing for Growth*****:** Neo continued to actively manage its balance sheet during the period, aligning working capital, financing, and capital investment decisions with its growth strategy. Inventory levels were driven higher due to rising rare earth prices and were deliberately increased in response to strategic sourcing initiatives designed to support customer commitments and future production requirements. Neo continued to deploy capital toward high-growth investments, with Phase 1A of the European Permanent Magnet facility nearing completion, with sustaining capital expenditures across the Company expected to remain below $10 million annually thereafter.

  In October 2025, Neo's largest shareholder, Wyloo Consolidated Investments Pty Ltd., substantially reduced its ownership position, enhancing trading liquidity and resulting in a more diversified shareholder base, with no individual shareholder holding more than 10% of the Company's outstanding common shares as at December 31, 2025.

  To further strengthen its capital structure, and subsequent to year-end, the Company entered into a new term loan with HSBC in China, establishing a standalone, locally financed debt structure for its Chinese operations. This action advances Neo toward its target leverage levels while preserving incremental debt capacity to support future growth.

  Supported by a strong, cash-generative base business, Neo remains committed to a disciplined capital allocation framework that balances investment in growth with the prudent return of capital to shareholders, while maintaining financial flexibility.

7. OPERATING SEGMENT HIGHLIGHTS

Magnequench

Magnequench delivered another year of strong operating performance in 2025, underpinned by sustained volume growth, disciplined execution, and continued progress across its value-added product portfolio. Fiscal year 2025 Adjusted EBITDA of $28.4 million was up 11.2% compared to prior year, and volumes of 6,063 MT were up 19.7% compared to prior year. The volume growth during the year was supported by solid end-market demand; as well as customers building safety stock in response to supply concerns and geopolitical risks. The segment continues to capitalize on key growth areas, optimize its cost structure, and deliver a resilient earnings profile while reliably serving customers. Key news and highlights for the year include:

- ***Magnequench advances European magnetics strategy delivering key milestones in 2025;*** early in 2025, Neo delivered its first traction motor-grade sintered magnet samples in April, followed by a high-profile showcase of its Made-in-Europe magnets at the G7 Summit in June. In July, the Company was awarded a major traction motor program by a European Tier 1 supplier and OEM, further validating customer demand and technical capability. These milestones culminated in the extension of Neo's strategic partnership with Bosch and the grand opening of the European Permanent Magnet Facility in September 2025. Collectively, these developments validate Magnequench's downstream integration strategy and reinforce its role as a critical enabler of Neo's broader magnetics platform.
- ***Bonded Magnets delivers record annual volumes up 34.9% from 2024***; the business continues to execute its strategy, leveraging decades of experience to successfully move from bonded powders to bonded magnets as it advances within the value chain. Magnequench continues to grow its high-performance bonded magnet solutions in fast-growing markets, including AI data centres, where the business achieved a

historic milestone in 2025 by delivering more than twelve million magnets. The business also sees long-term opportunities emerging in robotics and increased vertical integration into magnet assemblies, enabling greater value capture and enhanced customer solutions.

- ***Bonded Powder deliver sustain growth across end-markets, anchored by differentiated technology, with annual volumes up 17.3% from 2024;*** performance during the year reflected a combination of demand growth, customer inventory build, and continued progress on targeted growth areas, most notably the bonded powder for traction motor product which remains the only commercialized heavy-rare-earth-free magnet solution for traction motors globally. Enabled by Neo's decades of experience, the product offers high magnetic strength and thermal resilience, positioning Neo as a technologically advanced and scalable supplier.
- ***Magnequench delivers continued conversion cost reduction through productivity initiatives;*** building on structural conversion cost reductions implemented in 2024, Magnequench realized the full-year benefit from these actions in 2025 while continuing to deliver additional savings through ongoing productivity initiatives. Continuous improvement efforts during 2025 focused on energy efficiency through increased utilization of on-site solar power and productivity gains from streamlining manufacturing process steps, which simplifies production flow and reduces energy consumption. These initiatives are expected to support improved cost competitiveness and margin resilience over time.

Chemicals & Oxides

C&O delivered a strong full-year performance in 2025, reflecting the successful execution of a series of strategic actions completed over the past 18 months and continued operating momentum across the segment's core businesses. Fiscal year 2025 Adjusted EBITDA of $23.4 million was up 376% versus prior year. Following the sale of the Chinese separation facilities and the successful relocation of the new emission catalyst facility, the C&O segment is well positioned with a simplified operating footprint, a strengthened cost structure, and multiple sources of growth, including emissions catalysts and wastewater treatment. C&O also retains a highly strategic separation facility in Europe, one of the few non-captive rare earth separation facilities with a world-class lab, unique technical capabilities, and a new demonstration heavy rare earth separation line nearing completion. Key news and highlights for the year include:

- ***Emission Catalyst delivers 12.5% annual volume growth exceeding previously communicated growth target of 10%;*** following the successful construction, customer qualification, and production ramp at the new NAMCO facility, the business delivered solid volume and margin expansion over the course of the year. The new state-of-the-art facility continues to gain strong commercial traction, highlighting its competitive positioning and differentiated capabilities. In addition, structural improvements to the manufacturing layout, higher levels of automation, and upgraded environmental systems drove improved efficiency, higher yields, and lower conversion costs, resulting in a more competitive and scalable platform with available capacity to support continued volume growth.
- ***Wastewater treatment expands customer base and delivers record annual volumes up 32.2% from 2024;*** growth was driven by sustained commercial momentum, high trial-to-contract conversion rates, high customer retention rates, and continued penetration of the U.S. market, where customer adoption remains in the early stages. The business continues to benefit from the differentiated performance of Neo's rare earth-based solutions, and a technically driven, customer-focused sales approach. Longer-term growth opportunities in Europe remain intact as regulatory approvals progress.
- ***Rare earth separation benefits from improved pricing with reduced volatility exposure;*** C&O's European rare earth separation operations benefited from rising rare earth prices during 2025, contributing positively to financial performance. Following the divestiture of the Company's two Chinese separation facilities in March 2025, C&O's overall exposure to rare earth price volatility has been significantly reduced, resulting in a more resilient and predictable earnings profile. In addition to reducing earnings volatility, the divestiture was undertaken to exit lower return-on-capital and higher-risk assets, simplify the Company's operating footprint, and redeploy capital toward higher-margin downstream businesses. The European separation

facility remains a highly strategic, non-captive asset, supported by a world-class laboratory and differentiated technical capabilities but is currently operating with a feedstock mix that limits near-term financial contribution, creating an opportunity for improved utilization and margin performance as feedstock conditions evolve.

- ***Continued progress on heavy rare earth separation demonstration line in Europe,*** first announced in May 2025, the project remains on track and on budget with key production milestones expected to be achieved in 2026. Leveraging C&O's separation expertise, the demonstration line will produce pre-cursor dysprosium and terbium, critical inputs for high-performance magnets, used to support the ramp-up of Neo's European Permanent Magnet facility. The pilot line will also serve as a precursor to potential commercial-scale production supply. This initiative positions Neo to meet growing demand through its established European operations and technical expertise.

Rare Metals

Rare Metals delivered a solid full-year performance in 2025, reflecting continued strong demand across its portfolio of critical materials and disciplined operational execution. Fiscal year 2025 Adjusted EBITDA of $43.2 million was down 16.5% versus prior year reflecting hafnium prices which moderated through most of 2025 before breaking out to new record levels in the fourth quarter of 2025. Throughout 2025, Rare Metals continued to benefit from strong end-market tailwinds, particularly in hafnium and gallium, with demand driven by the aerospace, industrial gas turbine, and semiconductor sectors. Against a backdrop of heightened geopolitical tension and trade restrictions, the business remained focused on securing scrap supply and input materials through strategic sourcing agreements and recycling initiatives, supporting long-term supply security and margin resilience. Key news and highlights for the year include:

- ***Hafnium annual gross margin performance down 30.5% from 2024 reflecting price normalization with renewed upside emerging***; as expected, hafnium prices moderated through the first three quarters of 2025 after reaching record levels in the second half of 2024, resulting in lower margins relative to prior-year. During the fourth quarter of 2025, hafnium prices broke out to new record highs, driving a strong quarter for Rare Metals and positioning the business favourably entering 2026. Underlying demand for hafnium remains strong, supported by aerospace and industrial end-markets, while supply dynamics have tightened due to increased constraints under China's existing export control framework. Rare Metals is well positioned as the largest European recycler of hafnium, supporting secure and diversified supply chains; however, the business continues to focus on securing sufficient scrap and input materials to support growth.
- ***Gallium business continues to see strong demand and higher prices amidst regulatory tailwinds***; Chinese export restrictions continued to limit availability, with heightened geopolitical tensions contributing to further increases in gallium prices outside of China during the quarter. Rare Metals maintains its strategic advantage as one of the only gallium recyclers and refiners in North America. Despite strong demand, rising prices, and expanding margins, business growth is restrained by limited gallium scrap supply. The business continues to take actions to increase supply through new sourcing arrangements and strategic projects to recover gallium from alternative sources.

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.

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 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, as well as increasing export restrictions on products shipped to certain jurisdictions. 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 2023, the Government of China has introduced a series of escalating export controls impacting critical materials, including gallium, a key product for the semiconductor industry. These measures include export control restrictions and, for a period, an export ban on gallium to the United States, which was subsequently lifted in October 2025. 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 between China and the rest of the world. Neo's Peterborough facility is well positioned to benefit from this dynamic as one of the only North American recyclers of gallium.
- **Rare Earth Magnet Technologies** — In late 2023, China adopted revisions to the Catalogue of Technologies Prohibited or Restricted from Exporting, to add 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. On October 9, 2025, China broadened rare-earth magnet related export controls to include consumable materials, equipment, technology, and extra-territorial licensing for products containing China-originating rare earths content or made with Chinese rare earth technology. In order to stem the flow of dual-use applications of rare earth magnetics, the government of China requires robust evidence from end users to ensure that the application is strictly civilian. On October 29, 2025, a bilateral meeting between U.S. and Chinese leaders resulted in a one-year postponement of the export control measures announced on October 9, 2025; however, previously implemented restrictions remain in effect.
- **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, including heavy-rare-earth-bearing permanent magnets. On October 9, 2025, China expanded its export restrictions to include additional heavy rare earth elements. Following a bilateral meeting with U.S. leaders on October 29, 2025, China postponed these expanded restrictions by one year; however, the restrictions implemented in April 2025 remain in effect. Neo's C&O business exports heavy rare-earth-containing specialty oxides to customers primarily in Japan and Europe from its minority-owned venture in China. These exports contain gadolinium, terbium, dysprosium and yttrium, all of which are subject to export controls. The Government of China requires strict end-user certification for all dual-use heavy rare earth exports and, in some cases, the exports to certain jurisdictions may be precluded. Neo has implemented a compliance method to meet these additional documentation requirements, despite supplying only civilian applications. The Company continues to comply with all applicable regulations and has filed the necessary applications for exports of its products. 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 European Permanent Magnet facility; however, the Company has been 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 development 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. At present, certain mixed oxide products for emission catalysts contain small amounts

of heavy rare earths (mainly yttrium) and have not faced any export disruption from China, as these products are not considered dual-use products.

8.2 Potential Impact from Global Tariffs

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. Recently, the US Supreme Court ruled that certain tariffs levied under U.S. *International Emergency Economic Powers Act* were not authorized. In 2025, notable U.S. tariffs impacting Neo included:

- **Rare Metals Hafnium Products** — Most of Rare Metals' hafnium products are produced in Europe and sold into the U.S., and hafnium represented approximately half of Neo's imports into the U.S. in 2025. The tariffs levied by the U.S. on hafnium imports from China were 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. 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 Catalyst Products** — A 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, Neo remains well-positioned as 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 does not have material sales from China to the U.S., as the the U.S.-based customers are supplied by Magnequench's Korat facility in Thailand. Additionally, Magnequench's new European Permanent Magnet facility offers a 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 have not had a direct impact on Neo's operations.

Neo continues to maintain a comparative advantage under current tariff conditions, and management does not anticipate that the current tariff regime will 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 Legislative and Trade Policy Tailwinds in Europe

With global operations and sales, Neo closely monitors the evolving landscape of industrial policy, which directly impacts its operational, commercial, and strategic decisions across multiple end markets. Policy changes announced or implemented since 2024, including sourcing requirements in the U.S., Europe, and China, present both challenges and opportunities, including European regulations aimed at reducing dependency on a single foreign supplier for key materials. Notable policy announcements include:

- **Carbon-Border Adjustment Mechanisms ("CBAM")** — In December 2025, the European Union introduced new environmental footprint reporting requirements for imported critical raw materials under the CBAM. These requirements are expected to strengthen the competitive position of Neo's European production assets relative to magnets and other downstream products imported from non-European jurisdictions.
- **RESourceEU** — In December 2025, the European Commission announced its intention to advance a legislative and regulatory package referred to as "**RESourceEU**", intended to support additional public funding for critical raw materials investments and establish mechanisms for strategic stockpiling and demand aggregation to promote feedstock diversification and supply security.
- **Industrial Accelerator Act** — In January 2026, the European Commission published draft legislation for the Industrial Accelerator Act, which introduces non-price criteria in public procurement frameworks, such as offshore wind developments, and government electric vehicle fleets, favouring domestic supply chains. In parallel, the European Union and India reached a landmark free trade agreement, creating the world's largest free trade zone and expanding the addressable market for electric vehicle manufacturers and critical raw materials producers within it.

8.4 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.

In addition, Neo continues to evolve its supply and sourcing strategy to proactively manage risk amidst shifting market dynamics. As part of this strategy, the Company has taken strategic inventory positions in certain products and geographies to mitigate supply chain volatility and support uninterrupted customer delivery. During 2025, these actions led to an increase in overall inventory levels which have more than offset the operationally focused inventory reduction efforts underway across the business. This approach reinforces Neo's commitment to balancing operational efficiency and risk management, while ensuring stability and responsiveness for its customers.

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 European Union, the North Atlantic Treaty Organization, the U.K., 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 that are seen as allies to the administration in Russia. Only the Silmet facility sources of its rare earth feedstock from a Russian supplier and through the date of this MD&A, 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 these sanctions on its business including purchases and sales to entities that may have connections to Russia. Through to the date of this MD&A, there has been no significant impact on Neo's operations.

Neo currently expects, but cannot be certain, that these sanctions will not have a material impact on Neo's consolidated financial performance. For further information, please refer to section entitled "Business of the Company - Impact of Geopolitical and Trade Developments" and the "Risk Factors" section of the Company's AIF.

9. CONSOLIDATED RESULTS OF OPERATIONS

($000s)	Three Months Ended December 31,		Year ended December 31,	
	2025	**2024**	**2025**	**2024**
Revenue	$ 120,270	$ 134,903	$ 478,793	$ 475,828
Cost of sales				
Cost excluding depreciation and amortization	82,548	94,466	337,006	343,315
Depreciation and amortization	2,021	2,512	7,963	8,553
Gross profit	**35,701**	**37,925**	**133,824**	**123,960**
Expenses				
Selling, general and administrative	17,763	16,446	64,382	61,400
Share-based compensation	3,428	770	11,958	3,060
Depreciation and amortization	1,744	1,796	7,043	7,192
Research and development	7,175	6,894	18,687	16,869
Impairment of assets	—	(336)	—	138
Total expenses	30,110	25,570	102,070	88,659
Operating income	**5,591**	**12,355**	**31,754**	**35,301**
Other (expense) income	(7,270)	507	(11,753)	3,405
Finance costs, net	(9,535)	(13,882)	(23,789)	(27,488)
Foreign exchange (loss) gain	(559)	(4,236)	7,407	(4,268)
(Loss) Income from operations before income taxes and equity loss of associates	**(11,773)**	**(5,256)**	**3,619**	**6,950**
Income tax expense	(3,874)	(7,571)	(14,402)	(17,945)
Loss from operations before equity income (loss) of associates	**(15,647)**	**(12,827)**	**(10,783)**	**(10,995)**
Equity income (loss) of associates (net of income tax)	19	790	814	(2,021)
Net loss	**(15,628)**	**(12,037)**	**(9,969)**	**(13,016)**
Attributable to:				
Common shareholders	$ (15,639)	$ (12,050)	$ (9,984)	$ (12,946)
Non-controlling interest	11	13	15	(70)
	$ (15,628)	**$ (12,037)**	**$ (9,969)**	**$ (13,016)**
Loss per share attributable to common shareholders:				
Basic	$ (0.38)	$ (0.29)	$ (0.24)	$ (0.31)
Diluted	$ (0.38)	$ (0.29)	$ (0.24)	$ (0.31)

Revenue

Consolidated revenue of $120.3 million for the three months ended December 31, 2025 decreased $14.6 million or 10.8% compared to the same quarter of 2024. The decrease was primarily driven by lower rare earth separation sales following the sale of two legacy Chinese separation facilities ("**sale of JAMR and ZAMR**") and lower hafnium prices in Rare Metals, partially offset by higher volumes in Magnequench and higher rare earth prices.

Consolidated revenue of $478.8 million for the year ended December 31, 2025 increased $3.0 million or 0.6% compared to 2024. For the full year, higher volumes in the Magnequench segment and rising rare earth prices more than offset the impact of the sale of JAMR and ZAMR and lower hafnium prices.

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 December 31,			Year ended December 31,		
	2025	**2024**	%	**2025**	**2024**	%
Magnequench	$ 54,956	$ 43,500	26.3%	$ 204,555	$ 176,649	15.8%
C&O	29,252	43,606	(32.9%)	135,030	146,516	(7.8%)
Rare Metals	39,686	48,441	(18.1%)	147,665	156,206	(5.5%)
Eliminations	(3,624)	(644)	(462.7%)	(8,457)	(3,543)	(138.7%)
Consolidated Revenue	**$ 120,270**	**$ 134,903**	(10.8%)	**$ 478,793**	**$ 475,828**	0.6%

Inter-segment revenue is 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 are sold at fair market value.

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

Cost of Sales

Cost of sales include raw materials and conversion costs, (i.e. the expenses directly associated with transforming raw materials into finished products including labour, energy, and processing costs). Raw material costs are the largest input costs and are typically tied to market indexes; however, in short-term periods of high input pricing volatility, there may be financial impacts from changes in commodity prices. This is related to the duration of inventory turnover relative to the timing of the change in these pass-through commodity prices (the "**lead-lag effect**"). Volatility in rare earth prices, particularly the magnetic elements, in recent years has resulted in either higher margins due to favourable lead-lag when prices rise over the period of time to process inputs, or lower margins due to unfavourable lead-lag when input prices fall. Accordingly, while quarterly margins will vary with rare earth prices, Neo's long-term margins are tied more closely to the value-add nature of activities.

Consolidated cost of sales, excluding depreciation and amortization, for the three months ended December 31, 2025 was $82.5 million or 68.6% of revenue, compared to $94.5 million or 70.0% of revenue in the same quarter of 2024. Consolidated cost of sales, excluding depreciation and amortization, for the year ended December 31, 2025 was $337.0 million or 70.4% of revenue, compared to $343.3 million or 72.2% of revenue in 2024. Cost of sales, excluding depreciation and amortization, as a percentage of revenue improved during the three-month and the year-ended periods mainly due to the sale of JAMR and ZAMR, which historically generated a higher cost of sales as a percentage of revenue, as well as, product mix within the business segments.

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 $17.8 million and $64.4 million for the three months and year ended December 31, 2025, respectively, increased $1.3 million and $3.0 million compared to the same periods last year primarily due to staffing at the new European Permanent Magnet facility.

Share-based Compensation expense

Share-based compensation expense was $3.4 million and $12.0 million for the three months and year ended December 31, 2025, respectively, compared to $0.8 million and $3.1 million for the three months and year ended December 31, 2024, increasing primarily due to the rise in the Company's share price over the prior year impacting the cash-settled awards vested to date, a greater number of awards granted in 2025, reflecting the

exclusion on issuance of awards in 2024 during the course of the strategic review process as well as due to the performance-based elements of PSUs.

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 $7.2 million and $18.7 million for the three months and year ended December 31, 2025, respectively, increased $0.3 million and $1.8 million compared to the same periods last year. The increase is primarily due to hiring at the European Permanent Magnet facility prior to the commencement of operations expected in 2026. 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 $1.7 million and $7.0 million for the three months and year ended December 31, 2025, respectively, remained stable compared to the same periods last year.

Other Income (Expense)

Other expense of $7.3 million and $11.8 million for the three months and year ended December 31, 2025, respectively, increased $7.8 million and $15.2 million compared to the same periods last year. These amounts generally represent non-operational activities deemed not indicative of Neo's ongoing operations.

For the three months ended December 31, 2025, the Company recorded a non-recurring charge of $3.0 million related to an estimate for potential settlement with a third party in respect of historical technical contributions during the development of the European Permanent Magnet facility ("**MQPM development charge**"). Additionally, in the fourth quarter of 2025, Neo recognized a $2.2 million provision for the future remediation of naturally occurring radioactive materials ("**NORM**") at the Silmet facility resulting from operations prior to its acquisition by Neo and a $1.1 million adjustment to the provision for the settlement of legal claims with Rhodia (see *Section 16. Legal Proceedings*).

For the year ended December 31, 2025, in addition to the items described above, other expense includes $5.9 million for the loss on 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.

For the year ended December 31, 2024, other income includes the reversal of liabilities at the legacy ZAMR facility in China when the facility was closed. In addition, other (expense) income includes charges for estimated damage claims related to legal proceedings.

Finance Costs, Net

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, net of interest earned. During the year ended December 31, 2025, Neo paid dividends 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. In accordance with IAS 32, Neo elects to record the dividends paid to Buss & Buss' non-controlling interest of $7.3 million as finance costs.

Neo's interest-bearing credit facilities include a revolving loan in China and in Germany and term loans in Canada. Where applicable, interest cost is capitalized into property, plant and equipment, such as during the construction of the NAMCO and European Permanent Magnet facilities.

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 December 31,		Year ended December 31,	
	2025	2024	2025	2024
Dividends paid to non-controlling interest	$ —	$ 7,216	$ 7,343	$ 14,699
Change in fair value of derivative liabilities	8,920	5,511	13,180	11,372
Interest expense on credit facilities, net	868	1,152	3,436	1,846
Interest earned on bank deposits net of interest paid on bank advances and other	(253)	3	(170)	(429)
Total	**$ 9,535**	**$ 13,882**	**$ 23,789**	**$ 27,488**

Foreign Exchange (Loss) Gain

Foreign exchange (loss) gain represents realized and unrealized (losses) gains that include non-cash adjustments in translating foreign currency 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, that are not eliminated on consolidation.

Income Tax expense

Income tax expense is based on the income earned or loss incurred in each tax jurisdiction at the enacted or substantively enacted tax rate applicable to that income or loss.

Neo's effective income tax rate can vary significantly from quarter-to-quarter for various reasons, including the mix and volume of business in different tax jurisdictions, jurisdictions with tax holidays and tax incentives, and jurisdictions for which no deferred tax assets have been recognized because management believed it was not probable that future taxable income would be available against which tax losses and deductible temporary differences could be utilized. Neo's effective income tax rate can also vary due to the impact of foreign exchange fluctuations, operating losses, changes in its provisions related to tax uncertainties and changes in management's assessment as to whether temporary differences arising from investments in subsidiaries will reverse in the foreseeable future.

Neo recognizes deferred tax assets to the extent management believes it is probable that the related tax benefit amount will be realized. Management considers factors such as the reversal of taxable temporary differences, projected future taxable income, the character of the income tax asset, tax planning strategies, changes in tax laws and other factors. A change to these factors could impact the amount of deferred tax assets Neo recognizes.

For the three months and year ended December 31, 2025, Neo recorded an income tax expense of $3.9 million and $14.4 million (2024 — $7.6 million and $17.9 million), respectively.

For the three months ended December 31, 2025, Neo’s income tax expense was unfavourably impacted by $4.8 million due to losses and temporary differences for which there are no recognized tax benefits, $2.4 million due to the re-measurement of the Buss & Buss derivative liability and favourably impacted by $0.4 million due to foreign exchange rate fluctuations on certain non-monetary assets. For the year ended December 31, 2025, Neo’s income tax expense was unfavourably impacted by $12.1 million due to losses and temporary differences for which there are no recognized tax benefits, $5.6 million due to non-deductible finance costs and favourably impacted by $2.8 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 and year ended December 31, 2024, Neo recorded an income tax expense of $7.6 million and $17.9 million, respectively. For the three months ended December 31, 2024, Neo's income tax expense was

unfavourably impacted by $2.1 million due to foreign exchange fluctuations on non-monetary assets, $3.5 million due to non-deductible finance costs and $2.9 million due to losses and temporary differences for which there are no recognized tax benefits. Non-deductible finance costs primarily comprise of dividends paid to the Buss & Buss minority shareholder and re-measurement of the derivative liability. For the year ended December 31, 2024, Neo's income tax expense was unfavourably impacted by $1.4 million due to foreign exchange fluctuations on certain non-monetary assets, $7.1 million due to non-deductible finance costs and $7.9 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.

For the year ended December 31, 2025, Neo capitalized expenditures of $23.3 million, including $9.3 million for the construction of the European Permanent Magnet facility, $3.2 million in associated capitalized interest expense, with the remainder of capital expenditures comprised of the construction of a heavy rare earth pilot line at Silmet and sustaining capital expenditures.

For the year ended December 31, 2024, capital expenditures totaled $80.2 million, including $42.5 million for the construction of the European Permanent Magnet facility, $26.8 million for the construction of NAMCO, $2.7 million in capitalized interest expenses relating to the Export Development Canada (“**EDC**”) term loans, and other growth and sustaining capital expenditures.

9.1 Reconciliation of Net Loss to EBITDA, Adjusted EBITDA and Free Cash Flow:

($000s, except volume)	Three Months Ended December 31,			Year ended December 31,		
	2025	**2024**	%	**2025**	**2024**	%
Sales volume (tonnes)	2,988	3,157	(5.4%)	13,216	12,413	6.5%
Revenue	$ 120,270	$ 134,903	(10.8%)	$ 478,793	$ 475,828	0.6%
Net loss	**$ (15,628)**	**$ (12,037)**	(29.8%)	**$ (9,969)**	**$ (13,016)**	23.4%
Add back (deduct):						
Finance costs, net	9,535	13,882		23,789	27,488	
Income tax expense	3,874	7,571		14,402	17,945	
Depreciation and amortization included in cost of sales	2,021	2,512		7,963	8,553	
Depreciation and amortization included in operating expenses	1,744	1,796		7,043	7,192	
EBITDA	**1,546**	**13,724**	(88.7)%	**43,228**	**48,162**	(10.2)%
Adjustments to EBITDA:						
Other expense (income)	7,270	(507)		11,753	(3,405)	
Foreign exchange loss (gain)	559	4,236		(7,407)	4,268	
Equity (income) loss of associates	(19)	(790)		(814)	2,021	
Share-based compensation	3,428	770		11,958	3,060	
Project start-up and transition costs	7,583	3,594		16,928	10,154	
Impairment of assets	—	(336)		—	138	
Adjusted EBITDA	**$ 20,367**	**$ 20,691**	(1.6)%	**$ 75,646**	**$ 64,398**	17.5 %
Adjusted EBITDA Margin	*16.9 %*	*15.3 %*		*15.8 %*	*13.5 %*	
Less:						
Capital expenditures	4,822	22,818	(78.9)%	23,269	80,205	(71.0)%
Free Cash Flow	**$ 15,545**	**$ (2,127)**	831 %	**$ 52,377**	**$ (15,807)**	431 %

Foreign exchange loss (gain) includes non-cash adjustments in translating foreign currency denominated monetary assets and liabilities.

Project start-up and transition costs represent primarily pre-operational personnel costs at the European Permanent Magnet facility, as well as strategic review advisor costs. Neo has removed these charges to allow comparability with historical periods.

Consolidated Free Cash Flow for the three months and year ended December 31, 2025 improved $17.7 million and $68.2 million, respectively, compared to the same periods of 2024 primarily due to lower capital expenditures.

9.2 Reconciliation of Net Loss to Adjusted Net Income:

($000s)	Three Months Ended December 31,		Year ended December 31,	
	2025	**2024**	**2025**	**2024**
Net loss	**$ (15,628)**	**$ (12,037)**	**$ (9,969)**	**$ (13,016)**
Adjustments to net loss:				
Foreign exchange loss (gain)	559	4,236	(7,407)	4,268
Impairment of assets	—	(336)	—	138
Share-based compensation	3,428	770	11,958	3,060
Project start-up & transition costs	7,583	3,594	16,928	10,154
Other items included in other (income) expense	5,094	(1,245)	9,722	(3,244)
Tax impact of the above items	(470)	138	(770)	545
Adjusted Net Income	**$ 566**	**$ (4,880)**	**$ 20,462**	**$ 1,905**
Attributable to:				
Common shareholders	$ 555	$ (4,893)	$ 20,447	$ 1,975
Non-controlling interest	11	13	15	(70)
Weighted average number of common shares outstanding:				
Basic and diluted (000s)	41,599	41,759	41,699	41,773
Adjusted earnings per share attributable to common shareholders:				
Basic and diluted	$ 0.01	$ (0.12)	$ 0.49	$ 0.05

Other items included in other (income) expense represent items resulting from non-operational activities. Other expense for the year ended December 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 as well as the $3.0 million MPQM development charge. Other income for the year ended December 31, 2024 includes the reversal of a special reserve for potential liabilities at the legacy ZAMR facility. These costs or recoveries are not indicative of Neo's ongoing activities.

Consolidated Adjusted Net Income of $0.6 million and $20.5 million for the three months and year ended December 31, 2025 increased $5.4 million and $18.6 million, respectively, primarily due to improved operating margins largely attributable to the C&O business during 2025 compared to the same periods 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 December 31,			Year ended December 31,		
	2025	**2024**	%	**2025**	**2024**	%
Sales volume (tonnes)	1,554	1,295	20.0%	6,063	5,064	19.7%
Revenue	$ 54,956	$ 43,500	26.3%	$ 204,555	$ 176,649	15.8%
Operating (loss) income	**$ (4,530)**	**$ 2,018**	(324%)	**$ 1,486**	**$ 10,123**	(85.3%)
EBITDA	**(5,431)**	**3,377**	(261%)	**13,174**	**15,919**	(17.2%)
Other expense (income)	3,194	(648)		1,944	(644)	
Foreign exchange (gain) loss	(20)	2,454		(3,748)	2,735	
Equity (income) loss of associates	(41)	(877)		(971)	1,205	
Share-based compensation	732	173		2,237	584	
Project start-up & transition costs	7,583	2,345		15,741	5,729	
Adjusted EBITDA	**$ 6,017**	**$ 6,824**	(11.8)%	**$ 28,377**	**$ 25,528**	11.2 %
Adjusted EBITDA Margin	*10.9%*	15.7%		*13.9%*	14.5%	

For the year ended December 31, 2025, Magnequench contributed 42.0% of revenue, 2.5% of operating income and 29.9% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue for the Magnequench segment of $55.0 million and $204.6 million, respectively, for the three months and year ended December 31, 2025 increased $11.5 million and $27.9 million compared to the same periods last year. This was primarily due to higher volumes sold and higher selling prices in the current period.

Operating loss of $4.5 million and operating income of $1.5 million for the three months and year ended December 31, 2025 increased $6.5 million and decreased $8.6 million, respectively, compared to the same periods last year. This was primarily due to increases in operating expenses driven by pre-operational personnel costs for the European Permanent Magnet facility, partially offset by improvements in gross profit due to increased revenues.

Other expenses of $3.2 million and $1.9 million for the three months and year ended December 31, 2025 include the $3.0 million MQPM development charge.

Project start-up and transition costs primarily relate to pre-operational personnel costs and commissioning of the European Permanent Magnet facility.

Adjusted EBITDA of $6.0 million and $28.4 million for the three months and year ended December 31, 2025, respectively, decreased $0.8 million and increased $2.8 million compared to the same periods 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 personnel costs).

10.2 Chemicals & Oxides

($000s, except volume)	Three Months Ended December 31,			Year ended December 31,		
	2025	**2024**	%	**2025**	**2024**	%
Sales volume (tonnes)	1,388	1,780	(22.0%)	6,953	7,067	(1.6%)
Revenue	$ 29,252	$ 43,606	(32.9%)	$ 135,030	$ 146,516	(7.8%)
Operating income (loss)	**$ 5,330**	**$ 27**	19,641%	**$ 17,480**	**$ (2,854)**	712%
EBITDA	**2,461**	**4,094**	(39.9%)	**8,272**	**5,106**	62.0%
Other expense (income)	2,884	624		8,297	(2,157)	
Foreign exchange loss	1,004	(3,259)		4,800	(2,034)	
Equity loss of associates	22	87		157	816	
Share-based compensation	722	140		1,918	547	
Project start-up & transition costs	—	—		—	2,098	
Impairment of assets	—	(336)		—	548	
Adjusted EBITDA	**$ 7,093**	**$ 1,350**	425%	**$ 23,444**	**$ 4,924**	376%
Adjusted EBITDA Margin	*24.2%*	*3.1%*		*17.4%*	*3.4%*	

For the year ended December 31, 2025, C&O contributed 27.7% of revenue, 29.3% of operating income and 24.7% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the C&O segment of $29.3 million and $135.0 million for the three months and year ended December 31, 2025, decreased $14.4 million and $11.5 million, respectively, compared to the same periods last year, primarily due to the sale of JAMR and ZAMR in March 2025.

Operating income of $5.3 million and $17.5 million, respectively, for the three months and year ended December 31, 2025, increased $5.3 million and $20.3 million compared to the same periods last year primarily due to higher volumes and lower conversion costs at NAMCO, and reduced margin impact from price fluctuations in the rare earth separation business.

Adjusted EBITDA of $7.1 million and $23.4 million, respectively, for the three months and year ended December 31, 2025, increased $5.7 million and $18.5 million compared to the same periods 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 December 31,			Year ended December 31,		
	2025	**2024**	%	**2025**	**2024**	%
Sales volume (tonnes)	86	92	(6.5)%	320	348	(8.0)%
Revenue	$ 39,686	$ 48,441	(18.1)%	$ 147,665	$ 156,206	(5.5)%
Operating income	**$ 11,622**	**$ 16,910**	(31.3)%	**$ 40,727**	**$ 50,134**	(18.8)%
EBITDA	**10,816**	**18,061**	(40.1)%	**40,173**	**52,651**	(23.7)%
Other expense (income)	1,192	(483)		1,512	(658)	
Foreign exchange loss (gain)	59	(244)		792	(83)	
Share-based compensation	221	49		723	262	
Reversal of impairment of assets [(1)]	—	—		—	(410)	
Adjusted EBITDA	**$ 12,288**	**$ 17,383**	(29.3)%	**$ 43,200**	**$ 51,762**	(16.5)%
Adjusted EBITDA Margin	*31.0%*	*35.9%*		*29.3%*	*33.1%*	

(1) Represents a reversal of a prepayment impairment previously recorded in Rare Metals' hafnium business.

For the year ended December 31, 2025, Rare Metals contributed 30.3% of revenue, 68.2% of operating income and 45.4% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the Rare Metals segment of $39.7 million and $147.7 million for the three months and year ended December 31, 2025, respectively, decreased $8.8 million and $8.5 million compared to the same periods last year, primarily due to the impact of lower hafnium pricing compared to the prior year partially offset by higher tantalum volumes.

Operating income of $11.6 million and $40.7 million for the three months and year ended December 31, 2025, respectively, decreased $5.3 million and $9.4 million compared to the same periods last year primarily due to the above factors.

Adjusted EBITDA of $12.3 million and $43.2 million for the three months and year ended December 31, 2025, respectively, decreased $5.1 million and $8.6 million compared to the same periods last year. Despite the decrease in Adjusted EBITDA from prior year comparative periods, the Rare Metals business continues to perform well with strong end market demand and strategic emphasis on operation and commercial initiatives.

11. SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

($000s, except for per share amounts)	2025				2024			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	$120,270	$122,213	$114,700	$121,610	$134,903	$111,281	$107,549	$122,095
Net (loss) income attributable to common shareholders	(15,639)	1,363	5,772	(1,480)	(12,050)	(2,627)	859	873
Basic EPS	(0.38)	0.03	0.14	(0.04)	(0.29)	(0.06)	0.02	0.02
Diluted EPS	(0.38)	0.03	0.13	(0.04)	(0.29)	(0.06)	0.02	0.02
Operating income	5,591	8,364	8,210	9,589	12,355	11,176	5,824	5,948
Net (loss) income	(15,628)	1,358	5,688	(1,387)	(12,037)	(2,711)	883	849
EBITDA	1,546	12,190	16,748	12,744	13,724	14,873	9,377	10,188
Adjusted EBITDA	$ 20,367	$ 19,176	$ 18,968	$ 17,134	$ 20,691	$ 19,555	$ 13,392	$ 10,760
Adjusted EBITDA Margin	16.9%	15.7%	16.5%	14.1%	15.3%	17.6%	12.5%	8.8%

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.

	Year Ended December 31, 2025	
Cash flow:	**2025**	**2024**
Cash (used in) provided by operating activities	$ (53,962)	$ 51,001
Cash used in investing activities	(6,740)	(59,417)
Cash provided by financing activities	6,224	13,654

Working capital - as at	**December 31, 2025**	**December 31, 2024**
Cash and cash equivalents	$ 38,360	$ 85,489
Total current assets	363,217	355,363
Current portion of long-term debt	9,343	4,610
Total current liabilities	198,138	159,417

As at December 31, 2025, Neo had cash and cash equivalents of $38.4 million, compared to $85.5 million as at December 31, 2024. For the year ended December 31, 2025, Neo paid $12.1 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

- $42.5 million from operations before net change in working capital, income taxes paid and net interest received;
- $25.2 million in net proceeds from the sale of JAMR and ZAMR;
- $25.0 million drawn on an EDC term loan.

Outflows

- $82.5 million of net change in non-cash working capital;
- $12.5 million settlement for the European patent ‘338 litigation;
- $31.7 million of capital spending;
- $10.3 million of income taxes paid;
- $7.3 million of dividends paid to Buss & Buss’ minority shareholder;
- $12.1 million of dividends paid to shareholders; and
- $4.0 million of repurchases of common shares under the normal course issuer bid (“**NCIB**”).

Cash (Used in) Provided by Operating Activities

Cash used in operating activities was $54.0 million for the year ended December 31, 2025, compared to cash provided by operating activities of $51.0 million for the year ended December 31, 2024.

The $82.5 million net change in working capital for the year ended December 31, 2025, was primarily due to higher accounts receivable due to timing of customer sales, higher inventory as the business held strategic inventory in select jurisdictions given geopolitical uncertainties, partly offset by higher accounts payables.

Cash Used in Investing Activities

For the year ended December 31, 2025, cash used in investing activities was $6.7 million, compared to $59.4 million for the year ended December 31, 2024. The cash used was primarily related to $18.4 million for the establishment of the European Permanent Magnet facility, the construction of a heavy rare earth pilot line at Silmet, $5.9 million used for NAMCO's relocation, upgrade and modernization, as well as $4.9 million additional capital projects performed at other facilities, partly offset by $25.2 million in net proceeds for the sale of JAMR and ZAMR.

Cash Provided by Financing Activities

Cash provided by financing activities during the year ended December 31, 2025 was $6.2 million, compared to $13.7 million for the year ended December 31, 2024 primarily due to draws on EDC term loans as well as shorter-term bank advances used by certain subsidiaries. During the year ended December 31, 2025, Neo distributed $7.3 million of dividends to Buss & Buss' minority shareholder, $12.1 million in dividends to Neo's common shareholders, and repaid $5.0 million of its long-term debt.

Approximately $6.5 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.

Subsequent to year end, NAMCO entered into a credit facility with HSBC Bank (China) providing for a Reminbi-denominated term loan of RMB 170 million ($24.3 million equivalent) that matures in five years at an interest rate equal to the five year loan prime rate published by the PRC National Interbank Funding Centre plus an applicable margin.

Subsequent to year-end, Buss & Buss temporarily increased its existing line of credit to a limit of €30.0 million until June 30, 2026 from €12.5 million.

As at December 31, 2025, Neo's only off-balance sheet arrangements were purchase obligations for the procurement of equipment and materials within the normal course of operations.

12.2 Outstanding Shares

Class of Equity Security	Total Outstanding as at December 31, 2025
Common Shares	41,598,853
Stock Options [(1)]	1,928,954
Equity-settled Restricted Share Units (time- and performance vested)	1,162,734

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

The number of common shares outstanding as at March 19, 2026 is 41,598,853.

During the year ended December 31, 2025, Neo granted 228,340 equity-settled RSUs, 554,795 equity-settled PSUs, 114,615 cash-settled RSUs and 266,965 cash-settled PSUs under the Long-Term Incentive Plan ("**LTIP**").

12.3 Normal Course Issuer Bid

On June 6, 2025, Neo announced that the TSX had accepted a notice filed by Neo of its intention to make a NCIB for up to 3,297,296 of its issued and outstanding common shares. In connection with the NCIB, Neo has entered into an automatic share purchase plan (the "**ASPP**") with its designated broker. Under the NCIB, purchases may not exceed 24,039 shares on any trading day during the NCIB, including during self-imposed trading blackout periods. The price that Neo will pay for any shares purchased under the NCIB will be the prevailing market price at the time of purchase. Any shares purchased by Neo will be canceled. The NCIB terminates on June 10, 2026 and can be canceled at Neo's discretion prior to the termination date.

Since the announcement of the program in June 2025 and through to December 31, 2025, Neo repurchased and canceled 386,068 shares for $4.0 million. For the year ended December 31, 2024, Neo repurchased 398,871 shares for $2.3 million.

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-cancelable, and are summarized below:

Financial liabilities	**2026**	**2027-2028**	**2029-2030**	**>2030**	**Total**
Short-term debt	$ 12,949	$ —	$ —	$ —	$ 12,949
Accounts payable and other accrued charges	$ 95,844	$ —	$ —	$ —	$ 95,844
Derivative liabilities [(1)]	60,596	—	1,456	—	62,052
EDC term loans scheduled payments [(2)]	16,857	53,721	37,118	—	107,696
Lease obligations [(3)]	836	1,140	900	2,192	5,068
Other liabilities	222	93	39	261	615
Contractual commitments	4,824	—	—	—	4,824
Total	**$ 192,128**	**$ 54,954**	**$ 39,513**	**$ 2,453**	**$ 289,048**

(1) Represents the fair value of the put options on shares of the remaining shareholders of Buss & Buss and SGTec.

(2) Represents the principal and interest payments for the EDC term loans.

(3) Represents the lease payments of Neo's lease obligations for office space, land, office equipment and machinery.

As at December 31, 2025, Neo had $38.4 million of cash and cash equivalents. Management believes Neo has sufficient cash available, including cash from operating and financing 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table presents financial assets and liabilities measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. The level in which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in which the financial asset or liability is classified is based on the lowest level of significant input to the fair value measurement.

	Level 1	Level 2	Level 3
Financial Assets:			
Equity securities	$ 456	$ —	$ —
Equity investments in private companies	—	—	3,040
Financial Liabilities:			
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$ —	$ —	$ 60,596
Put option issued to non-controlling interest of SGTec (derivative liability)	—	—	1,407

Neo's put option derivative liabilities, classified as Level 3, use the discounted cash flow method to determine the fair value based on significant inputs that are not based on observable market data, such as Neo's forward-looking financial forecasts.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions may significantly change amounts recognized in profit or loss, total assets, total liabilities or total equity. The following is a sensitivity analysis of the inputs to the valuation model of the Buss & Buss derivative liability as at December 31, 2025 and December 31, 2024:

As at:	December 31, 2025	December 31, 2024
Terminal growth rate		
Effect of 1% increase	$ 1,989	$ 774
Effect of 1% decrease	(1,726)	(868)
Overall discount rate		
Effect of 1% increase	(2,833)	(1,906)
Effect of 1% decrease	3,215	2,123
Forecasted cash flows		
Effect of a 10% increase	(6,215)	(4,322)
Effect of a 10% decrease	6,215	4,322

There have been no transfers between levels for the year ended December 31, 2025.

Neo is exposed to a number of risks in the normal course of business that have the potential to affect its performance. These risk factors include commodity price risk, foreign currency risk, credit risk and liquidity risk.

Commodity price risk

A portion of Neo's current business is conducted in the spot market; therefore, prices can vary with the transaction and individual bids received. Neo's products are primarily marketed to manufacturers as component materials. Prices will vary based on the demand for the end products being produced with the raw materials Neo processes.

Neo's sales and profitability are determined principally by the pricing of the advanced industrial materials it produces, and, to a lesser extent, by the price of natural gas and other supplies used in its production process. The prices of the rare earth products are influenced by the price and demand of the end products that Neo's products support, including automotive, electronics and clean energy technologies. A significant decrease in the global demand for these products may have a material adverse effect on Neo's business. Neo does not have hedging contracts in place for revenue or costs.

Neo's costs and capital investments are subject to market movements in commodities such as natural gas and chemicals. Neo may enter into derivative contracts for a portion of the expected usage of these products, but it

does not currently have any derivative contracts on these commodities, and it does not currently anticipate entering into derivative agreements on commodities.

Foreign currency risk

Neo is exposed to fluctuations of the U.S. dollar against the functional currencies of its foreign subsidiaries, including the Euro, the Canadian dollar, the Chinese renminbi, the Thai baht and the Japanese Yen, when Neo translates its foreign subsidiaries' financial statements into U.S. dollars for inclusion in its consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss), a separate component of equity. Any increase (decrease) in the value of the U.S. dollar against those foreign currencies results in unrealized foreign currency translation losses (gains) with respect to assets acquired in, liabilities assumed from, intercompany balances with and results of operations from the foreign subsidiaries. Therefore, Neo may experience a negative impact on its comprehensive income (loss) and shareholders' equity with respect to its holdings in those subsidiaries as a result of foreign currency translation. Neo generally does not hedge against the risk that it may incur non-cash losses upon the translation of the financial statements of its foreign subsidiaries into U.S. dollars.

Interest rate risk

As at December 31, 2025, Neo has outstanding EDC term loans totaling $90.0 million, which bear an interest rate equal to the secured overnight financing rate ("**SOFR**"), as administered by the Federal Reserve Bank of New York, plus an applicable margin. Other than the EDC term loans, Neo has outstanding short-term debt of $12.9 million as at December 31, 2025.

Neo is mainly exposed to interest rate risk on its EDC term loans that are variable rate debt instruments tied to the SOFR. The following table shows the impact of a one-percentage point increase or decrease of the SOFR on net income:

Impact on net earnings before tax of a 1% increase	$	(246)
Impact on net earnings before tax of a 1% decrease		247

Neo generally does not hedge against interest rate risk which may lead to higher interest payments when the SOFR rate increases.

Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and as a result, create a financial loss for Neo. Neo has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts are reviewed prior to approval and establishes the maximum amount of credit exposure per customer. Credit worthiness and financial well-being of the customer is monitored on an ongoing basis.

Neo calculates a loss allowance using the expected credit loss impairment model; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2025, the loss allowance was $0.9 million. The estimated credit losses are included in selling, general and administrative expenses in the consolidated statements of profit or loss and is net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose Neo to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at December 31, 2025, Neo does not anticipate non-performance that would materially impact Neo's financial statements.

Liquidity risk

Neo is exposed to the possibility that it may not be able to meet its financial obligations as they fall due. Neo manages liquidity risk by continually monitoring actual and projected cash flows, taking into account its sales

and receipts and matching the maturity profile of financial assets and liabilities. Neo continues to maintain sufficient cash and certain credit facilities which can be drawn upon to meet its operating and capital expenditure obligations as needed. The Board reviews and approves the annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisition and other major investments.

15. BUSINESS RISKS AND UNCERTAINTIES

Neo's business activities expose the company to various risks. Risk oversight and management processes are integral to Neo's strategic planning initiatives, which aim to mitigate risks and capitalize on opportunities where possible.

Risks and uncertainties can cause Neo's actual results or shareholder returns to differ materially from expectations, including those discussed in the associated financial statements, elsewhere in this MD&A, and Neo's AIF. These risks include, but are not limited to, the following:

- *Supplies of Raw Materials* – Neo relies on a limited number of suppliers for critical raw materials, particularly rare earth elements, and any disruption in supply due to geopolitical, trade, or logistical factors could impact production and costs.
- *Fluctuations in Demand for, and Prices of, Critical Inputs* – The prices of key raw materials are subject to market volatility, which may impact profitability if cost changes cannot be fully passed through to customers.
- *Changes in Regulation of the Rare Earths Industry* – China plays a dominant role in rare earth production, and changes in its regulatory environment, including export controls or production quotas, could restrict Neo's access to essential materials.
- *Production and Operations* – Neo's ability to maintain efficient production is subject to risks such as manufacturing disruptions, facility expansions, regulatory compliance, and supply chain constraints.
- *Customer Dependence* – A significant portion of Neo's revenue comes from key customers, and loss of major clients, contract renegotiation, or changes in procurement strategies could materially affect financial performance.
- *Information Technology and Cybersecurity* – Neo relies on IT infrastructure for business operations and is exposed to risks such as cyberattacks, data breaches, and unauthorized use of sensitive information.
- *International Operations* – Neo operates in multiple jurisdictions with complex regulatory, tax, and compliance requirements, and geopolitical instability or trade restrictions could negatively impact business operations.
- *Environmental Liability Exposure* – Neo is subject to environmental regulations and potential liability for emissions, waste management, and site remediation, which may result in financial penalties or operational restrictions.
- *Competition* – Neo faces competition from both established players and new entrants, and failure to maintain technological and cost advantages could impact market share.
- *Macroeconomic, Geopolitical, and Global Uncertainties* – Tariffs, trade disputes, global conflicts, and economic downturns may create demand fluctuations, supply chain disruptions, and financial market volatility, affecting Neo's performance.
- *General Economic Conditions* – Broader economic factors such as inflation, interest rates, and business spending trends may indirectly impact Neo.
- *Currency Risk* – Neo operates globally and is exposed to foreign exchange fluctuations, which may affect revenue, costs, and financial results.

- *Financing Risks* – Neo's ability to secure funding for expansion or operational needs depends on market conditions, lender confidence, and financial health.
- *Interest Rate Risk* – Rising interest rates would increase borrowing and other costs, impacting profitability and investment decisions.
- *Liquidity Risk* – Adequate liquidity is essential for financial flexibility, and cash flow constraints could create financial pressure.
- *Rapid Technological Change* – Neo must continuously invest in R&D to remain competitive, as emerging technologies could impact demand for its products.
- *Business Ventures* – Managing business relationships requires alignment with partners on strategic objectives, and conflicts or operational inefficiencies could impact performance.
- *Intellectual Property* – Weaker enforcement in certain jurisdictions increases the risk of unauthorized use or replication of Neo's proprietary technology.
- *Intellectual Property Litigation* – Neo may face legal challenges related to patents or trade secrets, which could result in litigation costs or restrictions on product sales.

In addition to other information contained in this MD&A, readers should carefully consider the preceding risk factors and the section entitled "Risk Factors" in the AIF before investing in or trading common shares of Neo. All risk factors should be considered because they could cause Neo's actual results or financial condition to differ materially from those discussed in forward-looking statements contained elsewhere in this MD&A and the AIF. The preceding risk factors are not an all-inclusive listing of risks. 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.

16. LEGAL PROCEEDINGS

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.

In March 2025, Neo settled, in cash, the legal dispute with Rhodia Opérations S.A.S ("**Rhodia**"), a wholly-owned subsidiary of the Solvay Group, in respect to European patent #1435338 for €10.3 million, plus procedural interest of €1.3 million totaling €11.6 million ($12.5 million).

On December 31, 2025, Neo entered into a settlement agreement with Rhodia relating to certain legacy patent proceedings. Pursuant to the settlement agreement, on January 30, 2026, Neo made an aggregate cash payment for €7.1 million ($8.3 million) in exchange for both the parties mutually releasing all claims and withdrawing outstanding court proceedings. All patents subject to the settlement (other than EP '682) have expired. Neo does not expect the settlement to limit the Company's ongoing sales of its current emission catalyst products.

For the year ended December 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.

17. 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.

A summary of transactions with associates, with joint venture partners and any other related parties can be found in Note 27 to Neo's audited consolidated financial statements for the year ended December 31, 2025.

18. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Summary of Material Accounting Policies

A summary of material accounting policies can be found in Note 2 to Neo's financial statements for the year ended December 31, 2025.

Critical Accounting Estimates, Assumptions and Judgments

A summary of critical accounting estimates, assumptions and judgments can be found in Note 2.17 to Neo's financial statements for the year ended December 31, 2025.

Recent Accounting Pronouncements

A summary of recent accounting pronouncements can be found in Note 2.18 to Neo's financial statements for the year ended December 31, 2025.

19. 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, 2025 and based on the evaluation, the CEO and CFO have concluded that Neo's DC&P were effective.

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, 2025, management assessed that Neo's ICFR were effective.

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Stock Exchange Listing

Common Shares of Neo are listed on the Toronto Stock Exchange under the trading symbol "NEO.TO" and quoted on the OTCQX under the trading symbol "NOPMF"