TSX: NEO.TO | OTCQX: NOPMF

neo Performance Materials

Neo Performance Materials Inc.

Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

neomaterials.com

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416 777 8500
Fax 416 777 8818

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Neo Performance Materials Inc.

Opinion

We have audited the consolidated financial statements of Neo Performance Materials Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of profit or loss for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of cash flows for the years then ended
- the consolidated statements of changes in equity for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the recoverable amount of the Magnequench group of cash generating units containing goodwill

Description of the matter

We draw attention to Notes 2.10, 2.17.2 and 7 to the financial statements. Goodwill is assigned to a cash generating unit or group of cash generating units. The Entity performs impairment testing for each group of cash generating units containing goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value of the group of cash generating units might be impaired. The recoverable amount of a group of cash generating units is the greater of its value in use and its fair value less costs to sell. The estimated recoverable amount was determined based on forecasted cash flows discounted to calculate the present value of the cash flows expected to be derived from the group of cash generating units. This approach involves estimates and assumptions including forecasted operating profit margin, the terminal value growth rate and the discount rate.

Why the matter is a key audit matter

We identified the evaluation of the recoverable amount of the Magnequench group of cash generating units containing goodwill as a key audit matter. This matter represented a significant risk of material misstatement as minor changes to certain significant assumptions had a significant effect on the estimated recoverable amount of the Magnequench group of cash generating units. Significant auditor judgment, including specialized skills and knowledge, was required in evaluating the results of audit procedures over the estimates and assumptions used in the Entity's determination of the recoverable amount.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's forecasted operating profit margin for the Magnequench group of cash generating units to actual results to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the Entity's forecasted operating profit margin assumption by comparing it to industry data, analysts' expectations and/or internal forecasts.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the terminal value growth rate by comparing it to the expected long-term growth rate in the Entity's industry.
- Evaluating the appropriateness of the discount rate used by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Pieter Fourie.

Toronto, Canada

March 19, 2026

NEO PERFORMANCE MATERIALS INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of United States dollars	**December 31 2025**	**December 31 2024**
ASSETS		
Cash and cash equivalents	$ 38,360	$ 85,489
Accounts receivable	93,186	61,232
Inventories (Note 9)	205,405	139,321
Income taxes receivable (Note 24)	2,196	4,108
Assets held for sale (Note 5)	—	40,949
Other current assets (Note 10)	24,070	24,264
Total current assets	**363,217**	**355,363**
Property, plant and equipment (Note 3)	198,440	178,925
Intangible assets (Note 6)	30,857	33,580
Goodwill (Note 7)	65,857	64,029
Equity method investments (Note 8)	17,116	16,330
Other investments (Note 11)	3,496	217
Deferred tax assets (Note 24)	2,799	4,045
Other non-current assets	3,105	765
Total non-current assets	**321,670**	**297,891**
Total assets	**$ 684,887**	**$ 653,254**
LIABILITIES AND EQUITY		
Short-term debt (Note 16)	$ 12,949	$ 2,740
Accounts payable and other accrued charges	95,844	69,546
Income taxes payable (Note 24)	15,120	10,463
Provisions (Note 13)	3,470	12,512
Lease obligations	564	1,229
Derivative liability (Note 11)	60,596	47,416
Current portion of long-term debt (Note 16)	9,343	4,610
Liabilities directly associated with the assets held for sale (Note 5)	—	10,254
Other current liabilities	252	647
Total current liabilities	**198,138**	**159,417**
Long-term debt (Note 16)	79,512	64,186
Derivative liability (Note 11)	1,407	1,311
Provisions (Note 13)	2,392	6,726
Deferred tax liabilities (Note 24)	9,405	12,646
Lease obligations	3,170	3,244
Other non-current liabilities	395	842
Total non-current liabilities	**96,281**	**88,955**
Total liabilities	**294,419**	**248,372**
Non-controlling interest (Note 5)	464	2,714
Equity attributable to common shareholders	390,004	402,168
Total equity	**390,468**	**404,882**
Total liabilities and equity	**$ 684,887**	**$ 653,254**

Commitments and contingencies - Note 12.4 and Note 13.1
Subsequent events - Note 16.1, 16.2 and 17

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

In thousands of United States dollars, except per share information	**Year Ended December 31,**	
	2025	**2024**
Revenue	$ 478,793	$ 475,828
Cost of sales		
Cost excluding depreciation and amortization	337,006	343,315
Depreciation and amortization	7,963	8,553
Gross profit	133,824	123,960
Expenses		
Selling, general and administrative	64,382	61,400
Share-based compensation (Note 21)	11,958	3,060
Depreciation and amortization	7,043	7,192
Research and development	18,687	16,869
Impairment of assets	—	138
Total expenses	102,070	88,659
Operating income	**31,754**	**35,301**
Other (expense) income (Note 22)	(11,753)	3,405
Finance costs, net (Note 23)	(23,789)	(27,488)
Foreign exchange gain (loss)	7,407	(4,268)
Income from operations before income taxes and equity income of associates	3,619	6,950
Income tax expense (Note 24)	(14,402)	(17,945)
Loss from operations before equity income (loss) of associates	(10,783)	(10,995)
Equity income (loss) of associates (net of tax) (Note 8)	814	(2,021)
Net loss	**(9,969)**	**(13,016)**
Attributable to:		
Common shareholders	(9,984)	(12,946)
Non-controlling interest	15	(70)
	$ (9,969)	**$ (13,016)**
Loss per share attributable to common shareholders:		
Basic (Note 20)	$ (0.24)	$ (0.31)
Diluted (Note 20)	$ (0.24)	$ (0.31)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of United States dollars	Year Ended December 31,	
	2025	**2024**
Net loss	$ (9,969)	$ (13,016)
Other comprehensive income (loss):		
Item that will not be reclassified subsequently to profit or loss:		
Defined benefit pension plan actuarial gain (net of income tax expense: 2025 — $49; 2024 — $95)	324	184
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation adjustment	4,210	(3,106)
Currency translation adjustment reclassified to loss on sale of subsidiaries	—	(756)
Other comprehensive income (loss)	**4,534**	**(3,678)**
Total comprehensive loss	**$ (5,435)**	**$ (16,694)**
Attributable to:		
Common shareholders	(5,450)	(16,782)
Non-controlling interest	15	88
Total comprehensive loss	**$ (5,435)**	**$ (16,694)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of United States dollars	Year Ended December 31,	
	2025	**2024**
Operating activities		
Net loss	$ (9,969)	$ (13,016)
Add (deduct) items not affecting cash:		
Depreciation and amortization	15,006	15,745
Share-based compensation (Note 21)	11,958	3,060
Provisions made (Note 13)	6,561	1,636
Finance costs, net (Note 23)	23,789	27,488
Equity (income) loss of associates, net of income tax (Note 8)	(814)	2,021
Loss on sale of subsidiaries (Note 5)	5,927	—
Income tax expense (Note 24)	14,402	17,945
Foreign exchange (gain) loss	(9,892)	3,704
Other	485	58
Net change in non-cash working capital balances related to operations (Note 18)	(82,486)	18,309
Cash contribution to defined benefit pension plan	(12)	(55)
Payments made to settle provisions (Note 13)	(12,520)	(975)
Share-based compensation paid	(2,423)	(1,922)
Income taxes paid, net of income taxes recovered	(10,328)	(22,411)
Interest paid, net	(3,646)	(586)
Cash (used in) provided by operating activities	**(53,962)**	**51,001**
Investing activities		
Cash spent on property, plant and equipment and intangible assets	(31,664)	(64,202)
Investment in associates	—	(250)
Proceeds (net of cash sold) from sale of subsidiaries (Note 5)	25,206	—
Decrease in restricted cash	—	3,329
Investment by non-controlling interest	—	181
Other investment activities	(282)	1,525
Cash used in investing activities	**(6,740)**	**(59,417)**
Financing activities		
Repayment of short-term debt and bank advances	(2,768)	—
Proceeds from bank advances	12,978	2,747
Dividends paid to common shareholders	(12,053)	(12,330)
Proceeds from long-term debt (Note 16)	25,000	49,201
Repayment of debt (Note 16)	(5,000)	(6,533)
Repurchase of common shares under NCIB (Note 17)	(3,995)	(2,250)
Funds received in exchange for common shares on share-based awards	832	—
Dividends paid to non-controlling interest (Note 23)	(7,343)	(15,183)
Lease payments	(1,427)	(1,998)
Cash provided by financing activities	**6,224**	**13,654**
Effect of exchange rate changes on cash and cash equivalents	2,272	(1,567)
Cash used during the year	**(52,206)**	**3,671**
Cash and cash equivalents, beginning of the year	90,566	86,895
Cash reclassified to assets held for sale (Note 5)	—	(5,077)
Cash and cash equivalents, end of year	**$ 38,360**	**$ 85,489**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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, 2025	**41,771,464**	**$ 42**	**$ (53,887)**	**$ 472,992**	**$ (18,837)**	**$ 1,858**	**$ (16,979)**	**$ 402,168**	**$ 2,714**	**$ 404,882**
Net loss	—	—	(9,984)	—	—	—	—	(9,984)	15	(9,969)
Other comprehensive income (loss)	—	—	—	—	4,210	324	4,534	4,534	—	4,534
Total comprehensive income (loss)	—	—	(9,984)	—	4,210	324	4,534	(5,450)	15	(5,435)
Derecognition on sale of subsidiaries (Note 5)	—	—	—	—	4,802	—	4,802	4,802	(2,265)	2,537
Share-based compensation	—	—	—	4,598	—	—	—	4,598	—	4,598
Dividends declared to common shareholders	—	—	(12,214)	—	—	—	—	(12,214)	—	(12,214)
Shares repurchased and cancelled under Normal Course Issuer Bid (Note 17)	(386,068)	—	—	(3,995)	—	—	—	(3,995)	—	(3,995)
Issuance of common shares on exercise of share-based awards	213,457	—	—	95	—	—	—	95	—	95
	(172,611)	—	(12,214)	698	4,802	—	4,802	(6,714)	(2,265)	(8,979)
Balance - December 31, 2025	**41,598,853**	**42**	**(76,085)**	**473,690**	**(9,825)**	**2,182**	**(7,643)**	**390,004**	**464**	**390,468**

Balance - January 1, 2024	**42,027,392**	**$ 42**	**$ (28,545)**	**$ 473,793**	**$ (14,817)**	**$ 1,674**	**$ (13,143)**	**$ 432,147**	**$ 3,164**	**$ 435,311**
Net loss	—	—	(12,946)	—	—	—	—	(12,946)	(70)	(13,016)
Other comprehensive income (loss)	—	—	—	—	(4,020)	184	(3,836)	(3,836)	158	(3,678)
Total comprehensive (loss) income	—	—	(12,946)	—	(4,020)	184	(3,836)	(16,782)	88	(16,694)
Non-controlling interest of the subsidiary sold	—	—	—	—	—	—	—	—	(538)	(538)
Share-based compensation	—	—	—	2,084	—	—	—	2,084	—	2,084
Dividends declared to common shareholders	—	—	(12,396)	—	—	—	—	(12,396)	—	(12,396)
Shares repurchased and canceled under Normal Course Issuer Bid (Note 17)	(398,871)	—	—	(2,250)	—	—	—	(2,250)	—	(2,250)
Issuance of common shares on exercise of share-based awards	142,943	—	—	(635)	—	—	—	(635)	—	(635)
	(255,928)	—	(12,396)	(801)	—	—	—	(13,197)	(538)	(13,735)
Balance - December 31, 2024	**41,771,464**	**42**	**(53,887)**	**472,992**	**(18,837)**	**1,858**	**(16,979)**	**402,168**	**2,714**	**404,882**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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. Neo's advanced industrial materials, rare earth magnetic powders and magnets, specialty chemicals, metals, and alloys.

As at December 31, 2025, 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 interest.

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 audited consolidated financial statements ("**Consolidated Financial Statements**") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") that are in effect at the end of the reporting period December 31, 2025 and are presented in thousands of United States dollars, unless otherwise indicated.

These consolidated financial statements were approved and authorized for issuance by Neo's Board of Directors (the "**Board**") on March 19, 2026.

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

2.2. Basis Of Consolidation

The Consolidated Financial Statements include Neo's direct and indirect subsidiaries. Neo controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests ("**NCI**") arise from business combinations in which Neo acquires less than 100% interest. NCI is initially measured at proportionate interest in the acquiree's identifiable net assets at the date of acquisition, which means that goodwill, or the gain on a bargain purchase, includes a portion attributable to ordinary NCI, with the exception of where such NCI has been accounted for as part of a derivative liability comprised of a put option issued to the NCI. In this case, the put option liability is subsequently re-measured at each reporting period end date.

Changes in Neo's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

An associate is an entity over which Neo has significant influence, but does not have control, or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

Subsequent to initial recognition, the consolidated financial statements include Neo's share of the profit or loss and other comprehensive income (loss) ("**OCI**") of associates.

When Neo's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero and recognition of further losses is discontinued except to the extent that Neo has incurred legal or constructive obligations or made payments on behalf of the associate. Changes resulting from the net income or loss generated by the associates are reported within equity income of associates in the consolidated statements of profit or loss.

Neo's key operating subsidiaries at December 31, 2025 are listed below:

	Place of Business	Entity Type	Economic Interest	Method
Buss & Buss	Germany	Subsidiary	50.04%	Consolidation
Magnequench (Korat) Co., Ltd.	Thailand	Subsidiary	100%	Consolidation
Magnequench (Tianjin) Company Limited	China	Subsidiary	100%	Consolidation
Magnequench Magnetics (Chu Zhou) Co., Ltd.	China	Subsidiary	100%	Consolidation
Neo Jia Hua Advanced Materials (Zibo) Co., Ltd.	China	Subsidiary	98%	Consolidation
Neo Performance Materials (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%	Consolidation
NPM Narva OÜ	Estonia	Subsidiary	100%	Consolidation
NPM Silmet OÜ	Estonia	Subsidiary	100%	Consolidation
SG Technologies Limited	United Kingdom	Subsidiary	90%	Consolidation

2.2.1. Transactions Eliminated On Consolidation

Inter-company transactions, balances, and any unrealized income and expenses arising from transactions between subsidiaries are eliminated. Unrealized gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of Neo's interest in the associates. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2. Assets And Liabilities Held For Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset or business must be available for immediate sale and the sale must be highly probable within one year of announcement.

These disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent remeasurements are included in the consolidated statements of profit or loss. No depreciation is charged on non-current assets classified as held for sale.

2.3. Functional Currency

The consolidated financial statements are presented in United States dollars ("**U.S. dollars**" or "**USD**"), which is the presentation currency of Neo. The functional currency of the Group's significant subsidiaries are the currencies of the primary economic environment and the business processes of the subsidiaries and include USD, Chinese Renminbi and Japanese Yen. The subsidiaries with functional currencies other than U.S. dollars are: Magnequench International Trading (Tianjin) Co., Ltd; Magnequench (Tianjin) Company Limited ("**MQTJ**"); Magnequench Magnetics (Chu Zhou) Co., Ltd. ("**MQCZ**"); Neo Japan, Inc. ("**Neo Japan**"); Zibo Shijia Trading Co., Ltd. ("**ZSTC**") and NPM Narva OÜ ("**MQPM**").

2.3.1. Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Foreign exchange differences on monetary items that form part of the Group's net investment in a foreign operation are recognized in OCI and accumulated in cumulative translation adjustment. All other foreign exchange differences on intercompany monetary items are recognized in statement of profit or loss.

2.3.2. Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into U.S. dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If Neo disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-attributed to NCI. When Neo disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2.4. Segment Reporting

Neo's reporting segments are determined based on Neo's product lines, which are the basis upon which Neo's Chief Operating Decision Maker ("**CODM**") evaluates the performance of the business. Neo is organized along three business segments – Magnequench, C&O and RM. Discrete operating and financial information is available for these principal segments and is used to determine operating performance for each segment and to allocate resources.

Each of the operating segments is managed separately as each of these product lines requires different technologies, resources and marketing approaches. All inter-segment transactions between the segments have been eliminated on consolidation.

2.5. Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. Neo recognizes revenue when it transfers control over a good or service to a customer. The principal activity from which Neo generates its revenue is the sale of rare earth, magnetic powders, magnets, and rare metal-based functional materials to third parties. Delivery of the rare earth, magnetic powders, magnets, and rare metal-based functional materials is considered the only material performance obligation. Transaction prices are based on the selling prices of the goods agreed to with customers. Control generally transfers in accordance with the associated shipping terms agreed to with the customer.

2.6. Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

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

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis, ranging from 4 to 40 years for buildings, 2 to 20 years for machinery and equipment, and 2 to 50 years for right-of-use assets. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Consistent with IAS 16, "significant components" with different useful lives from the original asset purchased or constructed are identified and depreciated using a representative useful life. Generally, maintenance and repairs are charged to expense as incurred. However, "major overhauls and replacements" are capitalized to the consolidated statements of financial position as a separate component, with the replaced part or previous overhaul derecognized from the statements of financial position and recorded in the statements of profit or loss.

Construction in progress is not depreciated until put into use. Assets included in construction in progress are transferred to the appropriate PP&E category and depreciation on the assets commence once the assets are available for use, such as when the test period ends or the PP&E begins commercial operations. Costs are only capitalized if the cost is directly attributable to the construction or development of the assets and may include:

- employee benefits costs arising from the construction or acquisition of an item of PP&E;
- site preparation costs;
- initial delivery and handling costs;
- installation and assembly costs;
- cost of testing of equipment, net of proceeds from items produced during testing;
- professional fees; and
- borrowing costs.

Impairment Of PP&E

Property, plant and equipment is reviewed annually to determine whether indicators of impairment or reversal of impairment exist. If such an indicator exists, the recoverable amount will be calculated to determine if any impairment loss or reversal of impairment is required.

If the carrying values of property, plant and equipment exceed their recoverable amounts, their carrying values are written down to their recoverable amount and an impairment loss is recognized. If an impairment loss subsequently reverses, the carrying amount of the asset is increased up to the carrying value that would have remained had no impairment loss been recognized previously.

Impairment losses and reversals of previous impairments are recognized in the consolidated statements of profit or loss as impairment expense (recovery) and are separately disclosed.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statements of profit or loss within other income or expense.

2.8. Government Grants

Funds awarded to the Company from government agencies are deducted from the carrying amount of the corresponding asset for which the grant funds are applied. Such grants are recognized in profit or loss over the life of the corresponding assets as a reduced depreciation expense.

2.9. Intangible Assets

Intangible assets acquired by way of an asset acquisition or business combination are recognized if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably upon initial recognition. Neo's intangible assets consist primarily of customer relationships, license agreements, and trade names. Upon acquisition, customer relationships and license agreements are measured initially at fair value and are amortized on a straight-line basis over the period of the associated agreement or legal title: 5 to 10 years for license agreements and 10 to 15 years for customer relationships. Amortization has been included within depreciation and amortization expense in the consolidated statements of profit or loss.

Impairment Of Intangible Assets

For any trade name with an indefinite life, its initial fair value recorded at acquisition will not be amortized, instead it is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Intangible assets are reviewed each reporting period to determine whether indicators of impairment or reversal of impairment exist. If such indicators exist, Neo calculates the recoverable amount to determine if any impairment loss or reversal of impairment is required. Reversals of impairment losses are only applicable for intangible assets with finite lives.

If the carrying values of finite life intangible assets exceed their recoverable amounts, their carrying values are written down to their recoverable amount and an impairment loss is recognized. If an impairment loss subsequently reverses, the carrying amount of the asset is increased up to the carrying value that would have remained had no impairment loss been recognized previously.

2.10. Goodwill

Under the acquisition method of accounting, the fair value of the consideration paid is allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortized; instead it is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the cash generating unit ("**CGU**") might be impaired and is carried at cost less accumulated impairment losses.

At the date of acquisition, goodwill is assigned to a CGU or group of CGUs that is expected to benefit from the synergies of the business combination. For the purpose of impairment testing, goodwill is allocated to Neo's operating segments, which are individual divisions and corresponds to the level at which goodwill is internally monitored by the CODM. Goodwill impairment is recognized for any excess of the carrying amount of the CGU (or group of CGUs) over its recoverable amount. The recoverable amount of a CGU or group of CGUs, is the greater of its value in use and its fair value less costs to sell. The recoverable amounts of the groups of CGUs are calculated using future cash flow projections based on financial forecasts.

Impairment Of Goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the CGU level.

A CGU or a group of CGUs, to which goodwill has been allocated, is tested for impairment at least annually and whenever there is an indication that it may be impaired. This testing is done by comparing the carrying amount of a CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of an asset, CGU or group of CGUs is the greater of its value in use and its fair value less costs to sell. To determine the recoverable amount, management estimates expected future cash flows from each CGU or group of CGUs and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each CGU or group of CGUs and reflect their respective risk profiles as assessed by management.

Corporate head office assets and expenses are proportionately allocated to CGUs or group of CGUs based on management's involvement in the business activities of each CGU or group of CGUs.

Impairment losses for a CGU or group of CGUs are first allocated to reduce the carrying amount of goodwill allocated to that CGU or group of CGUs and the remainder is allocated to other assets of the CGU or group of CGUs on a pro rata basis. Goodwill impairment charges are recognized in profit or loss and cannot be reversed in future periods.

2.11. Financial Instruments

Financial assets and financial liabilities are recognized when Neo becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

2.11.1. Financial Instruments - Classification And Measurement

Financial assets are classified and measured based on these categories: fair value through profit or loss ("**FVTPL**"); fair value through other comprehensive income; or amortized cost. Financial liabilities are classified and measured based on two categories: FVTPL or amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless Neo changes its business model for managing financial assets.

Financial assets and liabilities classified as FVPL are measured at fair value with changes in fair value recognized in the consolidated statements of profit or loss. Financial assets designated as FVOCI are measured at fair value with changes in fair value recognized in other comprehensive income with such changes never being reclassified to profit or loss. Financial assets and liabilities classified as amortized cost are initially measured at fair value, net of any transaction costs incurred and are measured subsequently using the effective interest method. Financial assets, which are held solely for interest and principal and relevant financial liabilities are classified at amortized cost.

2.11.2. Fair Value Of Financial Instruments

Neo determines the fair value of its financial instruments based on the hierarchy below. This hierarchy groups financial instruments into three levels based on the significance of inputs used in measuring their fair value:

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

A financial asset or liability is classified a Level based on the lowest level of significant input to its fair value measurement.

2.11.3. Impairment Of Financial Assets And Expected Credit Losses

For accounts receivable, payment receipts are typically due 30 to 90 days upon completion of the performance obligation for each contract, generally upon delivery. Neo reviews financial asset balances at each reporting date for indicators of impairment and, where applicable, recognizes impairment through a loss allowance. Impairment is assessed using the simplified expected credit loss ("**ECL**") model, applied primarily to trade and other receivables to determine the allowance for doubtful accounts. Under this simplified approach, a lifetime ECL is recognized on initial recognition and remeasured at each reporting date using forward-looking information.

Neo calculates ECL using a simplified provision matrix. The allowance is based on historical credit loss experience and is adjusted for current and expected conditions. Key factors considered include the aging of receivable balances, customer creditworthiness, macroeconomic conditions, expected bankruptcies, and political and economic volatility in the markets and locations where customers operate.

2.11.4. Equity Investments In Private Companies

Equity investments are initially recognized at fair value. Equity investments that are not held for trading may be designated at initial recognition as fair value through other comprehensive income ("**FVOCI**"). For equity investments designated at FVOCI, subsequent changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss on disposal. Dividends are recognized in profit or loss when the Group's right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

2.12. Cash And Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents have an original maturity of three months or less from the date of acquisition.

2.13. Inventories

Inventories are recorded at the lower of weighted-average cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using a weighted-average formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

2.14. Share-based Compensation

Directors, officers and employees of Neo receive remuneration in the form of share-based payments, whereby these individuals render services as consideration for cash or equity instruments.

2.14.1. Equity-settled Share-based Awards

The cost of equity-settled share-based compensation, comprising stock options, restricted share units ("**RSU**") and performance share units ("**PSU**") granted to executives, is determined by the fair value at the date of the grant using an option pricing model. That cost is recognized in share-based compensation expense, together with a corresponding increase in equity (contributed surplus), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The expense recognized for equity-settled transactions at each reporting date reflects the vesting period and Neo's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Neo's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.14.2. Cash-settled Share-based Plans

Obligations related to cash-settled share-based plans (select RSU and PSU) are recorded as liabilities at fair value in accounts payable and other accrued charges. At each reporting date, obligations related to cash-settled share-based plans are re-measured at fair value equivalent to the underlying share price as well as the number of units vested. The corresponding share-based compensation expense is recognized over the vesting period.

2.14.3. Deferred Share Units Plan

Under Neo's non-employee director deferred share units ("**DSU**") plan, described in Note 21, obligations related to the DSU plan are recorded as liabilities at fair value in accounts payable and other accrued charges. Considered to be immediately vested on grant, the cost of DSUs granted is recognized in operating expenses in the period they are awarded and re-measured at each reporting date at fair value equivalent to the underlying Neo's share price.

2.15. Dividends Paid To Non-controlling Interests By Non-wholly Owned Subsidiaries

From time to time, as the Company evaluates capital and liquidity requirements across its subsidiaries, Neo may declare dividends from its subsidiaries. Dividends declared by its partially-owned subsidiary, Buss & Buss, requires payment to the minority shareholder. In accordance with IAS 32, Neo elects to record the dividends paid to Buss & Buss' non-controlling interest as finance costs in the consolidated statements of profit or loss.

2.16. Income Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

2.16.1. Current Tax

Current tax for each taxable entity is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods. Current tax assets and liabilities are offset only if certain criteria are met.

2.16.2. Deferred Tax

Deferred tax is recognized using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

- Where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilized. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.17. Significant Management Judgments And Estimates In Applying Accounting Policies

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.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below.

2.17.1. Income Taxes

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain, and estimates are required for exposures related to examinations by tax authorities. Management reviews these transactions and exposures and records tax liabilities based on its assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. The determination of tax liabilities is subjective and generally involves a significant amount of judgment. The final outcome may differ from estimates, and a change to these estimates could impact the income tax provision.

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on Neo's expectation of future profitability by legal entity adjusted for significant non-taxable income and expenses as well as limits to the use of loss carryforwards or other tax credits. If a positive forecast of taxable income indicates the probable future use of a deferred tax asset, it is usually recognized in full. Recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

2.17.2. Impairment

Management applies judgment in assessing whether indicators of impairment (or reversal of impairment, where permitted) exist for an asset or CGU. Where an impairment assessment is required, or when the assessment is performed for non-financial assets including goodwill and indefinite life intangible assets that must be tested annually for impairment, the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Determining recoverable amount involves significant estimates, including forecast cash flows, key operating assumptions and, where applicable, discount rates that reflect market and asset-specific risks. Actual results may differ from these estimates and could result in adjustments to asset carrying values in future periods.

2.17.3. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. Neo's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly.

2.17.4. Provisions

A provision is recognized if, as a result of a past event, Neo has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain. Management estimates the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

2.17.5. Fair Value Of Financial Instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes to these financial statements regarding financial assets and liabilities. In applying the valuation techniques management makes use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.18. New Standards Or Amendments And Forthcoming Requirements

Neo adopted the following amendments to accounting standards during the year ended December 31, 2025:

- **Lack of Exchangeability** (Amendments to IAS 21) - These amendments provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments did not have a material impact on Neo’s audited consolidated financial statements.

The following are new accounting pronouncements or amendments issued by the IASB but not yet adopted by Neo as at December 31, 2025:

- **Classification and Measurement of Financial Instruments** – Amendments to IFRS 9 and IFRS 7 (effective on or after January 1, 2026) – 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. The Company has assessed that the amendments will not have a material impact on the consolidated financial statements.

- **Annual Improvements to IFRS Accounting Standards – Volume 11** (effective on or after January 1, 2026) – This volume would amend IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. Additional amendments in this volume 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 amendment relating to the derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied. The Company has assessed that the amendments will not have a material impact on the consolidated financial statements.
- **IFRS 18 Presentation and Disclosure in Financial Statements** – (effective January 1, 2027) – IFRS 18 will replace IAS 1 (many of the other existing principles in IAS 1 will be retained). IFRS 18 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 December 31, 2025.

3. Property, Plant And Equipment

	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 (1)	—	221	925	—	700	20,907	22,753
Additions of right-of-use assets	—	—	—	510	—	—	510
Derecognitions and disposals, net of cost and accumulated depreciation	—	—	(333)	(190)	(28)	(203)	(754)
Transfers within PP&E	—	1,354	3,521	—	374	(5,249)	—
Currency translation adjustments	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)

(1) For the year ended December 31, 2025, $3.2 million (2024: $2.7 million) in interest expense relating to the Export Development Canada ("**EDC**") loans was capitalized in Construction in Progress (see Note 16.3).

	Land		Building & improvements		Machinery & Equipment		Right-of-use Assets		Office equipment		Construction in Progress (net of transfer)		Total
As at January 1, 2024													
Cost	$	10,000	$	37,557	$	96,141		14,562	$	7,837	$	47,715	$ 213,812
Accumulated depreciation		—		(19,281)		(64,639)		(6,023)		(4,951)		—	(94,894)
Opening net book value as at January 1, 2024	**$**	**10,000**	**$**	**18,276**	**$**	**31,502**	**$**	**8,539**	**$**	**2,886**	**$**	**47,715**	**$ 118,918**
Additions of PP&E		—		199		940		—		569		74,597	76,305
Additions of right-of-use assets		—		—		—		3,837		—		—	3,837
Write-offs, net of cost and accumulated depreciation		—		(281)		—		(642)		(36)		(431)	(1,390)
Transfers		—		18,739		47,180		—		332		(66,251)	—
Currency translation adjustments		(31)		(223)		(347)		(37)		(20)		(1,940)	(2,598)
Transfer to held for sale		—		(1,336)		(1,466)		(822)		(539)		(86)	(4,249)
Impairments (Reversal of impairments)		—		—		(548)		—		—		—	(548)
Depreciation expense		—		(1,453)		(7,640)		(1,745)		(512)		—	(11,350)
Closing net book value as at December 31, 2024	**$**	**9,969**	**$**	**33,921**	**$**	**69,621**	**$**	**9,130**	**$**	**2,680**	**$**	**53,604**	**$ 178,925**
Comprised of:													
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)

4. Government Grants

In prior years, Neo was awarded a grant of up to $17.4 million (€14.8 million) from the Government of Estonia under Europe's Just Transition Fund ("**JTF**") for eligible project costs of up to $74.3 million (€63.3 million) in relation to the construction of the Permanent Magnet facility in Narva, Estonia. The terms of the award are guided by the Government of Estonia's regulations and include factors such as total eligible costs incurred and employment created.

For the year ended December 31, 2025, Neo received $2.8 million (2024 — $5.6 million; cumulatively — $8.4 million) under the grant. Amounts received under the grant are applied against the cost of property, plant and equipment to which they relate.

5. Sale Of Subsidiaries

On March 31, 2025, Neo completed the sale, to an affiliate of Shenghe Resources Holding Co., Ltd. of (i) 86% of the equity interest in Jiangyin Jia Hua Advanced Material Resources Co., Ltd. ("**JAMR**") for cash proceeds of $25.0 million (RMB 182.7 million); and (ii) 88% of the equity interest in Zibo Jia Hua Advanced Material Resources Co., Ltd. ("**ZAMR**") for cash proceeds of $3.6 million (RMB 26.4 million). The operating results of JAMR and ZAMR were presented in the C&O business segment and the entities were classified as held for sale as at December 31, 2024.

With the sale completed, Neo now holds a 9% equity interest in JAMR and 10% equity interest in ZAMR. The investments in JAMR and ZAMR are measured at fair value through other comprehensive income.

The summary of the assets and liabilities derecognized and the resulting loss upon de-consolidation is as follows:

Cash and cash equivalents	$	(3,118)
Current assets		(33,023)
Property, plant and equipment		(4,315)
Intercompany receivables		(1,508)
Deferred tax assets		(3,760)
Current liabilities		3,336
Provisions		8,396
Non-controlling interest		2,003
Cumulative translation adjustments		(4,802)
Net assets derecognized	**$**	**(36,791)**
Sales proceeds		28,324
Transaction costs		(500)
Fair value of equity interest retained		3,040
Loss on sale of JAMR and ZAMR	**$**	**(5,927)**

The loss on sale of JAMR and ZAMR is included in "Other income (expense)" in the consolidated statement of profit or loss for the year ended December 31, 2025.

6. Intangible Assets

Neo's intangible assets consist primarily of customer relationships, license agreements, patents and trade names. The following table illustrates the net book value of Neo's intangible assets:

	Customer Relationships	License Agreements and Patents	Trade Name	Total
At January 1, 2025				
Cost	$ 56,804	$ 4,345	$ 6,000	$ 67,149
Accumulated amortization	(31,509)	(2,060)	—	(33,569)
Opening net book value at January 1, 2025	**$ 25,295**	**$ 2,285**	**$ 6,000**	**$ 33,580**
Additions	—	798	—	798
Currency translation adjustments	679	57	—	736
Amortization expense	(3,869)	(388)	—	(4,257)
Closing net book value at December 31, 2025	**$ 22,105**	**$ 2,752**	**$ 6,000**	**$ 30,857**
Comprised of:				
Cost	$ 58,489	$ 5,244	$ 6,000	$ 69,733
Accumulated amortization	(36,384)	(2,492)	—	(38,876)

		Customer Relationships		License agreements and Patents		Trade Name		Total
At January 1, 2024								
Cost		57,918		5,034		6,000		68,952
Accumulated amortization		(28,224)		(2,217)		—		(30,441)
Opening net book value at January 1, 2024	$	29,694	$	2,817	$	6,000	$	38,511
Additions		—		66		—		66
Disposals		—		(37)		—		(37)
Currency translation adjustments		(533)		(32)		—		(565)
Amortization expense		(3,866)		(529)		—		(4,395)
Closing net book value at December 31, 2024	**$**	**25,295**	**$**	**2,285**	**$**	**6,000**	**$**	**33,580**
Comprised of:								
Cost	$	56,804	$	4,345	$	6,000	$	67,149
Accumulated amortization		(31,509)		(2,060)		—		(33,569)

7. Goodwill

As at:		December 31 2025		December 31 2024
Balance as at January 1, 2025 and 2024, respectively	$	64,029	$	65,160
Currency translation adjustments		1,828		(1,131)
Ending balance	**$**	**65,857**	**$**	**64,029**

For the year ended December 31, 2025, $65.9 million of goodwill and $6.0 million (Note 6) of trade name with an indefinite life were included in the Magnequench segment for the annual goodwill and indefinite life intangible asset impairment test (2024 — $64.0 million of goodwill and $6.0 million of trade name with indefinite life). Goodwill reported is net of accumulated impairment of $18.7 million recorded in previous years.

Effective December 31, 2025, Neo performed a goodwill impairment test for its Magnequench segment in accordance with its accounting policies and based on conditions as at that date. The recoverable amount for the Magnequench group of CGUs was determined based on fair value less cost to sell. The calculations used a detailed 7-year cash flow projection based on financial forecasts prepared by management. Cash flows beyond the 7-year period were derived using an estimated growth rate. The forecasted cash flows were then discounted to calculate the present value of the cash flows expected to be derived from the group of CGUs. This approach involves estimates and assumptions including forecasted operating profit margin, the terminal value growth rate and the discount rate. The fair value measurement was categorized as a Level 3 fair value measurement based on significant unobservable inputs in the valuation technique used.

The recoverable amount is most sensitive to the following assumptions:

1. **Forecasted operating profit margin and terminal value growth rate** are determined based on management's past experience in the industry and its forward-looking estimates for performance of the Magnequench group of CGUs. Forecasted operating profit margin was based on Magnequench's 7-year financial plan. The cash flow forecasts beyond the planning period used an estimated terminal value growth rate of 4.0% (2024 — 5.0%).
2. **Discount rate** is determined in order to calculate the present value of the projected cash flows of the Magnequench group of CGUs. The post-tax discount rate was 11.5% for Magnequench at December 31, 2025 (2024: 11.6%).

As a result of the annual goodwill and indefinite life intangible asset impairment test, it was determined that the estimated recoverable amount of the Magnequench group of CGUs exceeded its carrying amount and therefore no impairment existed in the Magnequench group of CGUs at December 31, 2025.

8. Investments

8.1 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 44% 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 year ended December 31, 2025.

8.2 Summary Of Investments Accounted For Using The Equity Method

Aggregate financial information of these equity accounted associates for the year ended and as at December 31, 2025 and December 31, 2024 is presented below.

For the year ended December 31, 2025:

	TMT	Keli	GQD	NNSR	Total
Total revenue	$ 11,385	$ 332,561	$ 31,501	$ —	$ 375,447
Share of revenue in associates	3,757	83,140	6,300	—	93,197
Net income (loss)	587	2,503	829	(359)	3,560
Share of income (loss) in associates	194	622	155	(157)	814

For the year ended December 31, 2024:

	TMT	Keli	GQD	NNSR	Total
Total revenue	$ 12,273	$ 360,813	$ 33,550	$ —	$ 406,636
Share of revenue in associates	4,050	90,203	6,710	—	100,963
Net income (loss)	178	(6,983)	2,376	(1,868)	(6,297)
Share of income (loss) in associates	59	(1,734)	470	(816)	(2,021)

As at December 31, 2025:

	TMT	Keli	GQD	NNSR	Total
Current assets	$ 8,160	$ 173,860	$ 20,821	$ 117	$ 202,958
Non-current assets	2,381	5,263	1,300	3,912	12,856
Total assets of associates	**$ 10,541**	**$ 179,123**	**$ 22,121**	**$ 4,029**	**$ 215,814**
Current liabilities	$ 1,874	$ 136,956	$ 3,914	$ (6)	142,738
Non-current liabilities	239	6,470	—	—	6,709
Total liabilities of associates	**$ 2,113**	**$ 143,426**	**$ 3,914**	**$ (6)**	**$ 149,447**

As at December 31, 2024:

	TMT	Keli	GQD	NNSR	Total
Current assets	$ 8,291	$ 125,611	$ 16,772	$ 804	$ 151,478
Non-current assets	2,523	4,595	1,265	3,780	12,163
Total assets of associates	**$ 10,814**	**$ 130,206**	**$ 18,037**	**$ 4,584**	**$ 163,641**
Current liabilities	$ 1,319	$ 94,346	$ 1,918	$ 241	$ 97,824
Non-current liabilities	2,026	4,136	—	—	6,162
Total liabilities of associates	**$ 3,345**	**$ 98,482**	**$ 1,918**	**$ 241**	**$ 103,986**

	TMT	Keli	GQD	NNSR	Total
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**
Carrying value at January 1, 2024	$ 2,498	$ 9,475	$ 2,823	$ 3,159	$ 17,955
Share of results in associates	59	(1,734)	470	(816)	(2,021)
Unrealized profit from sales to associates	146	—	—	—	146
Investment in associates	—	—	—	250	250
Carrying value at December 31, 2024	**$ 2,703**	**$ 7,741**	**$ 3,293**	**$ 2,593**	**$ 16,330**

9. Inventories

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

As at:	**December 31 2025**	**December 31 2024**
Raw materials	$ 104,950	$ 66,579
Work-in-progress	17,749	17,656
Finished goods	76,330	49,092
Supplies	6,376	5,994
Total	**$ 205,405**	**$ 139,321**

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

For the year ended December 31, 2025, a total of $333.5 million of inventories was included in the cost of sales compared to $339.3 million for the year ended December 31, 2024. These include $1.9 million of reversal of provisions for inventories in the year ended December 31, 2025 compared to a $1.6 million of reversal of provisions for inventories in the year ended December 31, 2024.

10. Other Current Assets

Other current assets consist of the following:

	December 31 2025	December 31 2024
Prepayments for inventory	$ 7,999	$ 6,485
Other prepaid expenses	4,173	3,460
Value-added tax receivable	8,634	9,323
Notes receivable	1,960	1,342
Others	1,304	3,654
Total	**$ 24,070**	**$ 24,264**

11. Financial Instruments

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

Financial Assets as at:	**December 31 2025**	**December 31 2024**
Fair value through other comprehensive income		
Equity investments in private companies (1)	$ 3,040	$ —
Fair value through profit or loss ("FVTPL")		
Equity securities (2)	$ 456	$ 217
Measured at amortized cost (3)		
Cash and cash equivalents:		
Cash	$ 38,360	$ 85,489
Accounts receivable	93,186	61,232
Notes receivable	$ 1,960	$ 1,342
Total measured at amortized cost	$ 133,506	$ 148,063
Total financial assets	**$ 137,002**	**$ 148,280**

Financial Liabilities as at:		December 31 2025		December 31 2024
Fair value through profit or loss				
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$	60,596	$	47,416
Put option issued to non-controlling interest of SGTec (derivative liability)		1,407		1,311
Contingent consideration liability of SGTec		—		667
	$	62,003	$	49,394
Measured at amortized cost (3)				
Current:				
Short-term debt (Note 16)	$	12,949	$	2,740
Accounts payable and other accrued charges		95,844		69,546
Current portion of long-term debt (4)		9,343		4,610
Lease obligations		564		1,229
Liabilities directly associated with the assets held for sale (Note 5)		—		10,254
Other current liabilities		252		647
	$	118,952	$	89,026
Non-current:				
Long-term debt (5)	$	79,512	$	64,186
Lease obligations		3,170		3,244
Other non-current liabilities		395		842
		83,077		68,272
Total financial liabilities	**$**	**264,032**	**$**	**206,692**

(1) Equity investments in private companies represents Neo's retained interest in previously consolidated subsidiaries (see Note 5). Equity investments in private companies are re-measured each reporting period with the change in fair value recorded in OCI.

(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, current and non-current, measured at amortized cost are a reasonable approximation of their fair value with the exception of the EDC term loans which have an amortized cost of $88.9 million and a fair value of $90.7 million as at December 31, 2025.

(4) Current portion of the EDC term loans. See Note 16.

(5) Non-current portion of the EDC term loans due for repayment from January 2027 to November 2029. See Note 16.

11.1 Derivative Liabilities

11.1.1 Buss & Buss

As at December 31, 2025, Neo's derivative liability is comprised of a put option issued to the non-controlling interest of a consolidated subsidiary, Buss & Buss. The put option liability is subsequently re-measured at each reporting date based on 90% of the fair value of the subsidiary and the remeasurement is recorded in the consolidated statements of profit or loss.

For the year ended December 31, 2025, Buss & Buss declared and paid $14.7 million (€13.6 million) of dividends to its shareholders (a subsidiary of Neo and a non-controlling interest). In accordance with IAS 32, Neo has elected to record the dividends paid to Buss & Buss' non-controlling interest of $7.3 million as finance costs for the year ended December 31, 2025 (see Note 23). For the year ended December 31, 2024, Buss & Buss declared and paid $29.4 million (€27.2 million) of dividends to its shareholders, of which $14.7 million have been recorded as finance costs for the year ended December 31, 2024.

For the year ended December 31, 2025 the change in the fair value of the derivative liability was an increase of $13.2 million (see Note 23). The 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 (see Note 12). For the year ended December 31, 2024, the change in the fair value of the derivative liabilities was an increase of $11.4 million.

11.2 Financial Assets And Liabilities Measured At Fair Value

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

The financial assets and liabilities measured at fair value in the consolidated statements of financial position as at December 31, 2025, are grouped into the fair value hierarchy as follows:

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

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

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

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

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

For further discussion of financial liabilities measured at amortized cost specifically for bank advances and other short and long-term debt, see Note 16.

12. Financial Risk Management

In the normal course of operations, Neo is exposed to a number of different financial risks. These risk factors include market risks such as foreign exchange risk, interest rate risk, other price risk, as well as credit risk and liquidity risk. The objective of risk management is to mitigate exposures within acceptable limits, while maximizing returns.

12.1 Foreign Currency Exchange Risk

Foreign currency exchange risk refers to the fluctuation of financial commitments, assets, liabilities, income or cash flow due to changes in foreign exchange ("**FX**") rates. Neo conducts business transactions and owns assets in multiple countries; as a result, Neo is subject to fluctuations in respect of the currencies in which it operates. Neo's income is exposed to FX risk largely in the following ways:

i. Translation of foreign currency denominated revenue and expenses into U.S. dollars, the currency in which Neo reports in – When the foreign currency changes in relation to the U.S. dollar, income reported in U.S. dollars will change. The impact of weakening foreign currency in relation to the U.S. dollar for foreign currency denominated revenue and expenses will result in higher net income because Neo has more foreign currency-based expenses than revenue.

ii. Translation of foreign currency denominated debt and other monetary items – A weakening foreign currency in respect of Neo's foreign currency denominated debt will decrease the debt in U.S. dollar terms and generate a FX gain on bank advances and other short-term debt, which is recorded in income. Neo calculates FX on the short-term debt using the difference in FX rates at the beginning and at the end of each reporting period. Other foreign currency denominated monetary items will also be impacted by changes in FX rates.

The following table summarizes (in U.S. dollar equivalents) Neo's major currency exposures where balances denominated in the currencies shown in the table are different than the functional currency of the relevant entity as at December 31, 2025:

	Chinese Renminbi	Euro	U.S. Dollar	Thai Baht	Canadian Dollar	British Pound
Cash and cash equivalents	$ 5,215	$ 5,823	$ 3,265	$ 3,492	$ 555	$ 783
Accounts receivable	1,862	2,674	17,159	5,785	—	457
Other receivable	55	434	—	—	—	—
Bank advances & other debt	(4,886)	(5,203)	—	—	—	—
Accounts payable and accrued liabilities	(13,251)	(7,635)	(3,343)	(1,917)	(2,272)	(1,870)
Lease obligations	(75)	(86)	—	(63)	(1,588)	—
Net financial (liabilities) assets	**$ (11,080)**	**$ (3,993)**	**$ 17,081**	**$ 7,297**	**$ (3,305)**	**$ (630)**

The following table shows the impact of a one-percentage point strengthening or weakening of foreign currencies against the U.S. dollar as at December 31, 2025 for Neo's financial instruments denominated in non-functional currencies:

	Chinese Renminbi	Euro	Thai Baht	Canadian Dollar	British Pound
Impact on net earnings before tax of a 1% strengthening	$ (111)	$ (40)	$ 73	$ (33)	$ (6)
Impact on net earnings before tax of a 1% weakening	111	40	(73)	33	6

The effect on profit or loss of a one-percentage point strengthening or weakening of U.S. dollar denominated financial assets and liabilities held in non-U.S. dollar functional currency subsidiaries is a nominal gain or loss, respectively.

12.2 Interest Rate Risk

This refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates.

As at December 31, 2025, Neo has outstanding EDC term loans totaling $90.0 million, which bear an interest rate equal to the secured overnight financing rate (“**SOFR**”), as administered by the Federal Reserve Bank of New York, plus an applicable margin. Other than the EDC term loans, Neo has outstanding short-term debt of $12.9 million as at December 31, 2025. See Note 16 for further discussion on Neo’s EDC term loans and short-term debt.

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

	Year ended December 31, 2025	
Impact on net earnings before tax of a 1% increase	$	(246)
Impact on net earnings before tax of a 1% decrease		247

12.3 Credit Risk

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

Neo calculates a loss allowance using the ECL impairment model and the gross carrying amount of accounts receivable generally represents the maximum credit exposure. The estimated credit loss is included in selling, general and administrative expenses in the consolidated statements of profit or loss, net of any recoveries provided for in prior periods. The expected credit loss as at December 31, 2025 is $0.9 million (December 31, 2024 — $0.5 million). Unless an arrangement is arrived at with the customer, Neo considers a financial asset to be in default when contractual payments are more than 180 days past due or when there is other objective evidence that the counterparty is unlikely to pay.

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

12.4 Liquidity Risk

Liquidity risk is the risk that Neo will not be able to meet its financial obligations as they fall due. Neo manages liquidity risk through the management of its capital structure, as outlined in Note 15**.** It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account Neo's sales and receipts and matching the maturity profile of financial assets and liabilities. Neo’s Board of Directors reviews and approves Neo's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The following table reflects the contractual maturity of Neo's financial liabilities as at December 31, 2025:

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

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

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

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

13. Provisions

Neo’s provisions as at December 31, 2025 and December 31, 2024 are summarized below:

	Patent litigation (1)	Others	2025 Total	2024 Total
Balance as at January 1	$ 18,719	$ 519	$ 19,238	$ 27,020
Changes to provisions made	1,125	5,436	6,561	1,636
Payments made	(12,513)	(7)	(12,520)	(975)
Reclassification (1)	(8,340)	(205)	(8,545)	(8,191)
Currency translation adjustment	1,009	119	1,128	(252)
Balance as at December 31	**$ —**	**$ 5,862**	**$ 5,862**	**$ 19,238**
Current portion	—	3,470	3,470	12,512
Non-current portion	$ —	$ 2,392	$ 2,392	$ 6,726

(1) Represents reclassification of:

a. a $8.3 million (€7.1 million) patent litigation provision to accrued payable and other accrued charges as at December 31, 2025 as a result of a settlement agreement signed in December 2025, and subsequently settled in January 2026 for $8.3 million.

b. a $0.2 million provision at facilities disposed in March 2025 and classified as held for sale as at December 2024 (see Note 5).

As at December 31, 2025, provisions are comprised of a non-recurring charge of $3.0 million related to a potential settlement with a third party in respect of historical technical contributions during the development of the European Permanent Magnet facility and $2.8 million of estimated costs for the planned remediation of pre-existing naturally occurring radioactive material (“**NORM**”) at the Silmet facility (see Note 22).

13.1 Commitments

In the normal course of business, Neo and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers including equipment purchases. These commitments are for varying terms and can provide for fixed or variables prices.

13.2 Legal Claims

In the ordinary course of business, Neo and its subsidiaries occasionally face litigation claims, primarily concerning alleged intellectual property infringements. Neo manufactures and sells products utilizing scientific formulations and processes, which may lead competitors to assert patent infringement claims. The Company generally believes that it has meritorious defences to the actions that have been brought against it and vigorously pursues the defence of each such action, including but not limited to initiated legal proceedings to revoke or invalidate the patents Neo is alleged to have infringed.

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

On December 31, 2025, Neo entered into a settlement agreement with Rhodia 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.

14. Leases

14.1 Right-of-use Assets

Neo leases vehicles, machinery, land and buildings for its office and research and development facilities. The leases of vehicles, machinery and office spaces typically run for a period of 2 to 5 years. The leases of land could range for a period of 1 to 50 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Neo also leases office equipment with contract terms of 1 to 2 years. For short-term leases or leases of low-value items, Neo has elected not to recognize right-of-use assets and lease liabilities on the statement of financial position. Additional information about Neo's right-of-use assets is presented in Note 3.

15. Management Of Capital

Neo's objectives when managing its capital are:

- to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the business, both internally and by acquisition; and
- to provide an adequate return to its shareholders.

Neo defines its capital as follows:

- shareholders' equity;
- non-controlling interests; and
- short-term and long-term debt.

Neo manages its capital structure and makes adjustments in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of underlying assets. Neo may also issue new shares and/or new debt to replace existing debt. There are no assurances that these initiatives will be carried out.

In the management of capital, Neo has established quantitative return on capital criteria, and year-over-year sustainable earnings growth targets for Neo's operating segments. These targets are monitored and reviewed on a quarterly basis by using a number of key financial metrics, including:

- return on capital employed (“**ROCE**”): adjusted operating income divided by average adjusted capital employed – ROCE is a key measurement of financial performance, focusing on cash and the efficient use of capital;
- net debt to capitalization: net debt (the sum of long-term debt including the current portion and bank advances, less cash), divided by the sum of net debt, shareholders' equity and non-controlling interests.

Both of these metrics have no standardized meanings prescribed by IFRS and, therefore, are unlikely to be comparable to similar measures of other companies.

16. Debts

Neo's short-term and long-term debts are summarized in U.S. dollar equivalent below:

As at December 31, 2025	Facility Size	Outstanding Amount	Repaid to Date (1)	Available Capacity	Maturity Date
HSBC China Overdraft facility	$ 10,000	$ —	N/A	$ 10,000	N/A
HSBC China Revolving Loan facility	20,000	7,746	N/A	12,254	N/A
German Line of Credit	14,675	5,203	N/A	9,472	N/A
EDC NAMCO Loan	50,000	40,000	10,000	—	Aug 2027
EDC PM Loan	50,000	50,000	—	—	Nov 2029
Total	**$ 144,675**	**$ 102,949**	**$ 10,000**	**$ 31,726**	
Deferred financing costs		**$ (1,145)**			
Carrying value		**$ 101,804**			
Current portion		$ 22,292			
Non-current portion		79,512			

(1) Principal repayments under the EDC term loans are not available for re-borrowing (2025 - $5 million; 2024 - $5 million).

16.1 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 requirement of the Chinese Subsidiaries.

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

16.2 German Line Of Credit

Buss & Buss has a $14.7 million (€12.5 million) revolving line of credit which can be drawn either in Euros or U.S. dollars.

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

16.3 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 the relocation, expansion and sustainability upgrades to its emissions catalyst manufacturing facility (the "**NAMCO facility**"). Ultimately, Neo drew $50.0 million on the EDC NAMCO Loan, and $10.0 million has been repaid as of December 31, 2025 ($5.0 million in 2025).

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.

In 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 December 31, 2025, the carrying amount of the EDC term loans, measured at amortized cost, was $88.9 million (December 31, 2024 — $68.8 million), of which $9.3 million was classified as current (December 31, 2024 — $4.6 million)

Both loans with the EDC 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 EDC 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 year ended December 31, 2025. Neo is in compliance with all covenants in the EDC loan agreements as at December 31, 2025.

17. Share Capital

	December 31 2025	December 31 2024
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	41,598,853	41,771,464
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 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 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. For the year ended December 31, 2024, Neo repurchased 398,871 shares for $2.3 million.

Neo did not repurchase any shares between January 1 and March 19, 2026.

Quarterly Dividend

On March 12, 2026, the Board of Directors declared a quarterly dividend of CAD $0.10 per common share payable in cash on March 26, 2026, to common shareholders of record at the close of business on March 19, 2026.

18. Supplemental Cash Flow Information

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

	Year Ended December 31,	
	2025	2024
(Increase) Decrease in assets:		
Accounts receivable	$ (36,520)	$ 4,645
Inventories	(65,282)	28,862
Other assets	(64)	2,131
(Decrease) increase in liabilities:		
Accounts payable and other accrued charges	19,713	(17,287)
Other liabilities	(333)	(42)
Total net change	**$ (82,486)**	**$ 18,309**

19. 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 year ended December 31, 2025:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
External revenue	$ 204,555	$ 126,573	$ 147,665	$ —	$ 478,793	$ —	$ 478,793
Inter-segment revenue	—	8,457	—	—	8,457	(8,457)	—
Total revenue	**$ 204,555**	**$ 135,030**	**$ 147,665**	**$ —**	**$ 487,250**	**$ (8,457)**	**$ 478,793**
Net income (loss)	**$ 551**	**$ 939**	**$ 9,409**	**$ (19,787)**	**$ (8,888)**	**$ (1,081)**	**$ (9,969)**
Finance costs, net	(207)	1,762	20,093	2,141	23,789	—	23,789
Income tax expense	3,917	1,526	8,922	37	14,402	—	14,402
Depreciation and amortization included in cost of sales	3,701	2,879	1,383	—	7,963	—	7,963
Depreciation and amortization included in operating expenses	5,212	1,166	366	299	7,043	—	7,043
EBITDA	**13,174**	**8,272**	**40,173**	**(17,310)**	**44,309**	**(1,081)**	**43,228**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 13,174	$ 8,272	$ 40,173	$ (17,310)	$ 44,309	$ (1,081)	$ 43,228
Other expense (income) (Note 22)	1,944	8,297	1,512	—	11,753	—	11,753
Foreign exchange (gain) loss	(3,748)	4,800	792	(9,251)	(7,407)	—	(7,407)
Equity (income) loss of associates	(971)	157	—	—	(814)	—	(814)
Share based compensation	2,237	1,918	723	7,080	11,958	—	11,958
Project start-up & transition costs (1)	15,741	—	—	1,187	16,928	—	16,928
Adjusted EBITDA (2)	**$ 28,377**	**$ 23,444**	**$ 43,200**	**$ (18,294)**	**$ 76,727**	**$ (1,081)**	**$ 75,646**

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

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

For the year ended December 31, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
External revenue	$ 176,649	$ 142,973	$ 156,206	$ —	$ 475,828	$ —	$ 475,828
Inter-segment revenue	—	3,543	—	—	3,543	(3,543)	—
Total revenue	**$ 176,649**	**$ 146,516**	**$ 156,206**	**$ —**	**$ 479,371**	**$ (3,543)**	**$ 475,828**
Net income (loss)	**$ 3,821**	**$ (775)**	**$ 10,960**	**$ (27,545)**	**$ (13,539)**	**$ 523**	**$ (13,016)**
Finance cost (income), net	(21)	390	25,867	1,252	27,488	—	27,488
Income tax expense (benefit)	3,026	907	14,048	(36)	17,945	—	17,945
Depreciation and amortization included in cost of sales	3,721	3,461	1,371	—	8,553	—	8,553
Depreciation and amortization included in operating expenses	5,372	1,123	405	292	7,192	—	7,192
EBITDA	**$ 15,919**	**$ 5,106**	**$ 52,651**	**$ (26,037)**	**$ 47,639**	**$ 523**	**$ 48,162**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 15,919	$ 5,106	$ 52,651	$ (26,037)	$ 47,639	$ 523	$ 48,162
Other (income) expense (Note 22)	(644)	(2,157)	(658)	54	(3,405)	—	(3,405)
Foreign exchange loss (gain)	2,735	(2,034)	(83)	3,650	4,268	—	4,268
Equity loss of associates	1,205	816	—	—	2,021	—	2,021
Share based compensation	584	547	262	1,667	3,060	—	3,060
(Recovery) impairment of assets (1)	—	548	(410)	—	138	—	138
Project start-up & transition costs (2)	5,729	2,098	—	2,327	10,154	—	10,154
Adjusted EBITDA	**$ 25,528**	**$ 4,924**	**$ 51,762**	**$ (18,339)**	**$ 63,875**	**$ 523**	**$ 64,398**

(1) Represents an impairment charge of $0.6 million as a result of shutdown of the light rare earth separation business in ZAMR in April 2024; an impairment charge of $0.3 million as a result of the classification of the JAMR and ZAMR disposal group as held for sale; and a reversal of an asset impairment of $0.4 million previously recorded at Buss & Buss.

(2) Represents start-up costs (primarily pre-operational personnel costs) at the European Permanent Magnet facility, as well as transition cost during qualification and start-up of the NAMCO facility and winding down of the ZAMR facility. Neo has removed these charges to allow comparability with between periods.

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)

As at December 31, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
Total assets	$ 324,122	$ 198,699	$ 122,701	$ 7,168	$ 652,690	$ 564	$ 653,254
Investments	13,737	2,593	—	—	16,330	—	16,330
Total liabilities	$ (42,129)	$ (56,715)	$ (66,879)	$ (82,649)	$ (248,372)	$ —	$ (248,372)

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

Revenue	Year Ended December 31, 2025	2024
Asia:		
China	$ 110,610	$ 126,960
Japan	71,910	74,711
Thailand	18,748	13,913
South Korea	9,328	7,228
North America	140,043	148,291
Europe	99,273	78,996
Other	28,881	25,729
Total	**$ 478,793**	**$ 475,828**

For the year ended December 31, 2025, revenue from one significant customer accounted for $53.0 million of Neo’s total revenue (2024 — $71.5 million). Neo defines significant customers as those that generate 10% or more of consolidated revenue.

The geographic distribution of Neo’s non-current assets (excluding deferred tax assets, goodwill and intangible assets) based on the location of the assets is summarized as follows:

Non-current Assets	Year Ended December 31, 2025	2024
Asia:		
China	$ 86,275	$ 89,110
Thailand	5,194	5,246
Singapore	880	1,261
North America	17,280	16,270
Europe	105,837	80,897
Other	6,691	3,453
Total	**$ 222,157**	**$ 196,237**

20. Loss Per Share

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

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

	Year Ended December 31, 2025	2024
Common shares outstanding at beginning of the year	41,771,464	42,027,392
Weighted average impact of:		
Issuance of common shares	116,749	95,414
Repurchase and cancellation of common shares under the NCIB	(189,548)	(349,363)
Weighted average number of common shares for the year - basic and diluted	**41,698,665**	**41,773,443**

For the years ended December 31, 2025 and 2024, 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.

20.2 Loss Per Share

The calculation of basic and diluted loss per share was based on net loss attributable to common shareholders for the year ended December 31, 2025, and December 31, 2024.

	Year Ended December 31,	
	2025	**2024**
Loss attributable to common shareholders. - basic and diluted	$ (9,984)	$ (12,946)
Loss per share - basic and diluted	$ (0.24)	$ (0.31)

21. Share-based Compensation

During the year ended December 31, 2025, 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 1,2025	2,076,960	$ 8.21	225,342	327,933
Granted	—	$ —	228,340	554,795
Exercised	(88,002)	$ 9.37	(95,085)	(78,591)
Expired/Forfeited	(60,004)	$ 13.71	—	—
Outstanding, December 31, 2025	1,928,954	7.99	358,597	804,137
Exercisable, December 31, 2025	1,390,677	$ 9.17	$ —	$ —
Weighted average remaining contractual life, December 31, 2025	3.3 years		1.8 years	1.2 years

Cash-settled share-based compensation	**RSUs**	**PSUs**	**DSUs**
Outstanding, January 1,2025	267,989	150,919	194,989
Granted	114,615	266,965	44,791
Exercised	(118,164)	(51,159)	(52,674)
Expired/Forfeited	(24,840)	(22,502)	—
Outstanding, December 31, 2025	239,600	344,223	187,106
Weighted average remaining contractual life, December 31, 2025	1.6 years	1.3 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 2025 and 2024:

	Options	**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	$ 4,364	$ 460

	Options		RSUs		PSUs		DSUs	
Key assumptions used for 2024 grants:								
Weighted average grant date fair value (per unit)	$	1.69	$	4.52	$	—	$	—
Dividend yield		6.4 %		— %		— %		— %
Expected volatility		51.0 %		— %		— %		— %
Risk-free interest rate		4.3 %		— %		— %		— %
Exercise price	$	4.52	$	—	$	—	$	—
Forfeiture rate		— %		— %		— %		— %
Fair value of share-based compensation at grant date	$	1,036	$	1,487	$	—	$	—

The following table shows the share-based compensation obligations recorded in the consolidated statements of financial position:

As at:	December 31 2025	December 31 2024
Accounts payable and other accrued charges	$ 7,437	$ 1,923
Contributed surplus	23,325	18,727
Total	**$ 30,762**	**$ 20,650**

The following table shows the share-based compensation expense recorded in the consolidated statements of profit or loss during the year ended December 31, 2025 and December 31, 2024:

	Year ended December 31,	
	2025	2024
Options	$ 561	$ 1,060
RSUs	3,278	1,657
PSUs	5,926	386
DSUs	2,193	(43)
Total	**$ 11,958**	**$ 3,060**

22. Other (Expense) Income

Other (expense) income represents non-operational activities deemed not indicative of Neo's ongoing operations.

For the year ended December 31, 2025, other expense include $5.9 million for the loss on the sale of JAMR and ZAMR (see Note 4), primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of $4.8 million, and a non-recurring charge of $3.0 million related to a potential settlement with a third party in respect of historical technical contributions during the development of the European Permanent Magnet facility. The amount reflects management's current estimate of the probable obligation. Final settlement terms are subject to ongoing discussions. Additionally, other expense includes an updated estimate of $2.2 million for the planned remediation of pre-existing NORM at the Silmet facility resulting from operations prior to its acquisition by Neo and $1.1 million in costs relating to the settlement of legal claims with Rhodia.

For the year ended December 31, 2024, other income includes the reversal of liabilities at a legacy facility in China upon its closure, partially offset by charges for estimated damage claims related to legal proceedings.

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

	Year Ended December 31,	
	2025	**2024**
Dividends paid to non-controlling interest (Note 11)	$ 7,343	$ 14,699
Change in fair value of derivative liabilities (Note 11)	13,180	11,372
Interest expense on debts	3,436	1,846
Interest earned on deposits, net of interest paid on bank advances and other	(170)	(429)
Total	**$ 23,789**	**$ 27,488**

24. Income Tax

24.1 Income Tax Expense

	Year Ended December 31,	
	2025	**2024**
Current tax expense (benefit)		
Current year	$ 15,854	$ 22,108
Adjustments in respect of prior years	690	(1,268)
Total current tax expense	16,544	20,840
Deferred tax benefit		
Origination and reversal of temporary differences	(367)	(1,628)
Amount of benefit arising from previously unrecognized tax loss, used to reduce current tax expense	(1,037)	(978)
Amount of benefit arising from previously unrecognized deductible temporary differences	(738)	(289)
Total deferred tax benefit	(2,142)	(2,895)
Total income tax expense	**$ 14,402**	**$ 17,945**

24.2 Reconciliation Of Effective Tax Rate

	Year Ended December 31,	
	2025	**2024**
Income from operations before taxes and equity income of associates	$ 3,619	$ 6,950
Income tax expense at Canadian applicable tax rate of 26.5%	959	1,842
Impact of countries with different tax rates	5,402	2,009
Change in unrecognized tax losses and deductible temporary differences	2,043	3,905
Current tax expense (benefit) with respect to prior years	690	(1,268)
Foreign withholding taxes	2,662	1,250
Deferred tax expense (benefit) on foreign exchange translation of non-monetary items	(2,825)	1,394
Non-deductible finance costs	5,582	7,091
Deferred tax (benefit) expense relating to investment in subsidiary	(500)	500
Other expenses not deductible for tax purposes	455	509
Other	(66)	713
Total income tax expense	**$ 14,402**	**$ 17,945**

24.3 Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profits will be available against which the benefit can be used:

	Year Ended December 31,	
	2025	**2024**
Deductible temporary differences	$ 21,630	$ 24,118
Tax losses	123,434	124,694
	$ 145,064	**$ 148,812**

Tax losses for which no deferred tax asset was recognized that will not expire totaled $5.7 million while $3.0 million expire between 2026 and 2030 and $114.7 million expire between 2031 and 2045.

24.4 Unrecognized Deferred Tax Liabilities

At December 31, 2025, taxable temporary differences of $113.7 million related to the investment in subsidiaries were not recognized because Neo controls the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24.5 Recognized Deferred Tax Assets And Liabilities

Deferred tax assets and liabilities are attributable to the following:

As at:	December 31, 2025	December 31, 2024
Deferred tax assets		
Inventory	1,392	783
Property, plant and equipment and intangible assets	3,464	1,990
Accrued charges	1,680	3,334
Deferred compensation and retirement benefits	650	253
Net operating losses	1,846	1,053
Other	538	1,546
Deferred tax liabilities		
Inventory	(931)	(992)
Property, plant and equipment and intangible assets	(9,345)	(10,959)
Foreign subsidiary earnings and withholding tax	(5,634)	(4,694)
Other	(266)	(915)
Deferred tax liabilities - net	**$ (6,606)**	**$ (8,601)**

A subsidiary of Neo that generated losses in the prior year has recognized deferred tax assets of $0.6 million that will be utilized based on expected future taxable profits.

For disclosure purposes, deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and Neo has the legal right and intent to offset, resulting in the following presentation:

As at:	December 31, 2025	December 31, 2024
Deferred tax assets	$ 2,799	$ 4,045
Deferred tax liabilities	(9,405)	(12,646)
Deferred tax liabilities - net	**$ (6,606)**	**$ (8,601)**

Movement in net deferred tax liabilities:

	Year Ended December 31, 2025	Year Ended December 31, 2024
Balance at the beginning of the year	$ (8,601)	$ (7,534)
Recognized in profit or loss	2,142	2,895
JAMR and ZAMR - transferred to Assets Held for Sale	—	(4,149)
Other	(147)	187
Balance at the end of the year	**$ (6,606)**	**$ (8,601)**

25. 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:

	Year Ended December 31,	
	2025	**2024**
Directors	$ 1,441	$ 1,411
Key Executive Management	5,650	4,370
Total	**$ 7,091**	**$ 5,781**

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

	Year Ended December 31,	
	2025	**2024**
Directors	1,041	(43)
Key Executive Management	4,599	2,040
Total	**$ 5,640**	**$ 1,997**

For the year ended December 31, 2025, post-retirement benefits paid to key management personnel totaled $0.7 million (2024 — $0.1 million) related to the settlement of DSUs.

26. Employee Benefits

The employee benefit expenses included in cost of sales, selling, general and administrative, and research and development expenses are $69.7 million and $69.0 million for the year ended December 31, 2025 and December 31, 2024, respectively. Additionally, share-based compensation for employees were $12.0 million and $3.1 million for the year ended December 31, 2025 and December 31, 2024, respectively.

27. 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.

27.1 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:

	Year Ended December 31,	
	2025	**2024**
Purchase of goods and services from associates:		
TMT	$ 1,897	$ 2,055
Keli	6,643	27,420
GQD	4,375	3,845
Sales of goods to associates:		
TMT	2,710	3,293

27.2 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:

	Year Ended December 31,	
	2025	**2024**
Sale of goods to Toda	$ 977	$ 834
Sale of goods to Qian Dong	348	515

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

	Year Ended December 31,	
	2025	**2024**
Sale of goods to related parties	$ 4,035	$ 4,642
Purchase of goods and services from related parties	12,915	33,320

As at:	**December 31 2025**	**December 31 2024**
Trade balances:		
From related parties (held within Accounts Receivable)	$ 525	$ 249
Due to related parties	(421)	(1,188)
Total	**$ 104**	**$ (939)**

neo
Performance Materials

neomaterials.com

ir@neomaterials.com

Head Office

Suite 1740, 121 King Street West
Toronto, Ontario, Canada
M5H 3T9

+1 (416) 367 8588

Executive Management

Rahim Suleman
President and Chief Executive Officer

Jonathan Baksh
Executive Vice President and
Chief Financial Officer

Kevin D. Morris
Executive Vice President and
Chief Strategy Officer

Greg Kroll
Executive Vice President,
Magnequench

Mohamad El-Mahmoud
Executive Vice President,
Chemicals & Oxides and
Rare Metals

Auditor

KPMG LLP

Investor Information

Analysts, Shareholders and those
seeking financial information should
visit neomaterials.com/investors
or contact:

Jim Fitzpatrick
Senior Vice President, Investor Relations
and Communications

ir@neomaterials.com

Registrar and Transfer Agent

Computershare Trust Company of Canada
320 Bay Street, 14th Floor
Toronto, Ontario M5H 4A6

+1 (888) 453 0330
computershare.com

Stock Exchange Listing

Common Shares of Neo are listed
on the Toronto Stock Exchange
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