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Neo Performance Materials Inc.

Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED
MARCH 31, 2026




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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 May 11, 2026, relates to the financial condition and results of operations of Neo together with its subsidiaries, as at March 31, 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 months ended March 31, 2026 and the notes thereto (collectively, the “**financial statements**”). Readers are cautioned that the MD&A contains forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Statement on Forward-Looking Information below and to consult Neo's 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 May 11, 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 in C&O, relative stability in rare earth pricing, continued strong hafnium demand alongside elevated pricing and tight raw material supply conditions, reduction in operating expenses, expectations regarding tariffs and export controls, and securing new customer agreements for permanent magnet and emission catalyst facilities. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review filings available under Neo's profile at sedarplus.ca.

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

3. NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

"**Adjusted Net Income (Loss)**" is defined as net income or loss before foreign exchange (gain) loss, share and value-based compensation, 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 (Loss) attributable to shareholders of Neo on a per share basis using the weighted average number of common shares outstanding for the respective period.

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

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

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

4. BUSINESS OVERVIEW

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

Since its formation in 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets. Neo is a leading commercial partner to some of the world's largest customers in the automotive, manufacturing, semiconductor, advanced electronic and specialty chemical industries. As a result, Neo is well positioned in markets that are forecasting robust, long-term growth driven by multiple global macro trends including vehicle electrification, industrial automation, consumer electronics, energy efficient lighting, air and water pollution control, and 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 ("**C&O**") and Rare Metals, as well as the Corporate segment. As at March 31, 2026, Neo has 1,547 employees and a global platform that includes manufacturing facilities located in Canada, China, Estonia, Germany, Thailand, and the United Kingdom ("**UK**") as well as one dedicated research and development ("**R&D**") centre in Singapore.

Magnequench

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

C&O

Neo’s C&O segment manufactures and distributes a broad range of advanced industrial materials that have become an indispensable part of modern life. The C&O segment is generally comprised of three businesses, the production of mixed oxides for emission catalysts, the separation and processing of rare earth minerals into advanced industrial materials, and Neo’s WaterFX® solution which is a rare earth based product (primarily cerium and lanthanum) used in municipal and industrial wastewater treatment systems. Neo's world-class midstream separation process and advanced materials manufacturing capabilities enable the Company to meet increasingly demanding specifications from manufacturers requiring custom engineered materials. Neo’s C&O segment operates one facility in China, having sold two facilities in March 2025, and a multi-building manufacturing campus in Sillamäe, Estonia (the “Silmet facility”), shared with Rare Metals. By integrating separation with application-specific engineering and shifting from commodity-based rare earths to value-added functional materials, the C&O segment is well-positioned and differentiated by its rare earth separation capabilities and proprietary product portfolio.

Rare Metals

Neo’s Rare Metals (“**RM**”) segment sources, reclaims, produces, refines and markets high-value specialty metals and their compounds. These products include both high-temperature metals (tantalum, niobium, hafnium and rhenium) and electronic metals (gallium and indium). Applications from products made in this segment primarily include superalloys for jet engines, medical imaging, wireless technologies and LED lighting. Other applications include flat panel displays, solar, steel additives, batteries and electronics applications. Rare Metal’s facilities include the Silmet facility, as well as facilities in Peterborough, Canada and Sagard, Germany (Buss & Buss Spezialmetalle GmbH (“**Buss & Buss**”)).

Corporate

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

5. SELECT FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,		
	2026	2025	2024
Revenue			
Magnequench	$ 64,732	$ 44,273	$ 45,480
C&O	33,182	47,500	40,513
Rare Metals	57,094	32,705	37,278
Corporate / Eliminations	(46)	(2,868)	(1,176)
Consolidated Revenue	**$ 154,962**	**$ 121,610**	**$ 122,095**
Operating Income			
Magnequench	$ 3,681	$ 1,894	$ 3,384
C&O	6,322	5,728	(2,104)
Rare Metals	23,135	8,151	8,800
Corporate / Eliminations	(6,581)	(6,184)	(4,132)
Consolidated Operating Income	**$ 26,557**	**$ 9,589**	**$ 5,948**
Adjusted EBITDA (1)			
Magnequench	$ 9,241	$ 6,657	$ 6,112
C&O	7,662	6,842	(380)
Rare Metals	23,857	8,640	9,238
Corporate / Eliminations	(4,529)	(5,005)	(4,210)
Consolidated Adjusted EBITDA (1)	**$ 36,231**	**$ 17,134**	**$ 10,760**
Net (loss) income	**$ (1,640)**	**$ (1,387)**	**$ 849**
Attributable to:			
Common shareholders	(1,648)	(1,480)	873
Non-controlling interest	8	93	(24)
(Loss) income per share attributable to common shareholders			
Basic	$ (0.04)	$ (0.04)	$ 0.02
Diluted	$ (0.04)	$ (0.04)	$ 0.02
Adjusted Net Income (1) (2)	**$ 14,865**	**$ 6,511**	**$ (976)**
Attributable to (2):			
Common shareholders	14,857	6,418	(952)
Non-controlling interest	8	93	(24)
Adjusted earnings per share attributable to common shareholders (1)(2):			
Basic	$ 0.36	$ 0.15	$ (0.02)
Diluted	$ 0.34	$ 0.15	$ (0.02)
Cash spent on property, plant and equipment and intangible assets	$ 7,433	$ 11,428	$ 15,979
Cash taxes paid	$ 14,576	$ 5,206	$ 7,513
Dividends paid to shareholders	$ 3,261	$ 2,921	$ 3,084
Dividend paid to Buss & Buss minority shareholder	$ —	$ 7,343	$ —
Repurchase of common shares under Normal Course Issuer Bid	$ —	$ —	$ 2,250
As at:	March 31,	December 31,	
	2026	2025	2024
Cash and cash equivalents	$ 41,714	$ 38,360	$ 85,489
Short-term debt, bank advances & other	$ 40,959	$ 12,949	$ 2,740
Total debt	$ 154,250	$ 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 Loss to Adjusted Net Income* for further information.

6. BUSINESS UPDATES

Significant developments and events in the first quarter 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.

- ***First Quarter Performance Driven by Strength Across Critical Materials Portfolio:*** Neo's first quarter results exceeded expectations, reflecting broad-based strength across its portfolio amid supportive critical material pricing and sustained demand, with volume growth in select products. Prices across several rare earth products were materially higher year-over-year, including neodymium and praseodymium (**NdPr**) prices that averaged approximately $116/kg in the first quarter compared to $60/kg the prior-year period. Hafnium prices increased sharply, averaging approximately $3,800/kg for much of 2025 before rising to record levels in the fourth quarter of 2025 at approximately $9,000/kg, and further increasing to new record levels in the first quarter of 2026, exceeding $12,500/kg, contributing meaningfully to earnings on broadly flat volumes. Gallium pricing also remained strong during the quarter, while niobium and tantalum prices improved supported by favourable demand trends. Each of Neo's rare metals products, many of which are designated as critical materials by multiple governments and, in certain cases, subject to export controls, experienced strength in pricing relative to prior periods. In addition, the Magnequench segment benefited during the quarter from strong bonded magnet volumes and customer restocking activity in bonded powders, supporting consolidated earnings performance.
- ***Neo Raises Full Year 2026 Adjusted EBITDA Guidance***: Based on strong first quarter performance and the continued strength in pricing and demand across several critical material products, Neo has increased its full year 2026 Adjusted EBITDA guidance to $100 million to $110 million, compared to a prior outlook of $75.0 million to $80.0 million. The updated guidance reflects the Company's expectation that pricing for key Rare Metals, including hafnium, gallium, and rare earth products, will remain supportive through the balance of the year. While hafnium contracted volumes at current price levels remain below historical norms, first quarter results, particularly in March, benefited from elevated spot market activity, reflecting tight market conditions. Subsequent to March 31, 2026, management has also observed customers increasingly entering contracts for volumes covering the remainder of the year, providing improved visibility alongside continued spot sales activity. The updated guidance reflects the combined contribution of contracted volumes and ongoing spot market participation, supported by sustained demand across Neo's critical materials portfolio and disciplined operational execution.
- ***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 and achieved key operational milestones, including the production of its one-millionth magnet in February 2026. The facility is producing and shipping qualification sample magnets in support of multiple awarded automotive platforms, with several customer programs expected to commence commercial production in 2026.

  In parallel, the Company has progressed advanced planning activities for a Phase 1B expansion, including detailed engineering, long-lead equipment assessments, and supply chain planning, intended to support future volumes associated with additional awarded and prospective customer programs. Phase 1b is planned to increase the facility's nameplate capacity from approximately 2,000 metric tonnes ("**mt**") to approximately 5,000 mt annually. These activities are aligned with the Company's broader strategy to establish a scalable, fully integrated European permanent magnet manufacturing platform capable of supporting long-term automotive and industrial demand.
- ***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 in Estonia. The production line is operating at nameplate capacity, with initial focus on achieving stable product purity, and has produced its first separated terbium and dysprosium process solutions from mixed rare earth carbonate feedstock, with all processing completed in Europe. 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.

- ***Partnership with Tallinn University of Technology to Accelerate Advanced AI Initiatives*****:** 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.

- ***Neo Maintains Capital Discipline While Investing for Growth*****:** During the period, Neo continued to actively manage its balance sheet, aligning working capital, financing, and capital investment decisions with its growth strategy. Inventory levels increased in the quarter, partly driven by continued purchases of hafnium scrap, as favourable end-market pricing supported the decision to secure strategically attractive feedstock to support future production requirements under favourable pricing conditions. Cash outflows during the period also included a one-time payment related to the final resolution and settlement of legacy patent litigation, pursuant to which Neo made an aggregate cash payment of €7.1 million ($8.3 million) in January 2026 in exchange for the mutual release of all claims and withdrawal of outstanding proceedings.

  Capital deployment remained selective and disciplined during the period, with the majority of cash outflows related to Phase 1A of the European Permanent Magnet facility and the Heavy Rare Earth Separation Production Line now completed. Supported by a strong, cash-generative base business, Neo remains committed to a disciplined capital allocation framework that balances investment in attractive growth opportunities with prudent financial management, while maintaining balance sheet flexibility.

7. OPERATING SEGMENT HIGHLIGHTS

Magnequench

Magnequench delivered another quarter of strong operating results in the first quarter of 2026, with volumes of 1,540 mt increasing 18.3% year over year, driven by sustained strength in end-market demand and a favourable rare earth pricing environment. The segment achieved its highest quarterly Adjusted EBITDA since 2022, reflecting improved operating leverage, disciplined cost management, and continued execution across key growth areas. Magnequench remains well positioned to support customer demand and generate resilient earnings performance. Key news and highlights for the quarter include:

- ***Bonded Magnets continues growth trajectory with first quarter volumes up 17.2% year-over-year***; reflecting continued strong execution across the business and broadly favourable end-market conditions. Demand from server cooling fan applications in AI data centres remained strong, driven 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 collectively supported increased volumes and underscore the resilience and diversification of the Bonded Magnets business.
- ***Bonded Powder deliver sustain growth across end-markets with first quarter volumes up 18.6% year-over-year;*** performance during the quarter benefited from customer restocking activity related to management of safety stock levels across the supply chain. The business also recorded volume growth in its heavy rare-earth-free traction motor powder and commenced shipments of trial production volumes in support of a next-generation customer program, positioning the business for future growth. 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 delivers strongest quarterly Adjusted EBITDA performance since 2022*** with Adjusted EBITDA of $9.2 million, improving 38.8% year-over-year, reflecting higher volumes, favourable product mix, and a supportive pricing environment. Performance was further supported by continued operational discipline and continuous improvement initiatives across the manufacturing network, including improvements in labour productivity, energy efficiency initiatives, and process optimization. These factors collectively supported margin expansion and underscore the high-quality, value-added earnings profile of the Magnequench business.

Chemicals & Oxides

C&O delivered another quarter of strong financial performance with Adjusted EBITDA of $7.7 million improving by 12% year-over-year. Building on strong momentum established in 2025, the C&O segment is well positioned with a simplified operating footprint, a strengthened cost structure, and multiple sources of growth, including emissions catalysts and wastewater treatment. C&O also retains a highly strategic separation facility in Europe, one of the few non-captive rare earth separation facilities, supported by a world-class laboratory, differentiated technical capabilities, and a newly commissioned heavy rare earth separation line. Together, these attributes position the segment to deliver resilient earnings and support longer-term growth opportunities. Key news and highlights for the quarter include:

- ***Emission Catalyst first quarter volume up 6.9% year-over-year;*** building on a strong prior-year performance and reflecting continued solid commercial execution. The state-of-the-art facility with high levels of automation, and upgraded environmental systems continues to deliver improved efficiency, higher yields, and lower conversion costs, resulting in a more competitive and scalable platform with available capacity to support continued volume growth. These factors position the business to continue growing volumes and expanding market share, with tightening emissions standards providing an additional supportive tailwind over time.

- ***Wastewater treatment continues to expand its commercial footprint;*** during the quarter, the wastewater treatment business continued to expand its customer base, supported by strong trial-to-contract conversion and high customer retention, particularly in the U.S. market. Commercial momentum continues to be driven by the differentiated performance of Neo's rare earth-based solutions, combined with a technically driven, customer-focused sales approach. In parallel, the business remains positioned for longer-term growth in Europe, with regulatory approval processes continuing to advance, laying the foundation for future expansion.
- ***Rare earth separation continues to benefit from improved pricing with reduced volatility exposure;*** C&O's European rare earth separation operations benefited from rising rare earth prices during the fourth quarter of 2025 and the first quarter of 2026, contributing positively to financial performance. Following the divestiture of the Company's two Chinese separation facilities in March 2025, C&O's overall exposure to rare earth price volatility has been significantly reduced, resulting in a more resilient and predictable earnings profile. The European separation facility remains a highly strategic asset, with a feedstock mix that limits near-term financial contribution, creating an opportunity for improved utilization and margin performance as feedstock conditions evolve.

Rare Metals

Rare Metals delivered an outstanding first quarter of 2026 with Adjusted EBITDA of $23.9 million increasing 176% year-over-year as hafnium prices rose to record levels. Rare Metals benefited from a pricing-driven environment in hafnium and gallium, reflecting 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 prioritized securing scrap supply and input materials through strategic sourcing agreements and recycling initiatives, supporting long-term supply security and margin resilience. Key news and highlights for the quarter include:

- ***Hafnium achieves record gross profit contribution in the first quarter***; hafnium prices reached record highs during the quarter, resulting in significantly higher margins on relatively flat volumes. Demand remains strong 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. Although contracted hafnium volumes remain limited, spot market activity late in the quarter was favourable, enabling Rare Metals to capture meaningful upside from the pricing environment. With substantial hafnium inventory on hand, the business is well positioned to meet customer demand and capture continued upside from favourable spot market conditions, supported by strong end-market demand and structurally constrained supply.
- ***Gallium business continues to see strong demand under constrained supply conditions***; the gallium business continued to benefit from strong demand and elevated pricing during the quarter, supported by regulatory restrictions and limited availability outside of China, with further tightening of global supply contributing to higher prices in non-Chinese markets. Rare Metals maintains its strategic advantage as one of the only gallium recyclers and refiners in North America. Despite strong demand, rising prices, and expanding margins, business growth is restrained by limited gallium scrap supply. The business continues to take actions to increase supply through new sourcing arrangements and strategic projects to recover gallium from alternative sources.

8. IMPACT OF GEOPOLITICAL AND TRADE DEVELOPMENTS

Significant geopolitical and trade developments in the first quarter 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 other countries have responded with retaliatory tariff measures, contributing to increased uncertainty in global trade flows as negotiations around tariff agreements continue. Management assesses the recent tariff developments through two key lenses: (i) Neo's comparative advantage from relative tariffs under current tariff regimes, and (ii) existing and potential domestic production capabilities in regions implementing elevated trade barriers. The geographic distribution of Neo's asset base, combined with its established midstream and downstream capabilities, and long-standing commercial relationships, enhances its ability to capture market share in this environment. Recently, the US Supreme Court ruled that certain tariffs levied under U.S. *International Emergency Economic Powers Act* were not authorized. In 2025, notable U.S. tariffs impacting Neo included:

- **Rare Metals Hafnium Products** — Most of Rare Metals' hafnium products are produced in Europe and sold into the U.S., and hafnium represented approximately half of Neo's imports into the U.S. in 2025. The tariffs levied by the U.S. on hafnium imports from China were significantly higher than those on imports from Europe. This disparity creates a competitive advantage for Neo, as the U.S. has minimal production capacities for hafnium. Neo's midstream hafnium products from Europe are crucial in filling this gap, ensuring a steady supply to U.S. customers and maintaining market stability.
- **C&O Emission Catalyst Products** — A portion of C&O's emission catalyst products are produced in China and sold into the U.S. and have been subject to tariffs for approximately seven years. Although there is moderate risk given escalating tariffs, Neo remains well-positioned as the products are globally qualified, key competition is primarily in China, and Neo is positioned to provide customers an alternative production location for selected products in Europe.
- **Magnequench Powder and Magnet Products** — The Magnequench business does not have material sales from China to the U.S., as the U.S.-based customers are supplied by Magnequench's Korat facility in Thailand. Additionally, Magnequench's new European Permanent Magnet facility offers a relative advantage over Chinese imports, particularly for customers in the automotive sector.
- **Rare Earth Separated Products (Including Export Controlled Heavy Rare Earths)** — The C&O business exports minimal rare earth separated products from China to the U.S. Consequently, the recent tariffs imposed on these materials have not had a direct impact on Neo's operations.

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

8.3. 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.Sourcing and Rare Earth Supply Strategy

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

In addition, Neo continues to evolve its supply and sourcing strategy to proactively manage risk amidst shifting market dynamics. As part of this strategy, the Company has taken strategic inventory positions in certain products and geographies to mitigate supply chain volatility and support uninterrupted customer delivery. During 2025 and the first quarter of 2026, these actions led to an increase in overall inventory levels which have more than offset the operationally focused inventory reduction efforts underway across the business. This approach reinforces Neo’s commitment to balancing operational efficiency and risk management, while ensuring stability and responsiveness for its customers.

8.5 Potential Impact of Ongoing Conflict with Russia in Ukraine and the War 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 war 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 March 31,	
	2026	**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	3,321	936
Depreciation and amortization	1,807	1,781
Research and development	3,135	3,194
Impairment of assets	—	—
Total expenses	23,869	21,219
Operating income	**26,557**	**9,589**
Other income (expense)	308	(4,712)
Finance costs, net	(18,590)	(6,073)
Foreign exchange (loss) gain	(1,615)	3,785
Income from operations before income taxes and equity loss of associates	**6,660**	**2,589**
Income tax expense	(8,241)	(4,356)
Loss from operations before equity (loss) income of associates	**(1,581)**	**(1,767)**
Equity (loss) income of associates (net of income tax)	(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 and diluted	$ (0.04)	$ (0.04)

Revenue

Consolidated revenue of $155.0 million for the three months ended March 31, 2026 increased $33.4 million or 27.4% 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, 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 margin volatility resulting from timing differences between cost being recognized and sales being recorded.

($000s)	Three Months Ended March 31,				
		2026		2025	%
Magnequench	$	64,732	$	44,273	46.2%
C&O		33,182		47,500	(30.1%)
Rare Metals		57,094		32,705	74.6%
Eliminations		(46)		(2,868)	98.4%
Consolidated Revenue	**$**	**154,962**	**$**	**121,610**	27.4%

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 March 31, 2026 was $102.5 million or 66.2% of revenue, compared to $88.9 million or 73.1% of revenue in the same quarter of 2025. Cost of sales, excluding depreciation and amortization, as a percentage of revenue improved during the first quarter of 2026 due to the rise in hafnium prices in Rare Metals relative to the same quarter 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 $15.6 million for the three months ended March 31, 2026, increased $0.3 million compared to the same quarter last year primarily due to continued staffing ramp-up at the new European Permanent Magnet facility.

Share-based Compensation expense

Share-based compensation expense totaled $3.3 million for the three months ended March 31, 2026, compared to $0.9 million for the three months ended March 31, 2025, increasing primarily due to the rise in the Company’s share price in the first quarter of 2026 compared to the same quarter last year, impacting the cash-settled awards vested to date.

Research and Development (“R&D”) expense

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

R&D expense, primarily comprised of salaries, outside labour, materials, and equipment, of $3.1 million for the three months ended March 31, 2026, decreased $0.1 million compared to the same quarter last year. In general, R&D costs are project-based and may fluctuate in any given period.

Depreciation and Amortization

Depreciation and amortization, unrelated to production, of $1.8 million for the three months ended March 31, 2026, remained stable compared to the same quarter last year.

Other Income (Expense)

Other income totaled $0.3 million for the three months ended March 31, 2026. Other income or expense generally represents non-operational activities deemed not indicative of Neo's ongoing operations. For the three months ended March 31, 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’s interest-bearing credit facilities include revolving loans in China and in Germany as well as term loans in Canada. Where applicable, interest cost is capitalized into property, plant and equipment, such as during the construction of the NAMCO and European Permanent Magnet facilities.

During the three months ended March 31, 2026, finance costs totaled $18.6 million, comprising 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 three months ended March 31, 2025, Neo paid dividends to the minority shareholder of the Buss & Buss of $7.3 million.

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

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 months ended March 31, 2026, Neo recorded an income tax expense of $8.2 million (2025 — $4.4 million) 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 recorded an income tax expense of $4.4 million that was unfavourably impacted by $3.0 million due to losses and temporary differences for which there are no recognized tax benefits, $1.5 million due to non-deductible finance costs and favourably impacted by $1.0 million due to foreign exchange rate fluctuations on certain non-monetary assets. Non-deductible finance costs primarily comprise of the dividends paid to Buss & Buss' minority shareholder and the re-measurement of derivative liabilities.

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 three months ended March 31, 2026, Neo capitalized expenditures of $5.2 million for the construction of the European Permanent Magnet facility, $1.0 million in associated capitalized interest expense, with the remainder of capital expenditures comprised of the construction of a heavy rare earth pilot line at Silmet and sustaining capital expenditures.

For the three months ended March 31, 2025, Neo capitalized expenditures of $6.8 million, including $3.9 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 Loss to EBITDA, Adjusted EBITDA and Free Cash Flow:

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

($000s, except volume)	**Three Months Ended March 31,**		
	2026	**2025**	%
Sales volume (tonnes)	3,194	3,325	(3.9%)
Revenue	$ 154,962	$ 121,610	27.4%
Net loss	**$ (1,640)**	**$ (1,387)**	(18.2%)
Add back (deduct):			
Finance costs, net	18,590	6,073	
Income tax expense	8,241	4,356	
Depreciation and amortization included in cost of sales	1,991	1,921	
Depreciation and amortization included in operating expenses	1,807	1,781	
EBITDA	**28,989**	**12,744**	127.5 %
Adjustments to EBITDA:			
Other (income) expense	(308)	4,712	
Foreign exchange loss (gain)	1,615	(3,785)	
Equity loss (income) of associates	59	(380)	
Share-based compensation	3,321	936	
Project start-up and transition costs	2,555	2,907	
Impairment of assets	—	—	
Adjusted EBITDA	**$ 36,231**	**$ 17,134**	111.5 %
Adjusted EBITDA Margin	*23.4 %*	*14.1 %*	
Less:			
Capital expenditures	5,166	6,830	(24.4)%
Free Cash Flow	**$ 31,065**	**$ 10,304**	201 %

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 has removed these charges to allow comparability with historical periods.

Free Cash Flow for the three months ended March 31, 2026 improved $20.8 million compared to the same quarter last year primarily due to higher operating income and lower capital expenditures.

9.2 Reconciliation of Net Loss to Adjusted Net Income:

Changes to Adjusted Net Income Calculation

Commencing in 2026, management has revised the definition of "Adjusted Net Income (Loss)" 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 loss to Adjusted Net Income:

($000s)	Three Months Ended March 31,	
	2026	**2025**
Net loss	**$ (1,640)**	**$ (1,387)**
Adjustments to net loss:		
Foreign exchange loss (gain)	1,615	(3,785)
Share-based compensation	3,321	936
Buss & Buss non-controlling interest and related items (1)	6,637	1,857
Project start-up & transition costs	2,555	2,907
Other items included in other (income) expense	(98)	4,808
Tax impact of the above items	2,475	1,175
Adjusted Net Income	**$ 14,865**	**$ 6,511**
Attributable to:		
Common shareholders	$ 14,857	$ 6,418
Non-controlling interest	8	93
Weighted average number of common shares outstanding:		
Basic (000s)	41,606	41,773
Diluted (000s)	43,761	42,427
Adjusted earnings per share attributable to common shareholders:		
Basic	$ 0.36	$ 0.15
Diluted	$ 0.34	$ 0.15

(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.

Other items included in other (income) expense represent items resulting from non-operational activities. Other expense for the three months ended March 31, 2025 includes $5.9 million for the loss on sale of the two Chinese facilities, primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of $4.8 million.

Consolidated Adjusted Net Income of $14.9 million for the three months ended March 31, 2026 increased $8.4 million, primarily due to higher hafnium prices realized in Rare Metals compared to the same quarter last year.

10. DISCUSSION AND ANALYSIS OF BUSINESS SEGMENTS

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

10.1 Magnequench

($000s, except volume)	Three Months Ended March 31, 2026	2025	%
Sales volume (tonnes)	1,540	1,302	18.3%
Revenue	$ 64,732	$ 44,273	46.2%
Operating income	**$ 3,681**	**$ 1,894**	94.4%
EBITDA	**5,952**	**6,145**	(3.1%)
Other income	(263)	(247)	
Foreign exchange loss (gain)	203	(1,413)	
Equity loss (income) of associates	37	(371)	
Share-based compensation	757	248	
Project start-up & transition costs	2,555	2,295	
Adjusted EBITDA	**$ 9,241**	**$ 6,657**	38.8 %
Adjusted EBITDA Margin	*14.3%*	*15.0%*	

For the three months ended March 31, 2026, Magnequench contributed 41.8% of revenue, 11.1% of operating income and 22.7% of Neo’s reported Adjusted EBITDA from operations before eliminations.

Revenue for the Magnequench segment of $64.7 million, for the three months ended March 31, 2026 increased $20.5 million compared to the same quarter last year. This was primarily due to higher volumes sold and higher selling prices compared to the same quarter last year.

Operating income of $3.7 million for the three months ended March 31, 2026 increased $1.8 million, compared to the same quarter last year. This was primarily due to improvements in gross profit due to higher revenues.

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

Adjusted EBITDA of $9.2 million for the three months ended March 31, 2026, increased $2.6 million compared to the same quarter last year. This represents the fundamental operating performance of the business with Magnequench delivering volume gains in targeted growth areas and reducing operating expenses (after adjusting for pre-operational personnel costs).

10.2 Chemicals & Oxides

($000s, except volume)	Three Months Ended March 31,		
	2026	**2025**	%
Sales volume (tonnes)	1,565	1,985	(21.2%)
Revenue	$ 33,182	$ 47,500	(30.1%)
Operating income	**$ 6,322**	**$ 5,728**	10%
EBITDA	**6,002**	**692**	767.3%
Other (income) expense	(28)	4,997	
Foreign exchange loss	1,349	1,030	
Equity loss (income) of associates	22	(9)	
Share-based compensation	317	132	
Adjusted EBITDA	**$ 7,662**	**$ 6,842**	12%
Adjusted EBITDA Margin	*23.1%*	*14.4%*	

For the three months ended March 31, 2026, C&O contributed 21.4% of revenue, 19.1% of operating income and 18.8% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the C&O segment of $33.2 million for the three months ended March 31, 2026, decreased $14.3 million compared to the same quarter last year, primarily due to the sale of the Chinese separation facilities in March 2025.

Operating income of $6.3 million for the three months ended March 31, 2026, increased $0.6 million compared to the same quarter last year primarily due to increased market prices and improved margins in the rare earth separation business.

Adjusted EBITDA of $7.7 million for the three months ended March 31, 2026, increased $0.8 million compared to the same quarter 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 March 31,		
	2026	**2025**	%
Sales volume (tonnes)	89	88	1.1 %
Revenue	$ 57,094	$ 32,705	74.6 %
Operating income	**$ 23,135**	**$ 8,151**	183.8 %
EBITDA	**25,608**	**8,991**	184.8 %
Other income	(17)	(38)	
Foreign exchange gain	(1,997)	(384)	
Share-based compensation	263	71	
Adjusted EBITDA	**$ 23,857**	**$ 8,640**	176.1 %
Adjusted EBITDA Margin	*41.8%*	*26.4%*	

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

For the three months ended March 31, 2026, Rare Metals contributed 36.8% of revenue, 69.8% of operating income and 58.5% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the Rare Metals segment of $57.1 million for the three months ended March 31, 2026, increased $24.4 million compared to the same quarter last year, primarily due to the impact of record-high hafnium pricing and stable volume.

Operating income of $23.1 million for the three months ended March 31, 2026, increased $15.0 million compared to the same quarter last year primarily due to the above factors.

Adjusted EBITDA of $23.9 million for the three months ended March 31, 2026, increased $15.2 million compared to the same quarter last year. The Rare Metals business continues to perform well with strong end market demand and strategic emphasis on operation and commercial initiatives.

11. SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

($000s, except for per share amounts)	**2026**			**2025**			**2024**	
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	$154,962	$120,270	$122,213	$114,700	$121,610	$134,903	$111,281	$107,549
Net (loss) income attributable to common shareholders	(1,648)	(15,639)	1,363	5,772	(1,480)	(12,050)	(2,627)	859
Basic EPS	(0.04)	(0.38)	0.03	0.14	(0.04)	(0.29)	(0.06)	0.02
Diluted EPS	(0.04)	(0.38)	0.03	0.13	(0.04)	(0.29)	(0.06)	0.02
Operating income	26,557	5,591	8,364	8,210	9,589	12,355	11,176	5,824
Net (loss) income	(1,640)	(15,628)	1,358	5,688	(1,387)	(12,037)	(2,711)	883
EBITDA	28,989	1,546	12,190	16,748	12,744	13,724	14,873	9,377
Adjusted EBITDA	$ 36,231	$ 20,367	$ 19,176	$ 18,968	$ 17,134	$ 20,691	$ 19,555	$ 13,392
Adjusted EBITDA Margin	23.4%	16.9%	15.7%	16.5%	14.1%	15.3%	17.6%	12.5%
Adjusted net income (loss) attributable to common shareholders [(1)]	$ 14,857	$ 4,735	$ 5,982	$ 8,739	$ 6,418	$ 1,722	$ 5,909	$ 4,268

(1) Prior period amounts have been restated; refer to Section 9.2 Reconciliation of Net Loss 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.

	Three Months Ended March 31,	
Cash flow:	**2026**	**2025**
Cash used in operating activities	$ (38,292)	$ (17,676)
Cash (used in) provided by investing activities	(7,433)	14,015
Cash provided by (used in) financing activities	49,120	(10,550)

Working capital - as at	**March 31, 2026**	**December 31, 2025**
Cash and cash equivalents	$ 41,714	$ 38,360
Total current assets	414,236	363,217
Current portion of long-term debt	10,811	9,343
Total current liabilities	235,937	198,138

As at March 31, 2026, Neo had cash and cash equivalents of $41.7 million, compared to $38.4 million as at December 31, 2025. For the three months ended March 31, 2026, Neo paid $3.3 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

- $25.3 million from operations before net change in working capital, income taxes paid and net interest received; and
- $58.8 million from draws on bank and debt facilities.

Outflows

- $47.7 million of net change in non-cash working capital;
- $8.3 million related to the final settlement in January 2026 of legacy patent litigation;
- $7.4 million of capital spending;
- $14.6 million of income taxes paid; and
- $3.3 million of dividends paid to shareholders.

Cash Used In Operating Activities

Cash used in operating activities was $38.3 million for the three months ended March 31, 2026, compared to cash used by operating activities of $17.7 million for the three months ended March 31, 2025.

The $47.7 million net change in working capital for the three months ended March 31, 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, and the purchase of additional hafnium scrap material given supportive market conditions.

Cash Used in Investing Activities

For the three months ended March 31, 2026, cash used in investing activities was $7.4 million, compared to cash provided of $14.0 million for the three months ended March 31, 2025 including the proceeds of the sale of two facilities. The cash used in 2026 was primarily related to $4.5 million for the European Permanent Magnet facility, and $2.6 million spent on the heavy rare earth pilot line at Silmet, as well as additional capital projects performed at other facilities.

Cash Provided by Financing Activities

Cash provided by financing activities during the three months ended March 31, 2026 was $49.1 million, compared to cash used of $10.6 million for the three months ended March 31, 2025 primarily due to draws on a new term loan for the NAMCO facility as well as shorter-term bank advances used by certain subsidiaries. During the three months ended March 31, 2026, Neo distributed $3.3 million in dividends to Neo's common shareholders.

Neo's foreign operating subsidiaries held $1.7 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 certain bank loans. From time to time, the sources of liquidity for Neo's operating subsidiaries may be supplemented by intercompany loans in the form of unsecured promissory notes. Neo's operating subsidiaries' liquidity is generally used to fund their working capital requirements, investments, capital expenditures and third-party debt service requirements.

As at March 31, 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 March 31, 2026**
Common Shares	41,941,074
Stock Options (1)	1,878,745
Equity-settled Restricted Share Units (time- and performance vested)	969,874

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

The number of common shares outstanding as at May 11, 2026 is 41,989,972.

During the three months ended March 31, 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 a notice filed by Neo of its 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 has entered into an automatic share purchase plan (the "**ASPP**") with its designated broker. Under the NCIB, purchases may not exceed 24,039 shares on any trading day during the NCIB, including during self-imposed trading blackout periods. The price that Neo will pay for any shares purchased under the NCIB will be the prevailing market price at the time of purchase. Any shares purchased by Neo will be canceled. The NCIB terminates on June 10, 2026 and can be canceled at Neo's discretion prior to the termination date.

Since the announcement of the program in June 2025 and through to March 31, 2026, Neo repurchased and canceled 386,068 shares for $4.0 million, with no shares repurchased during the first quarter of 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	$ 40,959	$ —	$ —	$ —	$ 40,959
Accounts payable and other accrued charges	$ 86,928	$ —	$ —	$ —	$ 86,928
Derivative liabilities (1)	78,180	—	1,288	—	79,468
EDC term loans scheduled payments (2)	16,179	52,271	36,320	—	104,770
HSBC credit facility scheduled payments (3)	2,871	10,366	15,054	—	$ 28,291
Lease obligations (4)	1,347	1,058	889	2,050	5,344
Other liabilities	6,849	91	36	273	7,249
Contractual commitments	14,947	11	—	—	14,958
Total	**$ 248,260**	**$ 63,797**	**$ 53,587**	**$ 2,323**	**$ 367,967**

(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 March 31, 2026, Neo had $41.7 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 three months ended March 31, 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 months ended March 31, 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 March 31, 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 months ended March 31, 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 three months ended March 31, 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 financial statements for external purposes in accordance with IFRS. Neo's management is responsible for establishing and maintaining adequate ICFR. National Instrument 52-109 of the Canadian Securities Administrators requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for Neo and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

The CEO and CFO are also responsible for disclosing any changes to Neo's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Neo's management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of Neo's ICFR based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As of December 31, 2025, management assessed that Neo's ICFR were effective. There have been no changes in Neo’s ICFR during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, Neo’s financial reporting.