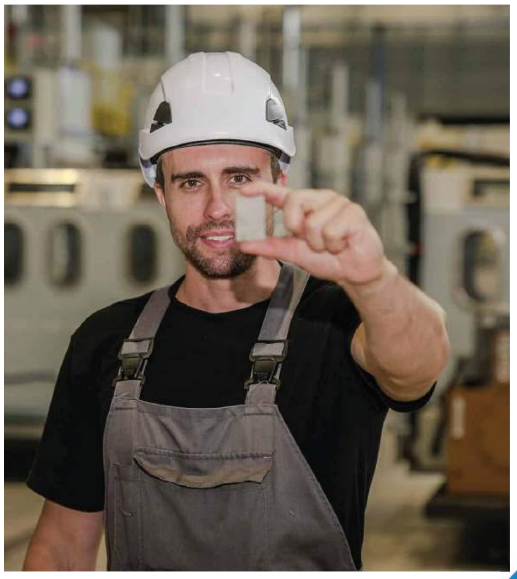
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Performance Materials









Neo Performance Materials Inc.

Management's Discussion and Analysis

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026









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NEO PERFORMANCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 August 10, 2026, relates to the financial condition and results of operations of Neo together with its subsidiaries, as at June 30, 2026 and for the period then ended, and is intended to supplement and complement Neo's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2026 and the notes thereto (collectively, the "**consolidated financial statements**"). Readers are cautioned that the MD&A contains forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Statement on Forward-Looking Information below and to consult Neo's consolidated financial statements and corresponding notes as well as Neo's most recent Annual Information Form for the year ended December 31, 2025, dated March 19, 2026 (the "**AIF**"), which are available on neomaterials.com and sedarplus.ca.

Certain prior period disclosures have been restated for consistency with the current presentation. This MD&A has been prepared based upon information available to management as of August 10, 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 rare earth and critical materials prices; 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, commissioning and costs associated with the facility; 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; 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, 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**", and "**Free Cash Flow**". 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 before finance costs (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 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**" is defined as net income or loss before foreign exchange loss (gain), share and value-based compensation, non-cash fair value adjustments, items related to non-controlling interests, 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 attributable to shareholders of Neo on a per share basis using the weighted average number of common shares outstanding (basic and diluted) 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.

For reconciliations of these non-IFRS financial measures to their nearest IFRS measure, refer to *Section 9.1 Reconciliation of Net Income to EBITDA, Adjusted EBITDA and Free Cash Flow:* for a reconciliation of consolidated Net (Loss) Income under IFRS to reported EBITDA, Adjusted EBITDA and Free Cash Flow, and *Section 9.2 Reconciliation of Net Income to Adjusted Net Income* for a reconciliation of net income to Adjusted net income 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 superalloys. 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 and Rare Metals, as well as the Corporate segment. As at June 30, 2026, Neo had 1,532 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 SG Technologies Group Limited ("**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.

Chemicals & Oxides

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 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 Metals 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 June 30,			Six Months Ended June 30,		
	2026	**2025**	**2024**	**2026**	**2025**	**2024**
Revenue						
Magnequench	$ 64,343	$ 50,468	$ 42,096	$ 129,075	$ 94,740	$ 87,576
C&O	37,424	29,443	34,478	70,606	76,944	74,991
Rare Metals	106,349	35,948	31,909	163,443	68,653	69,187
Corporate / Eliminations	(2,368)	(1,159)	(934)	(2,414)	(4,027)	(2,110)
Consolidated Revenue	**$ 205,748**	**$ 114,700**	**$ 107,549**	**$ 360,710**	**$ 236,310**	**$ 229,644**
Operating Income						
Magnequench	$ 2,356	$ 1,611	$ 2,257	$ 6,037	$ 3,504	$ 5,641
C&O	6,641	3,959	198	12,963	9,687	(1,906)
Rare Metals	43,345	10,127	8,573	66,480	18,278	17,373
Corporate / Eliminations	(10,573)	(7,487)	(5,204)	(17,154)	(13,670)	(9,336)
Consolidated Operating Income	**$ 41,769**	**$ 8,210**	**$ 5,824**	**$ 68,326**	**$ 17,799**	**$ 11,772**
Adjusted EBITDA [(1)]						
Magnequench	$ 10,467	$ 7,558	$ 6,168	$ 19,708	$ 14,217	$ 12,280
C&O	8,506	5,439	2,651	16,168	12,282	2,271
Rare Metals	44,405	10,756	8,786	68,262	19,397	18,024
Corporate / Eliminations	(6,345)	(4,785)	(4,213)	(10,874)	(9,794)	(8,423)
Consolidated Adjusted EBITDA [(1)]	**$ 57,033**	**$ 18,968**	**$ 13,392**	**$ 93,264**	**$ 36,102**	**$ 24,152**
Net income	**$ 17,463**	**$ 5,688**	**$ 883**	**$ 15,823**	**$ 4,301**	**$ 1,732**
Attributable to:						
Common shareholders	17,474	5,772	859	15,826	4,292	1,732
Non-controlling interest	(11)	(84)	24	(3)	9	—
Income per share attributable to common shareholders						
Basic	$ 0.40	$ 0.14	$ 0.02	$ 0.37	$ 0.10	$ 0.04
Diluted	$ 0.38	$ 0.13	$ 0.02	$ 0.35	$ 0.10	$ 0.04
Adjusted Net Income [(1) (2)]	**$ 23,694**	**$ 8,655**	**$ 4,292**	**$ 38,558**	**$ 15,166**	**$ 3,316**
Attributable to [(2)]:						
Common shareholders	23,705	8,739	4,268	38,561	15,157	3,316
Non-controlling interest	(11)	(84)	24	(3)	9	—
Adjusted earnings per share attributable to common shareholders [(1)(2)]:						
Basic	$ 0.55	$ 0.21	$ 0.10	$ 0.91	$ 0.36	$ 0.08
Diluted	$ 0.51	$ 0.20	$ 0.10	$ 0.85	$ 0.35	$ 0.08
Cash spent on property, plant and equipment and intangible assets	$ 9,126	$ 8,889	$ 10,677	$ 16,559	$ 20,317	$ 26,656
Cash taxes paid	$ 4,199	$ 2,960	$ 5,790	$ 18,775	$ 8,166	$ 13,303
Dividends paid to shareholders	$ 3,813	$ 3,159	$ 3,127	$ 7,074	$ 6,080	$ 6,211
Dividend paid to Buss & Buss minority shareholder	$ —	$ —	$ —	$ —	$ 7,343	$ —
Repurchase of common shares under Normal Course Issuer Bid	$ —	$ 2,342	$ —	$ —	$ 2,342	$ 2,250

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As at:	June 30, 2026	December 31, 2025	2024
Cash and cash equivalents	$ 96,224	$ 38,360	$ 85,489
Short-term debt, bank advances & other	$ 43,146	$ 12,949	$ 2,740
Total debt	$ 157,234	$ 101,804	$ 71,536

(1) These financial measures have no standardized meaning under IFRS and therefore, may not be comparable to measures presented by other issuers. Refer to Section 3 for the definition of these non-IFRS financial measures and to Section 9 for their reconciliation.

(2) Prior period amounts have been restated; refer to *Section 9.2 Reconciliation of Net Income to Adjusted Net Income* for further information.

6. BUSINESS UPDATES

Significant developments and events in the first half of 2026 and through the date of this MD&A are summarized below. Additional information on select matters is provided in Neo's most recent AIF.

- ***Record Quarterly Adjusted EBITDA on Strong Pricing and Resilient Volumes:*** Neo delivered another record quarter with Adjusted EBITDA of $57 million, the best quarterly result in the Company's history, up 201% from the same quarter last year. While pricing remained strong across the portfolio, volumes proved resilient in the current pricing environment, underscoring the durability of underlying demand. Strength was evident across all three business units, led by Rare Metals. Demand remained robust across Neo's portfolio, supported by powerful secular trends that continue to drive structural demand for critical materials. At the same time, the strategic importance of these materials has been reinforced by heightened focus on supply chain security, with many of Neo's products designated as critical materials by multiple governments and, in certain cases, subject to export controls, underscoring the value of Neo's geographically diversified production platform.
- ***Neo Raises Full Year 2026 Adjusted EBITDA Guidance on Continued Momentum***: On July 8, 2026, the Company increased its full-year 2026 Adjusted EBITDA guidance, reflecting strong operating performance through the first half of the year, to a range of $140 million to $150 million, up from its prior guidance range of $100 million to $110 million. The Company now expects results at the high end of the revised range, which represents nearly double full-year 2025 Adjusted EBITDA of $76 million. In addition to strong underlying operating performance and higher volume expectations across the portfolio, the updated guidance reflects higher contracted hafnium volumes for the second half of 2026, with customers also beginning to book contracts into 2027, providing improved visibility, supported by a favourable pricing environment.
- ***European Permanent Magnet Facility Advances Toward Commercial Production in 2026:*** The state-of-the-art permanent magnet facility continues to advance through its planned ramp up. The facility is producing and shipping qualification sample magnets in support of multiple awarded automotive platforms and remains on track for two to three customer programs to enter commercial production in 2026. In parallel, the Company has begun advanced equipment purchases for its Phase 1B expansion, which is planned to increase the facility's nameplate capacity from approximately 2,000 metric tonnes ("**mt**") to approximately 5,000 mt annually. This is aligned with Neo's broader strategy to establish a scalable, fully integrated permanent magnet manufacturing platform capable of supporting long term automotive and industrial demand.
- ***Neo Completes C$115 Million Equity Offering to Accelerate Growth:*** In May 2026, Neo completed a bought deal treasury offering of common shares for total gross proceeds of C$115.1 million ($83.3 million), including the full exercise of the underwriters' over-allotment option. The offering positions the Company to accelerate its growth opportunities with a meaningful portion of the proceeds directed towards capacity expansion in magnetics, including advanced purchasing of long-lead sintered magnet equipment for the proposed Phase 1B expansion of its European permanent magnet plant and investment to expand the bonded magnetics business. In bonded magnetics, Neo holds a leading global position and is benefiting from strong demand, particularly from server cooling fan applications in AI data centres, where sustained

investment in high-performance computing continues to drive growth. More broadly, Neo's magnetics platform serves large and growing end markets, including the automotive sector, where decades of proven performance and enduring customer relationships establish Neo as a trusted supplier through the transition to electric vehicles. Neo also sees emerging applications such as humanoid robotics and drones as promising longer-term growth opportunities. These applications utilize both bonded and sintered permanent magnets, positioning Neo's full magnetics platform to benefit as these markets develop over time. Together, these investments reinforce Neo's strategy to grow as a vertically integrated, geographically diversified supplier of permanent magnet powders and finished magnets.

- ***Neo Successfully Commissions Heavy Rare Earth Separation Production Line in Europe***: In April 2026, Neo successfully commissioned a small-scale heavy rare earth element solvent extraction production line at its Silmet facility. This milestone validates the technical and operational performance of the heavy rare earth separation process under continuous operation and represents an important step toward establishing localized heavy rare earth processing capability in Europe. The commissioning supports Neo's strategy to enhance security of supply for critical rare earth inputs used in high-performance permanent magnets and provides a foundation for potential future commercial-scale expansion.
- ***Neo Partners with Greenland Mines to Advance Sarfartoq Rare Earth Project:*** In May 2026, Neo agreed to sell its ownership interest in the Sarfartoq rare earth project in Southwest Greenland to Greenland Mines Ltd. ("**Greenland Mines**"), which will take the lead in advancing the project. Neo currently holds a 43.7% interest in Neo North Star Resources, Inc. ("**NNSR**"), the entity that owns the project's exploration license. Under the agreement, all NNSR shares will be transferred to Greenland Mines for total consideration of $35 million, split between $20 million in cash and $15 million in Greenland Mines shares. Neo will retain an equity interest in Greenland Mines and keep its existing rights to purchase up to 60% of the project's future production. The arrangement lets Neo stay focused on its core midstream and downstream business while the project moves forward under dedicated ownership. The transaction is expected to close subject to customary conditions, including approval from the Government of Greenland.
- ***Partnership with Tallinn University of Technology to Accelerate Advanced AI Initiatives*****:** In May 2026, Neo announced a multi-year research partnership with Tallinn University of Technology (TalTech) to further advance its initiative to embed artificial intelligence and machine-learning across its product development and manufacturing operations. Backed by 30 years of leadership in magnetics and advanced industrial materials, a deep proprietary operations dataset, and an established in-house data science team, Neo's AI implementation is translating process expertise into measurable improvements in end products and manufacturing processes. Neo's core success factors for AI include (a) a defined opportunity to deploy AI, (b) deep historical production and quality data, (c) industry-leading domain expertise in rare earth chemistry, physics and magnetics, (d) in-house data scientists and (e) integrated infrastructure that enables AI systems to learn and create live feedback loops to fully operationalize AI within the manufacturing process.

7. OPERATING SEGMENT HIGHLIGHTS

Magnequench

Magnequench delivered strong operating results in the second quarter of 2026, highlighted by an improved product mix as bonded magnet volumes reached record levels. Combined with a favourable pricing environment and conversion cost improvements, this drove Adjusted EBITDA of $10.5 million, up 38.5% year over year. Year-to-date Adjusted EBITDA totaled $19.7 million, an increase of 38.6% compared to the prior-year period, reflecting continued operational execution and favourable market conditions. Magnequench remains well positioned to support customer demand and generate resilient earnings performance. Key news and highlights for the quarter include:

- ***Bonded Magnets delivered a record quarter, with second quarter volumes up 35.0% year over year***; reflecting continued strong execution and favourable end market conditions. Growth was led by robust demand from server cooling fan applications in AI data centres, supported by sustained investment in high-

performance computing infrastructure and increasing system complexity. Leveraging decades of technical expertise, Magnequench continues to advance along the value chain from bonded powders to bonded magnets, expanding its portfolio of high-performance solutions across multiple applications. These dynamics drove record quarterly volumes and underscore the resilience and diversification of the Bonded Magnets business.

- ***Bonded Powder volumes in the second quarter were down 13.8% year over year, while remaining modestly higher year to date;*** customer volumes, margins, and business fundamentals remain strong, with encouraging demand signals from customers seeking security of supply and geographic diversification, reinforcing the strategic value of Neo's global manufacturing footprint. Leveraging decades of technical expertise, the Bonded Powders business continues to deliver high magnetic performance and thermal stability, reinforcing Neo's position as a differentiated supplier of advanced magnetic materials.
- ***Magnequench drove meaningful margin improvement in the second quarter;*** margin expansion was underpinned by sustained operating cost discipline across the manufacturing network, including continued gains in labour productivity, energy efficiency, and process optimization, which continues to drive conversion costs lower across all major product lines. Results also reflected the timing benefit of favourably priced input materials flowing through to cost of sales during the quarter. Together, these factors supported meaningful margin expansion and underscore the high quality, value added earnings profile of the Magnequench business.

Chemicals & Oxides

Chemicals & Oxides delivered a strong second quarter of 2026 performance, with Adjusted EBITDA of $8.5 million, up 56% year over year, bringing year-to-date Adjusted EBITDA to $16.2 million, an increase of 31.6% compared to the prior-year period. The segment is well positioned with a simplified footprint, strengthened cost structure, and multiple growth drivers across emission catalysts and wastewater treatment. C&O also retains a highly strategic European rare earth separation facility, one of the few non-captive separation sites globally, supported by a world-class laboratory, differentiated technical capabilities, and a newly commissioned heavy rare earth separation line. These attributes position the segment for resilient earnings and longer-term growth. Key news and highlights for the quarter include:

- ***Emission Catalyst second quarter 2026 volume up 7.0% year over year;*** building on strong prior year performance and reflecting continued commercial momentum across a broadening global customer base, supported by new product development initiatives and long-term customer agreements. The state-of-the-art facility, with high levels of automation and upgraded environmental systems, continues to deliver improved efficiency and higher yields, supporting a more competitive and scalable platform with available capacity for continued volume growth. These factors position the business to keep growing volumes and expanding market share, with tightening emissions standards providing a supportive tailwind over time.
- ***Wastewater treatment advances new technology while growing its commercial footprint;*** during the quarter, the business progressed the development of a new process enhancement technology, with initial units deployed to customers and commercial adoption expected to build in the coming quarters. The new platform is expected to ease logistical bottlenecks, while further strengthening customer integration and complementing the differentiated performance of C&O's rare earth-based solutions. Alongside this launch, the business maintained strong trial-to-contract conversion and remains positioned for longer-term growth in the U.S. and Europe as new products scale and regulatory processes advance.
- ***Rare earth separation continues to benefit from improved pricing with reduced volatility exposure;*** C&O's European separation operations contributed to segment performance during the quarter, driven by higher neodymium and praseodymium volumes and favourable pricing. The business secured a new customer supply agreement during the quarter, reflecting the commercial advantages of providing bundled strategic materials to customers. Following the divestiture of the Company's two Chinese separation facilities in March 2025, C&O's exposure to rare earth price volatility has been significantly reduced, resulting in a more resilient and predictable earnings profile.

Rare Metals

Rare Metals delivered record performance in the second quarter of 2026, with Adjusted EBITDA of $44.4 million, improving 313% year over year. Results were driven by sustained elevated pricing, as well as resilient volumes amid tight global supply. This pricing-and-volume strength reflects elevated geopolitical risk, trade restrictions, and increased prioritization of secure access to critical materials across end-use applications such as aerospace, industrial gas turbines, and semiconductors. Against this backdrop, the business continued to prioritize securing scrap supply and input materials through strategic sourcing and recycling initiatives, supporting long-term supply security and margin resilience. Key news and highlights for the quarter include:

- ***Hafnium delivers record profitability on higher volumes and sustained elevated pricing;*** hafnium prices held at record levels during the quarter, while volumes increased 38.6% year over year, together driving the highest gross profit performance in the history of the Company's hafnium business. The business secured additional contracted volumes for 2026 and into 2027, improving forward visibility and underpinning continued momentum. Demand remains robust across core end markets, including aerospace and industrial gas turbines, while global supply conditions remain tight due to ongoing export controls and feedstock constraints under China's existing regulatory framework. With substantial hafnium inventory on hand, the business is well positioned to meet growing customer demand and capture continued upside, supported by strong end-market demand and structurally constrained supply.
- ***Gallium delivers record profitability under constrained supply conditions***; the gallium business achieved the strongest gross profit performance in its history during the quarter, benefiting from strong demand and elevated pricing supported by regulatory restrictions, with further tightening of global supply contributing to higher prices. Rare Metals maintains its strategic advantage as one of the only gallium recyclers and refiners in North America. The business continues to take actions to increase supply through new sourcing arrangements and strategic projects to recover gallium from alternative sources.
- ***Positive momentum across the broader critical materials portfolio;*** tantalum was the most meaningful contributor among the segment's other critical materials during the quarter, benefiting from favourable pricing and steady demand across aerospace and electronics end markets. Rhenium also saw supportive pricing and demand conditions, though its contributions were more modest. Across these materials, results reflect the same structural themes driving hafnium and gallium, such as heightened focus on supply chain security and sustained demand from high-performance end markets. As a recycler and refiner of these materials, Rare Metals remains well positioned to benefit from tight supply conditions and customers' growing prioritization of securing critical material sources.

8. IMPACT OF GEOPOLITICAL AND TRADE DEVELOPMENTS

Significant geopolitical and trade developments in the first half of 2026 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. 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 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 countries have responded with retaliatory measures, increasing uncertainty in global trade flows. Management assesses tariff developments through two key lenses: (i) Neo's comparative advantage under relative tariff regimes, and (ii) its existing and potential production capabilities in regions implementing elevated trade barriers. Subsequent to June 30, 2026, the U.S. announced additional country-based tariffs under Section 301 of the Trade Act of 1974, effective July 24, 2026, and Section 338 of the Tariff Act of 1930 on specified Canadian-origin goods, expected to take effect in August 2026. As such, these measures did not affect the Company's results for the three and six months ended June 30, 2026. Management's preliminary assessment by product group is as follows:

- **Rare Metals Hafnium and Gallium Products** — Most of Rare Metals' hafnium products supplied to the U.S. are produced in Europe, and hafnium represented approximately half of Neo's U.S. imports in 2025. The tariff differential between China-origin and Europe-origin hafnium has historically provided Neo with a competitive advantage. Certain hafnium products may face additional duties depending on classification and origin. Published exemptions include tariff classifications covering gallium, while critical minerals are excluded from the announced Section 338 measures applicable to Canada.
- **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. Non-exempt products may face additional Section 301 duties depending on classification and origin. Neo remains well-positioned because its products are globally qualified, key competition is primarily in China, and selected products can be supplied from Europe.
- **Magnequench Powder and Magnet Products** — Magnequench does not have material sales from China to the U.S.; U.S.-based customers are supplied by its Korat facility in Thailand. Certain Thailand-origin products may face additional Section 301 duties depending on classification. Published exemptions include tariff classifications covering sintered neodymium-iron-boron magnets; bonded powders, bonded magnets and other products require separate classification analysis. Magnequench's European Permanent Magnet facility may continue to offer a relative advantage over Chinese imports.
- **Rare Earth Separated Products (Including Export Controlled Heavy Rare Earths)** — C&O exports minimal rare earth separated products from China to the U.S. Published Section 301 exemptions include tariff classifications covering certain rare earth metals and compounds. Based on currently available information, the new measures are not expected to have a material direct impact on this product group, subject to confirmation of classification and origin.

Based on published tariff schedules and currently available information, management has not identified a material direct impact on Neo's near-term outlook. Certain U.S.-bound products from Thailand, Europe or China may nevertheless face additional duties depending on classification, origin and exemptions. The Company is assessing duty pass-through provisions, customer sourcing and mitigation through pricing, alternative production and supply routes, and its geographically diversified manufacturing footprint. Management expects that a significant portion of any incremental duties would be passed through to customers, where permitted under contractual arrangements and market conditions, with only any unrecovered portion potentially affecting margins. The ultimate impact remains uncertain and will depend on the measures' duration and scope, future amendments or retaliatory actions, and indirect effects on customer demand and global economic conditions.

8.3.Global Legislative and Trade Policy Tailwinds

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 (Europe)** — In December 2025, the European Union introduced new environmental footprint reporting requirements for imported critical raw materials under the Carbon-Border Adjustment Mechanisms. 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 (Europe)** — 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 (Europe)** — 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.
- **Project Vault (United States)** — Announced in February 2026, Project Vault is a U.S. public-private initiative aimed at establishing a strategic reserve of critical minerals for civilian and commercial industries. The program seeks to enhance supply security and industrial resilience through demand aggregation and OEM-led participation mechanisms.

8.4. Potential Impact of Ongoing Conflict with Russia in Ukraine and the Conflict in Iran

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 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.

The Company continues to monitor the military conflict involving Iran and related developments affecting regional shipping routes and global energy markets, including the Strait of Hormuz. Based on information currently available, management has not identified a material direct impact on Neo's operations, assets, supply arrangements or customer commitments through the date of this MD&A. The conflict has, however, contributed to increased volatility in energy, freight and logistics markets, which may indirectly affect the Company through higher costs, longer delivery lead times on certain lanes and broader macroeconomic uncertainty impacting customer demand. Neo's geographically diversified manufacturing footprint and the advancement of localized rare earth separation and permanent magnet capabilities in Europe are intended to mitigate elements of this exposure. Nevertheless, the duration and ultimate impact of the conflict remain uncertain and could become material if related disruptions persist or intensify.

9. CONSOLIDATED RESULTS OF OPERATIONS

($000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenue	$ 205,748	$ 114,700	$ 360,710	$ 236,310
Cost of sales				
Cost excluding depreciation and amortization	128,567	78,770	231,112	167,651
Depreciation and amortization	2,074	2,019	4,065	3,940
Gross profit	**75,107**	**33,911**	**125,533**	**64,719**
Expenses				
Selling, general and administrative	21,426	16,326	37,032	31,634
Share-based compensation	7,343	3,513	10,664	4,449
Depreciation and amortization	1,779	1,725	3,586	3,506
Research and development	2,790	4,137	5,925	7,331
Total expenses	33,338	25,701	57,207	46,920
Operating income	**41,769**	**8,210**	**68,326**	**17,799**
Other income (expense)	125	24	433	(4,688)
Finance costs, net	(8,961)	(5,717)	(27,551)	(11,790)
Foreign exchange (loss) gain	(2,227)	4,700	(3,842)	8,485
Income from operations before income taxes and equity income of associates	**30,706**	**7,217**	**37,366**	**9,806**
Income tax expense	(12,740)	(1,599)	(20,981)	(5,955)
Income from operations before equity income of associates	**17,966**	**5,618**	**16,385**	**3,851**
Equity (loss) income of associates, net of income tax	(503)	70	(562)	450
Net income	**17,463**	**5,688**	**15,823**	**4,301**
Attributable to:				
Common shareholders	$ 17,474	$ 5,772	$ 15,826	$ 4,292
Non-controlling interest	(11)	(84)	(3)	9
	$ 17,463	**$ 5,688**	**$ 15,823**	**$ 4,301**
Income per share attributable to common shareholders:				
Basic	$ 0.40	$ 0.14	$ 0.37	$ 0.10
Diluted	$ 0.38	$ 0.13	$ 0.35	$ 0.10

Revenue

Consolidated revenue of $205.7 million for the three months ended June 30, 2026, increased $91.0 million or 79.4% compared to the same quarter of 2025. The increase was primarily driven by higher hafnium prices realized in Rare Metals and higher rare earth prices. Consolidated revenue of $360.7 million for the six months ended June 30, 2026 increased $124.4 million or 52.6% compared to the same period last year. The increase was primarily driven by the same factors above, partially offset by lower revenue in Chemicals & Oxides after the sale of two legacy Chinese separation facilities in March 2025.

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 profit volatility resulting from timing differences between cost being recognized and sales being recorded.

($000s)	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	**2025**	%	**2026**	**2025**	%
Magnequench	$ 64,343	$ 50,468	27.5%	$ 129,075	$ 94,740	36.2%
C&O	37,424	29,443	27.1%	70,606	76,944	(8.2%)
Rare Metals	106,349	35,948	195.8%	163,443	68,653	138.1%
Eliminations	(2,368)	(1,159)	(104.3%)	(2,414)	(4,027)	40.1%
Consolidated Revenue	**$ 205,748**	**$ 114,700**	79.4%	**$ 360,710**	**$ 236,310**	52.6%

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

Consolidated cost of sales, excluding depreciation and amortization, for the three months ended June 30, 2026 was $128.6 million or 62.5% of revenue, compared to $78.8 million or 68.7% of revenue in the same quarter of 2025. Consolidated cost of sales, excluding depreciation and amortization, for the six months ended June 30, 2026 was $231.1 million or 64.1% of revenue, compared to $167.7 million or 70.9% of revenue in 2025. Cost of sales, excluding depreciation and amortization, as a percentage of revenue improved during the first half of 2026 due to the rise in hafnium prices in Rare Metals relative to the same period last year as well as the impact of the sale of the Chinese separation facilities, which historically generated a higher cost of sales as a percentage of revenue.

Consolidated cost of sales include raw materials and conversion costs, that is, expenses directly associated with transforming raw materials into finished products (including labour, energy, and processing expenses). Neo is committed to optimizing production efficiency to continually improve controllable conversion costs.

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 $21.4 million and $37.0 million for the three and six months ended June 30, 2026, respectively, increased $5.1 million and $5.4 million compared to the same periods last year primarily due to continued staffing ramp-up at the new European Permanent Magnet facility, as well as higher freight, logistics, and sales commission costs within the Rare Metals segment associated with increased commercial activity and sales volumes.

Share-based Compensation expense

Share-based compensation expense was $7.3 million and $10.7 million for the three and six months ended June 30, 2026, respectively, compared to $3.5 million and $4.4 million for the three and six months ended June 30, 2025, increasing primarily due to the rise in the Company's share price in the first half of 2026 compared to the same period last year, impacting the related expenses for cash-settled share-based awards vested to date.

Research and Development ("R&D") expense

A critical success factor for Neo is to continually develop and market 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 $2.8 million and $5.9 million for the three and six months ended June 30, 2026, respectively, decreased $1.3 million and

$1.4 million compared to the same periods last year. In general, R&D costs are project-based and may fluctuate in any given period.

Depreciation and Amortization

Depreciation and amortization, unrelated to production, of $1.8 million and $3.6 million for the three and six months ended June 30, 2026, respectively, remained stable compared to the same periods last year.

Other Income (Expense)

Other income (expense) of $0.1 million and $0.4 million for the three and six months ended June 30, 2026, respectively, increased $0.1 million and $5.1 million compared to the same periods last year. Other income or expense generally represents non-operational activities deemed not indicative of Neo's ongoing operations. For the six months ended June 30, 2025, 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.

Finance Costs, Net

Finance costs are primarily comprised of interest and finance costs on debts, re-measurement of derivative liability put options issued to the non-controlling shareholders of two subsidiaries, Buss & Buss and SGTec, net of interest earned. Additionally, in accordance with IAS 32, Neo elects to record the dividends paid to Buss & Buss' non-controlling shareholder as finance costs, which is done on a periodic basis as the Company evaluates capital and liquidity requirements across its subsidiaries.

Neo maintains interest-bearing credit facilities, including revolving loans and term loans, in China, Canada and Germany. Where applicable, interest costs are capitalized as part of property, plant and equipment, such as during the construction of the European Permanent Magnet facility.

During the six months ended June 30, 2026, finance costs totaled $27.6 million, comprised primarily of the remeasurement of the derivative liabilities, which 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.

During the six months ended June 30, 2025, Neo paid dividends to the minority shareholder of the Buss & Buss of $7.3 million.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Dividends paid to non-controlling interest	$ —	$ —	$ —	$ 7,343
Change in fair value of derivative liabilities	7,286	4,460	24,661	2,595
Interest expense on debts	2,830	1,834	4,906	2,953
Borrowing costs capitalized as PP&E	(1,155)	(577)	(2,016)	(1,101)
Total	**$ 8,961**	**$ 5,717**	**$ 27,551**	**$ 11,790**

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.

For the three and six months ended June 30, 2026, Neo recorded an income tax expense of $12.7 million and $21.0 million, respectively. For the three months ended June 30, 2026, 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, $2.0 million due to the re-measurement of the put option derivative liabilities and $0.4 million due to foreign exchange rate fluctuations on certain non-monetary assets. Neo's income tax expense was favourably impacted by $1.4 million due to income that is not taxable or that will be offset by the utilization of previously unrecognized tax losses.

For the six months ended June 30, 2026, Neo's income tax expense was unfavourably impacted by $7.7 million due to losses and temporary differences for which there are no recognized tax benefits, $6.6 million due to the re-measurement of the put option derivative liabilities and $1.2 million due to foreign exchange rate fluctuations on certain non-monetary assets. Neo's income tax expense was favourably impacted by $2.2 million due to income that is not taxable or that will be offset by the utilization of previously unrecognized tax losses.

For the three and six months ended June 30, 2025, Neo recorded an income tax expense of $1.6 million and $6.0 million, respectively. For the three months ended June 30, 2025, Neo's income tax expense was unfavourably impacted by $1.4 million due to losses and temporary differences for which there are no recognized tax benefits, $1.2 million due to the re-measurement of the Buss & Buss derivative liability and favourably impacted by $1.7 million due to foreign exchange rate fluctuations on certain non-monetary assets.

For the six months ended June 30, 2025, Neo's income tax expense was unfavourably impacted by $3.9 million due to losses and temporary differences for which there are no recognized tax benefits, $2.6 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.

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 six months ended June 30, 2026, Neo capitalized expenditures of $5.2 million (net of $5.9 million of grant recognized from the EU government ("**JTF grant**")), including $1.9 million in capitalized interest expense associated with the European Permanent Magnet facility, $1.8 million in right-of-use assets related to renewal of office leases, 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 six months ended June 30, 2025, Neo capitalized expenditures of $10.2 million, including $4.9 million for the ongoing construction of the European Permanent Magnet facility, and the remainder of capital expenditures comprised of capitalized interest expense and sustaining capital expenditures.

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

The following table reconciles net income to EBITDA, Adjusted EBITDA and Free Cash Flow:

($000s, except volume)	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	**2025**	%	**2026**	**2025**	%
Sales volume (tonnes)	3,221	3,366	(4.3%)	6,415	6,691	(4.1%)
Revenue	$ 205,748	$ 114,700	79.4%	$ 360,710	$ 236,310	52.6%
Net income	**$ 17,463**	**$ 5,688**	207.0%	**$ 15,823**	**$ 4,301**	267.9%
Add back (deduct):						
Finance costs, net	8,961	5,717		27,551	11,790	
Income tax expense	12,740	1,599		20,981	5,955	
Depreciation and amortization included in cost of sales	2,074	2,019		4,065	3,940	
Depreciation and amortization included in operating expenses	1,779	1,725		3,586	3,506	
EBITDA	**43,017**	**16,748**	156.8 %	**72,006**	**29,492**	144.2 %
Adjustments to EBITDA:						
Other (income) expense	(125)	(24)		(433)	4,688	
Foreign exchange loss (gain)	2,227	(4,700)		3,842	(8,485)	
Equity loss (income) from associate	503	(70)		562	(450)	
Share-based compensation	7,343	3,513		10,664	4,449	
Project start-up and transition costs	4,068	3,501		6,623	6,408	
Adjusted EBITDA	**$ 57,033**	**$ 18,968**	200.7 %	**$ 93,264**	**$ 36,102**	158.3 %
Adjusted EBITDA Margin	*27.7 %*	*16.5 %*		*25.9 %*	*15.3 %*	
Less:						
Capital expenditures [(1)]	(12)	3,403	(100.4)%	5,154	10,233	(49.6)%
Free Cash Flow	**$ 57,045**	**$ 15,565**	266.5 %	**$ 88,110**	**$ 25,869**	240.6 %

(1) Presented net of JTF grant recognized in the period.

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. Neo removes these charges to allow comparability with historical periods.

Free Cash Flow for the three and six months ended June 30, 2026 improved $41.5 million and $62.2 million, respectively, compared to the same periods last year primarily due to higher operating income and lower capital expenditures.

9.2 Reconciliation of Net Income to Adjusted Net Income:

Changes to Adjusted Net Income Calculation

Commencing in 2026, management has revised the definition of "Adjusted Net Income" to exclude non-cash fair value adjustments and those amounts related to the Buss & Buss non-controlling interest that are not considered attributable to Neo's common shareholders.

These adjustments remove the impact of: (i) changes in the fair value of the derivative liability as those amounts are driven by the valuation of a future capital arrangement, (ii) dividends paid to the non-controlling interest as those distributions are non-operating in nature, and (iii) the non-controlling interest's share of Buss & Buss' net income to present the share attributable to Neo. Management believes this presentation better reflects underlying operating performance attributable to Neo shareholders and improves comparability across periods.

The following table reconciles Adjusted Net Income (and related per share amounts) as previously reported in each of the quarters of the preceding year to the revised calculation of Adjusted Net Income.

	Three Months Ended				Year Ended
	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	December 31, 2025
Adjusted Net Income (as previously reported)	**$ 3,647**	**$ 7,755**	**$ 8,493**	**$ 566**	**$ 20,462**
Adjusted for:					
Buss & Buss non-controlling interest and related items [(1)]	1,857	(196)	(3,742)	2,461	380
Incremental tax impact of above item	1,007	1,096	1,226	1,719	5,048
Adjusted Net Income	**$ 6,511**	**$ 8,655**	**$ 5,977**	**$ 4,746**	**$ 25,890**
Adjusted Net Income attributable to:					
Common shareholders	6,418	8,739	5,982	4,735	25,875
Non-controlling interest	93	(84)	(5)	11	15
Weighted average number of common shares outstanding:					
Basic (000s)	41,773	41,838	41,588	41,599	41,759
Diluted (000s)	42,427	43,257	43,982	41,599	41,759
Adjusted earnings per share attributable to common shareholders as previously reported:					
Basic	$ 0.09	$ 0.19	$ 0.20	$ 0.01	$ 0.49
Diluted	$ 0.08	$ 0.18	$ 0.19	$ 0.01	$ 0.49
Adjusted earnings per share attributable to common shareholders:					
Basic	$ 0.15	$ 0.21	$ 0.14	$ 0.11	$ 0.62
Diluted	$ 0.15	$ 0.20	$ 0.14	$ 0.11	$ 0.62
Change in Adjusted earnings per share:					
Basic	$ 0.06	$ 0.02	$ (0.06)	$ 0.10	$ 0.13
Diluted	$ 0.07	$ 0.02	$ (0.05)	$ 0.10	$ 0.13

(1) Includes (i) changes in the fair value of the derivative liabilities, (ii) dividends paid to non-controlling interest, and (iii) the non-controlling interest's share of Buss & Buss net income, excluding related tax effect shown separately.

The following table reconciles net income to Adjusted Net Income:

($000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net income	**$ 17,463**	**$ 5,688**	**$ 15,823**	**$ 4,301**
Adjustments to net income:				
Foreign exchange loss (gain)	2,227	(4,700)	3,842	(8,485)
Share-based compensation	7,343	3,513	10,664	4,449
Buss & Buss non-controlling interest and related items [(1)]	(12,160)	(196)	(5,524)	1,661
Project start-up & transition costs	4,068	3,501	6,623	6,408
Other items included in other (income) expense	(70)	20	(168)	4,828
Tax impact of the above items	4,823	829	7,298	2,004
Adjusted Net Income	**$ 23,694**	**$ 8,655**	**$ 38,558**	**$ 15,166**
Attributable to:				
Common shareholders	$ 23,705	$ 8,739	$ 38,561	$ 15,157
Non-controlling interest	(11)	(84)	(3)	9
Weighted average number of common shares outstanding:				
Basic (000s)	43,457	41,838	42,537	41,806
Diluted (000s)	46,168	43,257	45,152	43,186
Adjusted earnings per share attributable to common shareholders:				
Basic	$ 0.55	$ 0.21	$ 0.91	$ 0.36
Diluted	$ 0.51	$ 0.20	$ 0.85	$ 0.35

(1) Includes (i) changes in the fair value of the derivative liabilities, (ii) dividends paid to non-controlling interest, and (iii) the non-controlling interest's share of Buss & Buss net income, excluding related tax effect shown separately.

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 June 30,			Six Months Ended June 30,		
	2026	**2025**	%	**2026**	**2025**	%
Sales volume (tonnes)	1,460	1,558	(6.3%)	3,000	2,860	4.9%
Revenue	$ 64,343	$ 50,468	27.5%	$ 129,075	$ 94,740	36.2%
Operating income	**$ 2,356**	**$ 1,611**	46.2%	**$ 6,037**	**$ 3,504**	72.3%
EBITDA	**3,785**	**6,506**	(41.8%)	**9,737**	**12,652**	(23.0%)
Other income	(74)	(392)		(337)	(638)	
Foreign exchange loss (gain)	456	(2,193)		659	(3,606)	
Equity loss (income) of associates	468	(108)		505	(479)	
Share-based compensation	1,764	784		2,521	1,032	
Project start-up & transition costs	4,068	2,961		6,623	5,256	
Adjusted EBITDA	**$ 10,467**	**$ 7,558**	38.5 %	**$ 19,708**	**$ 14,217**	38.6 %
Adjusted EBITDA Margin	*16.3%*	*15.0%*		*15.3%*	*15.0%*	

For the six months ended June 30, 2026, Magnequench contributed 35.5% of revenue, 7.1% of operating income and 18.9% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue for the Magnequench segment of $64.3 million and $129.1 million, respectively, for the three and six months ended June 30, 2026 increased $13.9 million and $34.3 million compared to the same periods last year primarily due to higher selling prices and an improved product mix driven by record bonded magnet volumes.

Operating income of $2.4 million and $6.0 million, respectively, for the three and six months ended June 30, 2026 increased $0.7 million and $2.5 million, compared to the same periods last year. This improvement was primarily due to factors listed above, as well as lower conversion costs, partially offset by project start-up costs. These costs primarily relate to pre-operational personnel costs and commissioning of the European Permanent Magnet facility.

Adjusted EBITDA of $10.5 million and $19.7 million for the three and six months ended June 30, 2026, increased $2.9 million and $5.5 million, respectively, compared to the same periods last year, reflecting continued strong execution and operating momentum across the business. These results underscore the high-quality, value-added earnings profile of the Magnequench segment.

10.2 Chemicals & Oxides

($000s, except volume)	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	**2025**	%	**2026**	**2025**	%
Sales volume (tonnes)	1,665	1,766	(5.7%)	3,230	3,751	(13.9%)
Revenue	$ 37,424	$ 29,443	27.1%	$ 70,606	$ 76,944	(8.2%)
Operating income	**$ 6,641**	**$ 3,959**	67.7%	**$ 12,963**	**$ 9,687**	33.8%
EBITDA	**6,866**	**2,431**	182.4%	**12,868**	**3,124**	311.9%
Other income (expense)	(37)	257		(65)	5,253	
Foreign exchange loss	818	2,255		2,167	3,285	
Equity loss of associates	35	38		57	29	
Share-based compensation	824	458		1,141	591	
Adjusted EBITDA	**$ 8,506**	**$ 5,439**	56.4%	**$ 16,168**	**$ 12,282**	31.6%
Adjusted EBITDA Margin	*22.7%*	*18.5%*		*22.9%*	*16.0%*	

For the six months ended June 30, 2026, C&O contributed 19.4% of revenue, 15.2% of operating income and 15.5% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the C&O segment of $37.4 million and $70.6 million, respectively, for the three and six months ended June 30, 2026, increased $8.0 million and decreased $6.3 million compared to the same periods last year. The increase in revenue for the three months ended June 30, 2026 compared to the same period last year was primarily due to favourable price and cost development, while the decrease in revenue for the six months ended June 30, 2026 compared to the same period last year was primarily due to the sale of two separation facilities in March 2025.

Operating income of $6.6 million and $13.0 million, respectively, for the three and six months ended June 30, 2026, increased $2.7 million and $3.3 million compared to the same periods last year primarily due to improved margins in the rare earth separation business.

Adjusted EBITDA of $8.5 million and $16.2 million, respectively, for the three and six months ended June 30, 2026, increased $3.1 million and $3.9 million compared to the same periods last year primarily due to the factors listed above. The business remains well-positioned for growth, underpinned by higher quality, more predictable earnings.

10.3 Rare Metals

($000s, except volume)	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	**2025**	%	**2026**	**2025**	%
Sales volume (tonnes)	96	62	54.8 %	185	150	23.3 %
Revenue	$ 106,349	$ 35,948	195.8 %	$ 163,443	$ 68,653	138.1 %
Operating income	**$ 43,345**	**$ 10,127**	328.0 %	**$ 66,480**	**$ 18,278**	263.7 %
EBITDA	**45,678**	**9,611**	375.3 %	**71,286**	**18,602**	283.2 %
Other (income) expense	(14)	111		(31)	73	
Foreign exchange (gain) loss	(1,856)	840		(3,853)	457	
Share-based compensation	597	194		860	265	
Adjusted EBITDA	**$ 44,405**	**$ 10,756**	312.8 %	**$ 68,262**	**$ 19,397**	251.9 %
Adjusted EBITDA Margin	*41.8%*	*29.9%*		*41.8%*	*28.3%*	

For the six months ended June 30, 2026, Rare Metals contributed 45.1% of revenue, 77.7% of operating income and 65.6% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the Rare Metals segment of $106.3 million and $163.4 million for the three and six months ended June 30, 2026, increased $70.4 million and $94.8 million compared to the same periods last year, primarily due to the impact of record-high hafnium pricing and increased volume.

Operating income of $43.3 million and $66.5 million for the three and six months ended June 30, 2026, increased $33.2 million and $48.2 million compared to the same periods last year primarily due to the above factors.

Adjusted EBITDA of $44.4 million and $68.3 million for the three and six months ended June 30, 2026, increased $33.6 million and $48.9 million compared to the same periods last year. The Rare Metals business continues to perform well with strong end market demand, as well as powerful tailwinds across critical materials, including tight global supply, trade and export restrictions, and growing prioritization of secure, diversified sources of supply.

11. SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

($000s, except for per share amounts)	2026		2025				2024	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	$205,748	$154,962	$120,270	$122,213	$114,700	$121,610	$134,903	$111,281
Net income (loss) attributable to common shareholders	17,474	(1,648)	(15,639)	1,363	5,772	(1,480)	(12,050)	(2,627)
Basic EPS	$ 0.40	$ (0.04)	$ (0.38)	$ 0.03	$ 0.14	$ (0.04)	$ (0.29)	$ (0.06)
Diluted EPS	$ 0.38	$ (0.04)	$ (0.38)	$ 0.03	$ 0.13	$ (0.04)	$ (0.29)	$ (0.06)
Operating income	41,769	26,557	5,591	8,364	8,210	9,589	12,355	11,176
Net income (loss)	17,463	(1,640)	(15,628)	1,358	5,688	(1,387)	(12,037)	(2,711)
EBITDA	43,017	28,989	1,546	12,190	16,748	12,744	13,724	14,873
Adjusted EBITDA	57,033	36,231	20,367	19,176	18,968	17,134	20,691	19,555
Adjusted EBITDA Margin	27.7%	23.4%	16.9%	15.7%	16.5%	14.1%	15.3%	17.6%
Adjusted net income attributable to common shareholders [(1)]	$ 23,705	$ 14,857	$ 4,735	$ 5,982	$ 8,739	$ 6,418	$ 1,722	$ 5,909

(1) Prior period amounts have been revised; refer to *Section 9.2 Reconciliation of Net Income to Adjusted Net Income* for further information.

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.

	Six Months Ended June 30,	
Cash flow:	**2026**	**2025**
Cash used in operating activities	$ (49,645)	$ (22,848)
Cash (used in) provided by investing activities	(16,024)	4,677
Cash provided by financing activities	125,900	5,766

Working capital - as at	**June 30, 2026**	**December 31, 2025**
Cash and cash equivalents	$ 96,224	$ 38,360
Total current assets	535,417	363,217
Current portion of long-term debt	10,832	9,343
Total current liabilities	259,641	198,138

As at June 30, 2026, Neo had cash and cash equivalents of $96.2 million, compared to $38.4 million as at December 31, 2025. For the six months ended June 30, 2026, Neo paid $7.1 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, 2025 were the following:

Inflows

- $71.6 million from operations before net change in working capital, income taxes paid and interest paid;
- $78.9 million proceeds from bought deal treasury offering of common shares in May 2026; and
- $77.3 million from draws on bank and debt facilities.

Outflows

- $99.8 million of net increase in non-cash working capital;
- $8.3 million related to the final settlement in January 2026 of legacy patent litigation;
- $16.6 million of capital spending;
- $18.8 million of income taxes paid; and
- $7.1 million of dividends paid to shareholders.

Cash Used In Operating Activities

Cash used in operating activities was $49.6 million for the six months ended June 30, 2026, compared to cash used of $22.8 million for the six months ended June 30, 2025.

The $99.8 million net change in working capital for the six months ended June 30, 2026, was primarily due to higher accounts receivable due to increased revenue in the quarter, higher inventory as the business held strategic inventory in select jurisdictions given geopolitical uncertainties, purchased additional hafnium scrap

material given supportive market conditions, and built up inventory at the new European Permanent Magnet facility ahead of commercial production.

Cash (Used In) Provided By Investing Activities

Cash used in investing activities was $16.0 million for the six months ended June 30, 2026, compared to cash provided of $4.7 million for the six months ended June 30, 2025, which included proceeds from the sale of two facilities. The cash used in 2026 was primarily related to $10.1 million of capital expenditure for the European Permanent Magnet facility, and the heavy rare earth pilot line at Silmet, as well as capital projects performed at other facilities.

Cash Provided By Financing Activities

Cash provided by financing activities was $125.9 million for the six months ended June 30, 2026, compared to cash provided of $5.8 million for the six months ended June 30, 2025, primarily due to draws on a new term loan for the NAMCO facility in 2026 as well as shorter-term bank advances used by certain other subsidiaries. During the six months ended June 30, 2026, Neo received net proceeds of $78.9 million from a bought deal treasury offering of common shares (gross proceeds of $83.3 million, before transaction costs of $4.4 million), and distributed $7.1 million in dividends to shareholders.

Neo's foreign operating subsidiaries held $1.9 million of cash on hand relating 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 and Germany, borrowings under bank loans. From time to time, the sources of liquidity for Neo's operating subsidiaries may be supplemented by intercompany loans in the form of unsecured promissory notes. Neo's operating subsidiaries' liquidity is generally used to fund their working capital requirements, investments, capital expenditures and third-party debt service requirements.

As at June 30, 2026, Neo's only off-balance sheet arrangements were purchase obligations for the procurement of equipment and materials within the normal course of operations (see *Section 13. Contractual Obligations*).

12.2 Outstanding Shares

Class of Equity Security	**Total Outstanding as at June 30, 2026**
Common Shares	46,081,263
Stock Options [(1)]	1,736,579
Equity-settled Restricted Share Units (time- and performance vested)	893,759

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

The number of common shares outstanding as at August 10, 2026 is 46,197,570.

During the six months ended June 30, 2026, Neo granted 39,505 equity-settled RSUs, 98,750 equity-settled PSUs, 47,915 cash-settled RSUs and 47,915 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 its notice of intention to make a normal course issuer bid ("**NCIB**") for up to 3,297,296 of its issued and outstanding common shares. In connection with the NCIB, Neo entered into an automatic share purchase plan with its designated broker. The NCIB expired on June 10, 2026. During the term of the NCIB, Neo repurchased and cancelled 386,068 common shares for $4.0 million. No common shares were repurchased under the NCIB during 2026.

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	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Short-term debt	$ 43,146	$ —	$ —	$ —	$ 43,146
Accounts payable and other accrued charges	$ 98,792	$ —	$ —	$ —	$ 98,792
Derivative liabilities [(1)]	85,630	—	1,095	—	86,725
EDC term loans scheduled payments [(2)]	15,991	51,457	35,660	—	103,108
HSBC credit facility scheduled payments [(3)]	2,215	10,537	15,300		$ 28,052
Lease obligations [(4)]	1,302	2,088	844	1,926	6,160
Other liabilities	434	76	53	290	853
Contractual commitments	19,313	292	—	—	19,605
Total	**$ 266,823**	**$ 64,450**	**$ 52,952**	**$ 2,216**	**$ 386,441**

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

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

(3) Represents the principal and interest payments for the HSBC credit facility.

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

As at June 30, 2026, Neo had $96.2 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. BUSINESS RISKS AND UNCERTAINTIES

Neo's risk factors are substantially unchanged from and should be read in conjunction with Neo's MD&A for the year ended December 31, 2025 and Neo's most recent AIF. Refer to *Section 8. Impact of Geopolitical and Trade Developments* for further discussion on Neo's risk factors regarding geopolitical changes throughout the period.

15. 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. While Neo currently has no material litigation outstanding following the settlement of legacy matters during the first quarter of 2026, the Company generally believes it has meritorious defences to claims that may be brought against it, and has historically pursued the defence of such actions, including initiating legal proceedings to revoke or invalidate the patents Neo is alleged to have infringed.

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 future claims 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.

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 six months ended June 30, 2026, no penalties or sanctions were imposed against Neo by a court relating to Canadian provincial and territorial securities legislation or by a securities regulatory authority.

16. RELATED PARTY TRANSACTIONS

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

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

A summary of transactions with associates, with joint venture partners and any other related parties can be found in Note 17 to Neo’s interim condensed consolidated financial statements for the three and six months ended June 30, 2026.

17. RECENT ACCOUNTING PRONOUNCEMENTS

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Neo’s consolidated financial statements. As at June 30, 2026, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Neo’s consolidated financial statements beyond those described in Note 2.3 of the interim condensed consolidated financial statements for the three and six months ended June 30, 2026.

18. INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures

Neo's Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”) are responsible for establishing and maintaining disclosure controls and procedures (“**DC&P**”) for Neo. Neo maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO evaluated the design and operating effectiveness of Neo's DC&P as of December 31, 2025 and based on the evaluation, the CEO and CFO have concluded that Neo’s DC&P were effective. There have been no changes in Neo’s DC&P during the six months ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, Neo’s financial reporting.

Internal controls over financial reporting

Neo's internal controls over financial reporting (“**ICFR**”) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 consolidated 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 consolidated 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. There have been no changes in Neo’s ICFR during the six months ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, Neo’s financial reporting.