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Neo Performance Materials Inc.

Consolidated Financial Statements

FOR THE THREE MONTHS ENDED MARCH 31, 2026

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NEO PERFORMANCE MATERIALS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2026

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited; In thousands of United States dollars	March 31, 2026	December 31 2025
ASSETS		
Cash and cash equivalents	$ 41,714	$ 38,360
Accounts receivable	113,962	93,186
Inventories (Note 5)	234,594	205,405
Income taxes receivable	2,085	2,196
Other current assets (Note 6)	21,881	24,070
Total current assets	**414,236**	**363,217**
Property, plant and equipment (Note 3)	199,284	198,440
Intangible assets	30,273	30,857
Goodwill	66,459	65,857
Equity method investments (Note 4)	16,872	17,116
Other investments (Note 7)	3,361	3,496
Deferred tax assets	2,382	2,799
Other non-current assets	5,428	3,105
Total non-current assets	**324,059**	**321,670**
Total assets	**$ 738,295**	**$ 684,887**
LIABILITIES AND EQUITY		
Short-term debt (Note 8)	$ 40,959	$ 12,949
Accounts payable and other accrued charges	86,928	95,844
Income taxes payable	7,795	15,120
Provisions	3,461	3,470
Lease obligations	954	564
Derivative liability (Note 7)	78,180	60,596
Current portion of long-term debt (Note 8)	10,811	9,343
Other current liabilities (Note 7)	6,849	252
Total current liabilities	**235,937**	**198,138**
Long-term debt (Note 8)	102,480	79,512
Derivative liability (Note 7)	1,177	1,407
Provisions	2,350	2,392
Deferred tax liabilities	9,979	9,405
Lease obligations	4,050	3,170
Other non-current liabilities	403	395
Total non-current liabilities	**120,439**	**96,281**
Total liabilities	**356,376**	**294,419**
Non-controlling interest	472	464
Equity attributable to common shareholders	381,447	390,004
Total equity	**381,919**	**390,468**
Total liabilities and equity	**$ 738,295**	**$ 684,887**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Unaudited; In thousands of United States dollars, except per share information	March 31, 2026	March 31, 2025
Revenue	$ 154,962	$ 121,610
Cost of sales		
Cost excluding depreciation and amortization	102,545	88,881
Depreciation and amortization	1,991	1,921
Gross profit	50,426	30,808
Expenses		
Selling, general and administrative	15,606	15,308
Share-based compensation (Note 13)	3,321	936
Depreciation and amortization	1,807	1,781
Research and development	3,135	3,194
Total expenses	23,869	21,219
Operating income	**26,557**	**9,589**
Other income (expense)	308	(4,712)
Finance costs, net (Note 14)	(18,590)	(6,073)
Foreign exchange (loss) gain	(1,615)	3,785
Income from operations before income taxes and equity income of associates	6,660	2,589
Income tax expense (Note 15)	(8,241)	(4,356)
Loss from operations before equity (loss) income of associates	(1,581)	(1,767)
Equity (loss) income of associates (net of tax) (Note 4)	(59)	380
Net loss	**(1,640)**	**(1,387)**
Attributable to:		
Common shareholders	(1,648)	(1,480)
Non-controlling interest	8	93
	$ (1,640)	**$ (1,387)**
Loss per share attributable to common shareholders:		
Basic (Note 12)	$ (0.04)	$ (0.04)
Diluted (Note 12)	$ (0.04)	$ (0.04)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited; In thousands of United States dollars	Three Months Ended	
	2026	**2025**
Net loss	$ (1,640)	$ (1,387)
Other comprehensive income (loss):		
Item that will not be reclassified subsequently to profit or loss:		
Defined benefit pension plan actuarial gain (net of tax: 2026 — $nil; 2025 — $49)	—	136
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation adjustment	479	773
Other comprehensive income	**479**	**909**
Total comprehensive loss	**$ (1,161)**	**$ (478)**
Attributable to:		
Common shareholders	(1,169)	(571)
Non-controlling interest	8	93
Total comprehensive loss	**$ (1,161)**	**$ (478)**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited; In thousands of United States dollars	Three Months Ended March 31, 2026	2025
Operating activities		
Net loss	$ (1,640)	$ (1,387)
Add (deduct) items not affecting cash:		
Depreciation and amortization	3,798	3,702
Share-based compensation (Note 13)	3,321	936
Provisions released	—	(725)
Finance costs, net (Note 14)	18,590	6,073
Equity loss (income) of associates, net of income tax (Note 4)	59	(380)
Loss on sale of subsidiaries	—	5,927
Income tax expense (Note 15)	8,241	4,356
Foreign exchange loss (gain)	506	(3,373)
Other	1,679	404
Net change in non-cash working capital balances related to operations (Note 10)	(47,676)	(14,533)
Payments made to settle provisions	(8,313)	(12,522)
Share-based compensation paid	(912)	—
Income taxes paid, net	(14,576)	(5,206)
Interest paid, net	(1,369)	(948)
Cash used in operating activities	**(38,292)**	**(17,676)**
Investing activities		
Cash spent on property, plant and equipment and intangible assets	(7,433)	(11,428)
Proceeds from sale of subsidiaries, net	—	25,655
Other investment activities	—	(212)
Cash (used in) provided by investing activities	**(7,433)**	**14,015**
Financing activities		
Repayment of short-term debt (Note 8)	(6,119)	—
Proceeds from short-term debt (Note 8)	34,161	—
Dividends paid to common shareholders	(3,261)	(2,921)
Proceeds from long-term debt (Note 8)	24,607	—
Dividends paid to non-controlling interest (Note 14)	—	(7,343)
Lease payments	(268)	(286)
Cash provided by (used in) financing activities	**49,120**	**(10,550)**
Effect of exchange rate changes on cash and cash equivalents	(41)	974
Cash provided (used) during the period	**3,354**	**(13,237)**
Cash and cash equivalents, beginning of the year	38,360	90,566
Cash and cash equivalents, end of period	**$ 41,714**	**$ 77,329**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited; In thousands of United States dollars, except share information	Share Capital				Other Comprehensive Income			Total		
	Common Share									
	Number	Amount	Retained Deficit	Contributed Surplus	Currency Translation Adjustment	Pension Plan Actuarial Gains, net of tax	Accumulated Other Comprehensive Loss	Equity Attributable to Common Shareholders	Non-Controlling Interest	Equity
Balance - January 1, 2026	**41,598,853**	**$ 42**	**$ (76,085)**	**$ 473,690**	**$ (9,825)**	**$ 2,182**	**$ (7,643)**	**$ 390,004**	**$ 464**	**$ 390,468**
Net loss	—	—	(1,648)	—	—	—	—	(1,648)	8	(1,640)
Other comprehensive income	—	—	—	—	479	—	479	479	—	479
Total comprehensive income (loss)	—	—	(1,648)	—	479	—	479	(1,169)	8	(1,161)
Share-based compensation	—	—	—	957	—	—	—	957	—	957
Dividends declared to common shareholders	—	—	(3,380)	—	—	—	—	(3,380)	—	(3,380)
Issuance of common shares on exercise of share-based awards	342,221	—	—	(4,965)	—	—	—	(4,965)	—	(4,965)
	342,221	—	(3,380)	(4,008)	—	—	—	(7,388)	—	(7,388)
Balance - March 31, 2026	**41,941,074**	**42**	**(81,113)**	**469,682**	**(9,346)**	**2,182**	**(7,164)**	**381,447**	**472**	**381,919**

Balance - January 1, 2025	**41,771,464**	**$ 42**	**$ (53,887)**	**$ 472,992**	**$ (18,837)**	**$ 1,858**	**$ (16,979)**	**$ 402,168**	**$ 2,714**	**$ 404,882**
Net loss	—	—	(1,480)	—	—	—	—	(1,480)	93	(1,387)
Other comprehensive income (loss)	—	—	—	—	773	136	909	909	—	909
Total comprehensive (loss) income	—	—	(1,480)	—	773	136	909	(571)	93	(478)
Non-controlling interest of the subsidiary sold	—	—	—	—	4,802	—	4,802	4,802	(2,213)	2,589
Share-based compensation	—	—	—	520	—	—	—	520	—	520
Dividends declared to common shareholders	—	—	(2,948)	—	—	—	—	(2,948)	—	(2,948)
Issuance of common shares on exercise of share-based awards	52,851	—	—	(308)	—	—	—	(308)	—	(308)
	52,851	—	(2,948)	212	4,802	—	4,802	2,066	(2,213)	(147)
Balance - March 31, 2025	**41,824,315**	**42**	**(58,315)**	**473,204**	**(13,262)**	**1,994**	**(11,268)**	**403,663**	**594**	**404,257**

(Unaudited - tabular figures in thousands of United States dollars, unless otherwise stated)

1. Nature Of Operations

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.

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. The Company produces advanced industrial materials, rare earth magnetic powders and magnets, specialty chemicals, metals, and alloys.

As at March 31, 2026, Neo has 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.

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

Magnequench

Neo's Magnequench ("MQ") segment manufactures neodymium-iron-boron ("**NdFeB**") bonded powders, bonded permanent magnets, and sintered permanent magnets used in automotive, industrial, and electronic applications. Production facilities are located in Korat, Thailand; Chuzhou and Tianjin, China; and in the United Kingdom. The segment also includes a new sintered permanent magnet manufacturing facility in Narva, Estonia.

C&O

Neo's Chemicals & Oxides ("**C&O**") segment produces rare earth–based industrial materials, including mixed oxides used in emission catalysts, separated rare earth products, and rare earth–based materials used in water treatment applications. Operations include a manufacturing facility in China and facilities in Sillamäe, Estonia (the "**Silmet facility**"), which is shared with the Rare Metals segment. Two facilities in China were sold in March 2025 with Neo retaining a minority interests.

Rare Metals

Neo's Rare Metals ("**RM**") segment sources, reclaims, produces, refines and markets specialty metals and related compounds, including tantalum, niobium, hafnium, rhenium, gallium and indium. These products are used in aerospace, electronics, industrial and energy applications. The segment operates facilities in Sillamäe, Estonia Peterborough, Canada, and Sagard, Germany (Buss & Buss Spezialmetalle GmbH).

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.

2. Summary Of Material Accounting Policies

2.1. Basis Of Preparation And Statement Of Compliance

These interim condensed consolidated financial statements ("**Consolidated Financial Statements**") have been prepared in accordance with IAS 34, Interim Financial Reporting ("**IAS 34**"), as issued by the International Accounting Standards Board ("**IASB**") that are in effect at the end of the reporting period March 31, 2026 and are presented in thousands of United States dollars, unless otherwise indicated. These interim condensed consolidated financial statements do not include all the disclosures required by IFRS Accounting Standards as issued by the IASB for annual financial statements and should be read in conjunction with Neo's audited annual financial statements and accompanying notes for the year ended December 31, 2025. The material accounting policies disclosed in Note 2 of Neo's audited annual financial statements for the year ended December 31, 2025 have been applied consistently in the preparation of these interim condensed consolidated financial statements, other than for the additional policies noted below. Certain prior period disclosures have been restated for consistency with the current presentation.

These consolidated financial statements were approved and authorized for issuance by Neo's Board of Directors (the "**Board**") on May 11, 2026.

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. Certain prior period amounts may have been reclassified to conform to the current period presentation. Such reclassifications did not affect results of operations.

2.2 Significant Management Judgments In Applying Accounting Policies, Estimates And Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant management judgments in applying accounting policies, estimates and assumptions disclosed in Neo's audited annual financial statements for the year ended December 31, 2025 have been applied consistently in the preparation of these consolidated financial statements.

2.3 New Standards Or Amendments And Forthcoming Requirements

Neo adopted the following amendments to accounting standards effective January 1, 2026:

- **Classification and Measurement of Financial Instruments** – Amendments to IFRS 9 and IFRS 7 – These amendments include guidance on the classification of financial assets, particularly those with contingent features that are not related directly to a change in basic lending risks or costs, as well as require companies to provide additional disclosures on financial assets and financial liabilities with such contingent features. Other amendments address electronic payments by allowing companies to derecognize financial liabilities before the formal settlement date when using electronic systems. The amendments did not have a material impact on Neo's interim condensed consolidated financial statements.
- **Annual Improvements to IFRS Accounting Standards – Volume 11** – This volume amends IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. Other amendments state that when lease liabilities are derecognized under IFRS 9, the difference between the carrying amount and the consideration paid is recognized in profit or loss. The amendments did not have a material impact on Neo's interim condensed consolidated financial statements.

The following accounting standard will be adopted by Neo effective January 1, 2027:

- **IFRS 18 Presentation and Disclosure in Financial Statements** – IFRS 18 replaces IAS 1 and introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies:
  - defined categories for income and expenses in the statement of profit or loss (operating, investing and financing), together with new required subtotals, including operating profit;
  - enhanced disclosure requirements for management-defined performance measures related to the statement of profit or loss; and
  - additional guidance on the grouping and disaggregation of information in the primary financial statements and notes.

  Neo remains in the process of reviewing the potential impact of IFRS 18 on the consolidated financial statements.

Neo has not early adopted any standard, interpretation or amendment issued but not yet effective as of March 31, 2026.

3. Property, Plant And Equipment ("PP&E")

	Land	Building & improvements	Machinery & Equipment	Right-of-use Assets	Office equipment	Construction in Progress (net of transfer)	Total
As at January 1, 2026							
Cost	$ 10,028	$ 49,728	$ 131,346	$ 14,670	$ 8,011	$ 75,957	$ 289,740
Accumulated depreciation	—	(15,365)	(64,634)	(6,597)	(4,704)	—	(91,300)
Opening net book value as at January 1, 2026	**$ 10,028**	**$ 34,363**	**$ 66,712**	**$ 8,073**	**$ 3,307**	**$ 75,957**	**$ 198,440**
Additions of PP&E [(1)]	—	—	370	—	85	2,657	3,112
Additions of right-of-use assets	—	—	—	1,750	—	—	1,750
Derecognitions and disposals, net of cost and accumulated depreciation	—	—	(11)	(158)	(143)	—	(312)
Transfers within PP&E	—	225	942	—	(403)	(764)	—
Currency translation adjustments	(9)	89	159	5	3	(1,248)	(1,001)
Depreciation expense	—	(372)	(1,927)	(302)	(104)	—	(2,705)
Closing net book value as at March 31, 2026	**$ 10,019**	**$ 34,305**	**$ 66,245**	**$ 9,368**	**$ 2,745**	**$ 76,602**	**$ 199,284**
Comprised of:							
Cost	$ 10,019	$ 50,112	$ 132,376	$ 15,987	$ 7,449	$ 76,602	$ 292,545
Accumulated depreciation	—	(15,807)	(66,131)	(6,619)	(4,704)	—	(93,261)

(1) For the three months ended March 31, 2026, $1.0 million (2025: $3.2 million) in interest expense relating to the Export Development Canada ("**EDC**") loans was capitalized in Construction in Progress (see Note 8).

(2) Prepayments for PP&E are included in "Other non-current assets" in the interim condensed consolidated statement of financial position.

	Land	Building & improvements	Machinery & Equipment	Right-of-use Assets	Office equipment	Construction in Progress (net of transfer)	Total
As at January 1, 2025							
Cost	$ 9,969	$ 48,175	$ 131,109	15,166	$ 7,245	$ 53,604	$ 265,268
Accumulated depreciation	—	(14,254)	(61,488)	(6,036)	(4,565)	—	(86,343)
Opening net book value as at January 1, 2025	**$ 9,969**	**$ 33,921**	**$ 69,621**	**$ 9,130**	**$ 2,680**	**$ 53,604**	**$ 178,925**
Additions of PP&E	—	221	925	—	700	20,907	22,753
Additions of right-of-use assets	—	—	—	510	—	—	510
Write-offs, net of cost and accumulated depreciation	—	—	(333)	(190)	(28)	(203)	(754)
Transfers	—	1,354	3,521	—	374	(5,249)	—
Impairments (Reversal of impairments)	59	287	474	16	21	6,898	7,755
Depreciation expense	—	(1,420)	(7,496)	(1,393)	(440)	—	(10,749)
Closing net book value as at December 31, 2025	**$ 10,028**	**$ 34,363**	**$ 66,712**	**$ 8,073**	**$ 3,307**	**$ 75,957**	**$ 198,440**
Comprised of:							
Cost	$ 10,028	$ 49,728	$ 131,346	$ 14,670	$ 8,011	$ 75,957	$ 289,740
Accumulated depreciation	—	(15,365)	(64,634)	(6,597)	(4,704)	—	(91,300)

4. Investments

4.1 Investments In Associates

Neo holds a 33% investment in Toda Magnequench Magnetic Materials Co. Ltd. ("**TMT**"), located in China, which produces rare earth magnetic compounds with Magnequench Powders supplied by MQTJ in its normal course of business.

Neo holds a 25% ownership interest in Ganzhou Keli Rare Earth New Material Co., Ltd. ("**Keli**"), located in China, a company which converts rare earth oxides into metals for use in Magnequench Powders.

Neo holds a 20% ownership interest in GQD Special Materials (Thailand) Co., Ltd. ("**GQD**"), located in Thailand, a company which converts rare earth oxides into metals for use in Magnequench Powders.

Neo holds a 43.7% ownership interest in Neo North Star Resources Inc. ("**NNSR**"), located in the United States, a special-purpose entity ("**SPE**") established to fund an exploration project in southwest Greenland.

There were no changes in ownership interest in any of the associates for the three months ended March 31, 2026.

4.2 Summary Of Equity Method Investments

Aggregate financial information of these equity accounted associates for the periods ended and as at March 31, 2026 and December 31, 2025 is presented below.

		TMT		Keli		GQD		NNSR		Total
Carrying value at January 1, 2026		2,869		8,363		3,448		2,436		17,116
Share of results in associates		128		(360)		196		(22)		(58)
Unrealized profit from sales to associates		(186)		—		—		—		(186)
Carrying value at March 31, 2026	**$**	**2,811**	**$**	**8,003**	**$**	**3,644**	**$**	**2,414**	**$**	**16,872**
Carrying value at January 1, 2025	$	2,703	$	7,741	$	3,293	$	2,593	$	16,330
Share of results in associates		194		622		155		(157)		814
Unrealized profit from sales to associates		(28)		—		—		—		(28)
Carrying value at December 31, 2025	**$**	**2,869**	**$**	**8,363**	**$**	**3,448**	**$**	**2,436**	**$**	**17,116**

4.3 Summary Of Other Investments

The following is a summary of Neo's other investments:

		March 31, 2026		December 31, 2025
Measured at fair value through other comprehensive income:				
Equity investments in private companies	$	3,040	$	3,040
Measured at fair value through profit or loss:				
Equity securities		321		456
Total	**$**	**3,361**	**$**	**3,496**

5. Inventories

Inventories, stated at the lower of weighted-average cost or net realizable value, consist of the following:

As at:		March 31, 2026		December 31 2025
Raw materials	$	138,145	$	104,950
Work-in-progress		22,786		17,749
Finished goods		66,169		76,330
Supplies		7,494		6,376
Total	**$**	**234,594**	**$**	**205,405**

The cost of finished goods manufactured includes appropriate materials, labour and production overhead expenditures.

For the three months ended March 31, 2026, a total of $101.8 million of inventories was included in the cost of sales compared to $331.7 million for the three months ended March 31, 2025. These include $0.4 million of reversal of provisions for inventories in the three months ended March 31, 2026 compared to a $1.9 million of reversal of provisions for inventories in the three months ended March 31, 2025.

6. Other Current Assets

Other current assets consist of the following:

	March 31, 2026	December 31 2025
Prepayments for inventory	$ 6,841	$ 7,999
Other prepaid expenses	3,674	4,173
Value-added tax receivable	6,272	8,634
Notes receivable	393	1,960
Recoverable tariffs	2,102	758
Others	2,599	546
Total	**$ 21,881**	**$ 24,070**

7. Financial Instruments

The carrying values presented in the interim condensed consolidated statements of financial position relate to the following categories of financial assets and liabilities:

Financial Assets as at:	March 31, 2026	December 31 2025
Fair value through other comprehensive income ("FVTOCI")		
Equity investments in private companies [1]	$ 3,040	$ 3,040
Fair value through profit or loss ("FVTPL")		
Equity securities [2]	$ 321	$ 456
Measured at amortized cost [3]		
Cash and cash equivalents:		
Cash	$ 41,714	$ 38,360
Accounts receivable	113,962	93,186
Notes receivable	$ 393	$ 1,960
Total measured at amortized cost	$ 156,069	$ 133,506
Total financial assets	**$ 159,430**	**$ 137,002**

Financial Liabilities as at:	March 31, 2026	December 31 2025
Fair value through profit or loss		
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$ 78,180	$ 60,596
Put option issued to non-controlling interest of SGTec (derivative liability)	1,177	1,407
	$ 79,357	$ 62,003
Measured at amortized cost [3]		
Current:		
Short-term debt (Note 8)	$ 40,959	$ 12,949
Accounts payable and other accrued charges	86,928	95,844
Current portion of long-term debt [4]	10,811	9,343
Lease obligations	954	564
Other current liabilities [5]	6,849	252
	$ 146,501	$ 118,952
Non-current:		
Long-term debt [6]	$ 102,480	$ 79,512
Lease obligations	4,050	3,170
Other non-current liabilities	403	395
	106,933	83,077
Total financial liabilities	**$ 332,791**	**$ 264,032**

(1) Equity investments in private companies represents Neo's retained interest in previously consolidated subsidiaries, and are re-measured each reporting period, with the change in fair value recorded in other comprehensive income.

(2) Equity securities are re-measured each reporting period, with the change in fair value recorded in finance costs.

(3) The carrying values of the financial instruments measured at amortized cost are a reasonable approximation of their fair value with the exception of the term loans, which have an amortized cost of $113.3 million and a fair value of $115.6 million as at March 31, 2026.

(4) Current portion of term loans. See Note 8.

(5) Includes $6.3 million advanced payments from a customer.

(6) Non-current portion of term loans. See Note 8.

7.1 Derivative Liabilities

As at March 31, 2026, Neo's derivative liabilities are comprised of put options issued to the non-controlling shareholders of two consolidated subsidiaries, Buss & Buss and SGTec, which are re-measured at each reporting date. In the case of Buss & Buss, in accordance with the terms of the put option contract, liability is re-measured based on 90% of the fair value of the subsidiary. This Level 3 fair value of the derivative is based on the best market information available to management, including assumptions regarding the forecasted pricing of the advanced industrial materials Buss & Buss produces.

For the three months ended March 31, 2026 the change in the fair value of the derivative liabilities was an increase of $17.4 million (see Note 14). For the three months ended March 31, 2025, the change in the fair value of the derivative liabilities was a decrease of $1.9 million.

7.2 Financial Assets And Liabilities Measured At Fair Value

The following table presents financial assets and liabilities measured at fair value in the interim condensed 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 financial assets and liabilities measured at fair value in the interim condensed consolidated statements of financial position as at March 31, 2026, are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3
Financial Assets:			
Equity securities	$ 321	$ —	$ —
Equity investments in private companies	—	—	3,040
Financial Liabilities:			
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$ —	$ —	$ 78,180
Put option issued to non-controlling interest of SGTec (derivative liability)	—	—	1,177

The two 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 for the key inputs used to estimate the fair value of the Buss & Buss derivative liability as at March 31, 2026 and December 31, 2025 and the resulting impact of those changes to the recorded amount for the derivative liability:

	March 31, 2026	December 31 2025
Terminal growth rate		
Effect of a 1% increase	$ 1,626	$ 1,989
Effect of a 1% decrease	(1,440)	(1,726)
Overall discount rate		
Effect of a 1% increase	(3,208)	(2,833)
Effect of a 1% decrease	3,555	3,215
Forecasted cash flows		
Effect of a 10% increase	8,981	6,215
Effect of a 10% decrease	(8,981)	(6,215)

There have been no transfers between levels for the period ended March 31, 2026.

For further discussion of financial liabilities measured at amortized cost specifically for bank advances and other debts, see Note 8.

8. Debts

Neo's short-term and long-term debts as at March 31, 2026 are summarized below in U.S. dollar equivalent as well as the comparative outstanding amount as at December 31, 2025:

	Facility Size	Outstanding Amount as at March 31, 2026	Repaid to Date (1)	Available Capacity	Maturity Date	Outstanding Amount as at December 31, 2025
Short-term debt						
HSBC China Overdraft facility (1)	$ 10,000	$ —	$ —	$ 10,000	N/A	$ —
HSBC China Revolving Loan facility (1)	20,000	15,079	—	4,900	N/A	7,746
German Line of Credit (1)	34,600	25,943	—	8,700	N/A	5,203
Long-term debt						
HSBC NAMCO Loan	$ 24,600	$ 24,600	$ —	$ —	Feb 2031	$ —
EDC NAMCO Loan (2)	50,000	40,000	10,000	—	Aug 2027	40,000
EDC PM Loan	50,000	50,000	—	—	Nov 2029	50,000
Total	**$ 189,200**	**$ 155,622**	**$ 10,000**	**$ 23,600**		**$ 102,949**
Deferred financing costs		**$ (1,372)**				**$ (1,145)**
Carrying value		**$ 154,250**				**$ 101,804**
Current portion		$ 51,770				$ 22,292
Non-current portion		102,480				79,512

(1) For the three months ended March 31, 2026, Neo borrowed $34.2 million from its short-term debt facilities and repaid $6.1 million.

(2) Principal repayments under the EDC term loans are not available for re-borrowing. Cumulative principal repayments as at March 31, 2026 was $10.0 million.

8.1 Chinese Debt Facilities

Magnequench (Tianjin) Co. Ltd., Magnequench International Trading (Tianjin) Co. Ltd., Magnequench Magnetics (Chu Zhou) Co. Ltd., and Neo Jia Hua Advanced Materials (Zibo) Co., Ltd. ("**NAMCO**"), each referred to as a ("**Borrower**") or collectively as ("**Chinese Subsidiaries**"), have an Overdraft Facility and a multiple currency Revolving Loan Facility with HSBC Bank (China) (collectively, the "**HSBC Facilities**"). These facilities may be drawn down to finance the working capital needs of the Chinese Subsidiaries.

In February 2026, NAMCO entered into a credit facility with HSBC Bank (China) providing for a Reminbi-denominated term loan of RMB 170 million ($24.6 million equivalent) (the "**HSBC NAMCO Loan**") maturing in 2031 bearing an interest rate equal to the five year loan prime rate published by the PRC National Interbank Funding Centre plus an applicable margin.

8.2 German Line Of Credit

Buss & Buss has a €30.0 million revolving line of credit, which can be drawn in either Euros or U.S. dollars. This temporary increase is in place until June 30, 2026, after which the limit reverts to €12.5 million.

8.3 Export Development Canada Term Loans

In 2022, Neo entered into a loan agreement with the EDC ("**EDC NAMCO Loan**") for a term loan of up to $75.0 million, to be advanced in tranches of $25.0 million, to finance Neo's NAMCO facility. Ultimately, Neo drew $50.0 million on the EDC NAMCO Loan, of which $10.0 million has been repaid as of March 31, 2026 ($5.0 million in 2024 and 2025, respectively).

In 2024, Neo entered into a second loan agreement with the EDC ("**EDC PM Loan**") for a term loan of up to $50.0 million, to support the construction and commissioning of the European Permanent Magnet facility.

Under both agreements (collectively, the "**EDC term loans**"), the outstanding principal amount carries an interest rate equal to the SOFR, as administered by the Federal Reserve Bank of New York, plus an applicable margin. The interest is payable every three months, commencing on the borrowing date of the loan agreement.

As at March 31, 2026, the carrying amount of the EDC term loans, measured at amortized cost, is $88.6 million (December 31, 2025 — $88.9 million), of which $9.2 million was classified as current (December 31, 2025 — $9.3 million).

The EDC term loans mature five years from the date of the respective loan agreement, August 16, 2027 and November 1, 2029, with 10% of the drawn amount due on the second, third, and fourth anniversary date of each agreement, with the balance due on the maturity date.

The loan agreements contain customary financial covenants based on debt service coverage ratio, leverage ratio and dividend-paying capacity, measured by rolling four-quarter EBITDA and cash flow metrics. There were no defaults of principal or interest payments and no breaches of the loan agreements during the period ended March 31, 2026. Neo is in compliance with all covenants in the loan agreements as at March 31, 2026.

9. Share Capital

	March 31, 2026	**December 31 2025**
Number of common shares authorized for issue:	Unlimited	Unlimited
Number of preference shares authorized for issue:	Unlimited	Unlimited
Total common shares issued and fully paid	41,941,074	41,598,853
Total treasury shares	—	—

None of Neo's shares are held by any subsidiary or associate.

Normal Course Issuer Bid ("NCIB")

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 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 are canceled. The NCIB terminates on June 10, 2026 and can be canceled at Neo's discretion prior to the termination date.

Since the initiation of the program in June 2025 and through to December 31, 2025, Neo repurchased and canceled 386,068 shares for $4.0 million. Neo did not repurchase any shares between January 1 and May 11, 2026.

Quarterly Dividend

On May 7, 2026, the Board of Directors declared a quarterly dividend of CAD $0.10 per common share payable in cash on June 29, 2026, to common shareholders of record at the close of business on June 19, 2026.

10. Supplemental Cash Flow Information

The net change in non-cash working capital balances related to operations consists of the following:

	March 31, 2026	March 31, 2025
(Increase) Decrease in assets:		
Accounts receivable	$ (21,396)	$ (9,981)
Inventories	(29,275)	(4,189)
Other assets	3,341	5,013
(Decrease) increase in liabilities:		
Accounts payable and other accrued charges	(6,735)	(5,689)
Other liabilities	6,389	313
Total net change	**$ (47,676)**	**$ (14,533)**

11. Operating Segments

The primary metric used to measure the financial performance of each operating segment is earnings before interest, taxes, depreciation and amortization ("**EBITDA**") before equity income (loss) in associates, other income (expense), foreign exchange (gain) loss, share-based compensation, impairment of assets, and other costs (recoveries) ("**Adjusted EBITDA**"). Both EBITDA and Adjusted EBITDA are non-IFRS financial measures which management believes provides it a better indication of the base-line performance of Neo's core business operations.

A comparative breakdown of business segment information is as follows:

For the three months ended March 31, 2026:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
External revenue	$ 64,732	$ 33,136	$ 57,094	$ —	$ 154,962	$ —	$ 154,962
Inter-segment revenue	—	46	—	—	46	(46)	—
Total revenue	**$ 64,732**	**$ 33,182**	**$ 57,094**	**$ —**	**$ 155,008**	**$ (46)**	**$ 154,962**
Net income (loss)	**$ 2,342**	**$ 4,107**	**$ (128)**	**$ (8,176)**	**$ (1,855)**	**$ 215**	**$ (1,640)**
Finance costs, net	(272)	381	19,033	(552)	18,590	—	18,590
Income tax expense (benefit)	1,634	491	6,244	(128)	8,241	—	8,241
Depreciation and amortization included in cost of sales	901	742	348	—	1,991	—	1,991
Depreciation and amortization included in operating expenses	1,347	281	111	68	1,807	—	1,807
EBITDA	**5,952**	**6,002**	**25,608**	**(8,788)**	**28,774**	**215**	**28,989**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 5,952	$ 6,002	$ 25,608	$ (8,788)	$ 28,774	$ 215	$ 28,989
Other expense (income)	(263)	(28)	(17)	—	(308)	—	(308)
Foreign exchange (gain) loss	203	1,349	(1,997)	2,060	1,615	—	1,615
Equity loss of associates	37	22	—	—	59	—	59
Share based compensation	757	317	263	1,984	3,321	—	3,321
Project start-up & transition costs (1)	2,555	—	—	—	2,555	—	2,555
Adjusted EBITDA (2)	**$ 9,241**	**$ 7,662**	**$ 23,857**	**$ (4,744)**	**$ 36,016**	**$ 215**	**$ 36,231**

(1) These represent primarily pre-operational personnel costs at the European Permanent Magnet facility. Neo has removed these charges to allow comparability with historical periods.

(2) Certain items are excluded from net income (loss) to determine Adjusted EBITDA. Adjusted EBITDA is used internally by the Chief Operating Decision Maker (CODM) when analyzing segment underlying performance.

For the three months ended March 31, 2025:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
External revenue	$ 44,273	$ 44,632	$ 32,705	$ —	$ 121,610	$ —	$ 121,610
Inter-segment revenue	—	2,868	—	—	2,868	(2,868)	—
Total revenue	**$ 44,273**	**$ 47,500**	**$ 32,705**	**$ —**	**$ 124,478**	**$ (2,868)**	**$ 121,610**
Net income (loss)	**$ 2,704**	**$ (2,377)**	**$ 1,744**	**$ (2,769)**	**$ (698)**	**$ (689)**	**$ (1,387)**
Finance cost (income), net	(91)	476	5,396	292	6,073	—	6,073
Income tax expense	1,311	1,611	1,432	2	4,356	—	4,356
Depreciation and amortization included in cost of sales	888	693	340	—	1,921	—	1,921
Depreciation and amortization included in operating expenses	1,333	289	79	80	1,781	—	1,781
EBITDA	**$ 6,145**	**$ 692**	**$ 8,991**	**$ (2,395)**	**$ 13,433**	**$ (689)**	**$ 12,744**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 6,145	$ 692	$ 8,991	$ (2,395)	$ 13,433	$ (689)	$ 12,744
Other (income) expense	(247)	4,997	(38)	—	4,712	—	4,712
Foreign exchange loss (gain)	(1,413)	1,030	(384)	(3,018)	(3,785)	—	(3,785)
Equity loss of associates	(371)	(9)	—	—	(380)	—	(380)
Share based compensation	248	132	71	485	936	—	936
(Recovery) impairment of assets	—	—	—	—	—	—	—
Project start-up & transition costs (1)	2,295	—	—	612	2,907	—	2,907
Adjusted EBITDA	**$ 6,657**	**$ 6,842**	**$ 8,640**	**$ (4,316)**	**$ 17,823**	**$ (689)**	**$ 17,134**

(1) These represent primarily pre-operational personnel costs at the European Permanent Magnet facility. Neo has removed these charges to allow comparability with historical periods.

As at March 31, 2026:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
Total assets	$ 381,560	$ 160,763	$ 189,954	$ 6,320	$ 738,597	$ (302)	$ 738,295
Investments	14,458	5,454	—	321	20,233	—	20,233
Total liabilities	$ (62,709)	$ (72,867)	$ (114,004)	$ (106,796)	$ (356,376)	$ —	$ (356,376)

As at December 31, 2025:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
Total assets	$ 364,200	$ 154,947	$ 160,805	$ 5,453	$ 685,405	$ (518)	$ 684,887
Investments	14,680	5,476	—	456	20,612	—	20,612
Total liabilities	$ (56,268)	$ (39,734)	$ (94,828)	$ (103,589)	$ (294,419)	$ —	$ (294,419)

The geographic distribution of Neo's revenue based on the location of its customers is summarized as follows:

Revenue	Three Months Ended March 31,	
	2026	2025
Asia:		
China	$ 30,810	$ 28,676
Japan	23,673	21,725
Thailand	4,542	3,766
South Korea	3,138	1,243
North America	57,209	37,142
Europe	28,807	23,843
Other	6,783	5,700
Total	**$ 154,962**	**$ 122,095**

For the three months ended March 31, 2026, revenue from two significant customers accounted for $41.9 million of Neo's total revenue. Neo defines significant customers as those that generate 10% or more of consolidated revenue in the period. Neo did not have a significant customer for the three months ended March 31, 2025.

12. Per Share Information

12.1 Weighted-average Number Of Common Shares - Basic And Diluted

The weighted average number of shares outstanding is calculated as follows:

	Three Months Ended March 31,	
	2026	2025
Common shares outstanding at beginning of the period	41,598,853	41,771,464
Weighted average impact of:		
Issuance of common shares	6,895	1,762
Repurchase and cancellation of common shares under the NCIB	—	—
Weighted average number of common shares for the period - basic and diluted	**41,605,748**	**41,773,226**

For the three months ended March 31, 2026 and 2025, all stock options, equity-settled RSUs and equity-settled PSUs were excluded from the calculation of diluted earnings per share, as their effect would have been anti-dilutive.

12.2 Loss Per Share

The calculation of basic and diluted loss per share was based on net loss attributable to common shareholders for the three months ended March 31, 2026 and March 31, 2025.

	March 31,	
	2026	2025
Loss attributable to common shareholders	$ (1,648)	$ (1,480)
Loss per share - basic and diluted	$ (0.04)	$ (0.04)

13. Share-based Compensation

During the three months ended March 31, 2026, Neo granted awards under its omnibus long-term incentive plan (the "**LTIP**") as set out below:

Equity-settled share-based compensation	Options	Weighted-average exercise price - Options	RSUs	PSUs
Outstanding, January 1, 2026	1,928,954	$ 7.99	358,597	804,137
Granted	117,795	$ 15.93	39,505	98,750
Exercised	(168,004)	$ 9.37	(81,773)	(249,342)
Outstanding, March 31, 2026	1,878,745	8.37	316,329	653,545
Exercisable, March 31, 2026	1,426,957	$ 8.48	$ —	$ —
Weighted average remaining contractual life, March 31, 2026	3.6 years		2.0 years	1.6 years

Cash-settled share-based compensation	RSUs	PSUs	DSUs
Outstanding, January 1, 2026	239,600	344,223	187,106
Granted	47,915	47,915	—
Exercised	(81,917)	(96,178)	(18,210)
Expired/Forfeited	(8,096)	(11,535)	—
Outstanding, March 31, 2026	197,502	284,425	168,896
Weighted average remaining contractual life, March 31, 2026	2.0 years	1.7 years	—

The following table summarizes inputs used in the calculation of the grant date fair values for each of the share units issued under the LTIP during 2026 and 2025:

	Options	RSUs	PSUs
Key assumptions used for 2026 grants:			
Weighted average grant date fair value (per award)	$ 7.51	$ 15.93	$ 15.93
Dividend yield	50.0 %	— %	— %
Expected volatility	52.8 %	— %	— %
Risk-free interest rate	3.9 %	— %	— %
Exercise price	$ 15.93	$ —	$ —
Forfeiture rate	— %	— %	— %
Fair value of share-based compensation at grant date	$ 885	$ 1,393	$ 2,336

	RSUs	PSUs	DSUs
Key assumptions used for 2025 grants:			
Weighted average grant date fair value (per unit)	$ 6.41	$ 5.31	$ 10.27
Fair value of share-based compensation at grant date	$ 2,198,342	$ 4,363,546	$ 460,004

The following table shows the share-based compensation expense recorded in the interim condensed consolidated statements of profit or loss during the three months ended March 31, 2026 and March 31, 2025:

	Three Months Ended March 31,	
	2026	2025
Options	$ 98	$ 246
RSUs	1,342	443
PSUs	1,157	161
DSUs	724	86
Total	**$ 3,321**	**$ 936**

14. Finance Costs

Neo's finance costs primarily consist of interest earned on bank deposits, interest paid on long-term debt, changes in the fair value of its financial assets and liabilities, and dividends paid to non-controlling interests, net of any interest earned.

For the three months ended March 31, 2026, Buss & Buss did not declare any dividends to its shareholders. For the three months ended March 31, 2025, Buss & Buss declared and paid $14.7 million (€13.6 million) of dividends, of which $7.3 million have been recorded as finance costs for the three months ended March 31, 2025.

The following table shows the breakdown of net finance costs as presented in the interim condensed consolidated statements of profit or loss:

	Three Months Ended March 31,	
	2026	2025
Dividends paid to non-controlling interest (Note 7)	$ —	$ 7,343
Change in fair value of derivative liabilities (Note 7)	17,376	(1,865)
Interest expense on debts	802	491
Interest earned on deposits, net of interest paid on bank advances and other	412	104
Total	**$ 18,590**	**$ 6,073**

15. Income Tax

The 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, in jurisdictions with tax holidays and tax incentives, and in jurisdictions for which no deferred tax assets have been recognized because management believes it is not probable that future taxable profit will 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 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.

For the three months ended March 31, 2026, Neo recorded an income tax expense of $8.2 million that was unfavourably impacted by $2.3 million due to losses and temporary differences for which there are no recognized tax benefits, $5.0 million due to non-deductible finance costs and $0.8 million due to foreign exchange rate fluctuations on certain non-monetary assets. Non-deductible finance costs primarily comprise of the re-measurement of derivative liabilities.

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

16. Directors And Key Management Compensation

Neo's key management personnel consist of persons having authority and responsibility for planning, directing and controlling the activities of Neo, directly or indirectly. Key management personnel include Neo's executive officers, vice-presidents and members of its board of directors. Neo's key management compensation expenses include short-term compensation and share-based compensation expenses.

Neo's short-term compensation expenses are as follows:

	Three Months Ended March 31,	
	2026	**2025**
Directors	$ 235	$ 205
Key Executive Management	1,404	1,167
Total	**$ 1,639**	**$ 1,372**

Neo's share-based compensation expenses are as follows:

	Three Months Ended March 31,	
	2026	**2025**
Directors	647	86
Key Executive Management	957	499
Total	**$ 1,604**	**$ 585**

For the three months ended March 31, 2026, post-retirement benefits paid to key management personnel totaled $0.9 million (2025 — $nil) primarily related to the settlement of DSUs.

17. Related Party Transactions

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

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

17.1 Transactions With Associates

On occasion, MQTJ will supply Magnequench Powders to TMT to produce rare earth magnetic compounds. MQTJ will then purchase these compounds back from TMT in its normal course of business. MQTJ purchases rare earth metals from Keli and GQD processes rare earth oxides into metals for MQTJ for inclusion in Magnequench Powders.

Transactions between Neo and its associates are summarized in the table below:

	March 31,	
	2026	**2025**
Purchase of goods and services from associates:		
TMT	$ 507	$ 326
Keli	2,072	3,388
GQD	216	2,126
Sales of goods to associates:		
TMT	3,033	588

17.2 Transactions With Joint Venture Partners

Neo also has occasionally purchased and sold products from and to Ganzhou Qian Dong Rare Earth Group Co. Ltd. (“**Qian Dong**”) and Toda Kogyo Corp. (“**Toda”**). Transactions between Neo and its joint venture partners are summarized in the table below:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Sale of goods to Toda	$ 186	$ 531
Purchase of goods from Qian Dong	1,377	—

Transactions between Neo and its related parties are summarized in the table below:

	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
Sale of goods to related parties	$ 3,219	$ 1,119
Purchase of goods and services from related parties	4,172	5,840

As at:	March 31, 2026	December 31 2025
Trade balances:		
From related parties	$ 1,686	$ 525
Due to related parties	(1,949)	(421)
Total	**$ (263)**	**$ 104**