

Neo Performance Materials Reports Strong Second Quarter 2018 Results

Q2 2018 Highlights

(unless other noted, all financial amounts in this news release are expressed in U.S. dollars)

- \$110.4 million in revenue, an 8.7% increase over Q2 2017
- Net income of \$19.1 million, or \$0.48 per share
- Adjusted Net Income⁽¹⁾ of \$12.5 million, or \$0.31 per share
- Adjusted EBITDA⁽¹⁾ of \$17.9 million, a 20.7% increase over Q2 2017
- Quarter-end closes with \$74.7 million cash on hand after paying a \$3.0 million dividend
- A quarterly dividend of Cdn\$0.095 per common share was declared on August 9, 2018 for shareholders of record at September 21, 2018.

TORONTO, Canada, August 13, 2018 – Neo Performance Materials Inc. ("**Neo**", the "**Company**") (**TSX:NEO**), a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, today released second quarter 2018 financial results. The financial statements and the management's discussion and analysis ("**MD&A**") of these results can be viewed on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

HIGHLIGHTS OF Q2 2018 CONSOLIDATED PERFORMANCE

In the second quarter of 2018, Neo generated \$110.4 million in revenue, an 8.7% increase over Q2 2017. Net income totaled \$19.1 million, or \$0.48 per share. Adjusted Net Income⁽¹⁾ totaled \$12.5 million, or \$0.31 per share. Adjusted EBITDA⁽¹⁾ increased 20.7% to \$17.9 million, from \$14.8 million in Q2 2017.

For the six months ended June 30, 2018, consolidated revenue was \$230.6 million compared to \$208.3 million for the same period in the prior year; an increase of \$22.3 million or 10.7%. Net income totaled \$28.0 million, or \$0.70 per share. Adjusted Net Income⁽¹⁾ totaled \$22.8 million, or \$0.57 per share. Adjusted EBITDA⁽¹⁾ increased 4.8% to \$37.1 million, from \$35.4 million in the six months ended June 30, 2017. Revenue and Adjusted EBITDA were \$434.2 million and \$67.9 million, respectively, for the full year ended December 31, 2017.

As of June 30, 2018, Neo reported cash and cash equivalents of \$74.7 million, compared to \$96.8 million as at December 31, 2017. Neo has approximately \$27.8 million available under its credit facilities with nominal amounts drawn. In addition, Neo paid a \$6.0 million dividend to its shareholders in the six months ended June 30, 2018.

⁽¹⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

The decline in cash balances was mainly due to an increase in working capital (primarily inventory balances) in the three months ended June 30, 2018. Neo continues to generate strong cash flow having generated \$35.8 million in cash after capital expenditures, cash taxes and changes in working capital and exclusive of dividends, normal course issuer bid purchases and IPO transaction costs in the trailing twelve month period ended June 30, 2018.

In the three months ended June 30, 2018, Neo recorded \$7.9 million of Other Income as a further partial settlement of the insurance claim from the fire that affected the Silmet facility in 2015. Neo excluded this amount in Adjusted Net Income and Adjusted EBITDA.

"Neo's strong performance in 2018 continued through the second quarter, driven mainly by improved operational performance and continuing demand for our Magnequench products used in a number of high-growth markets," said Geoff Bedford, Neo's President and CEO. "As we look ahead, we see strong secular growth across our product portfolio. The ongoing electrification of vehicles and the increasing utilization of smaller, lighter, and more energy-efficient micro-motors in vehicles, factories, appliances and other platforms continue to drive demand for our industry leading magnetics business. More stringent vehicle emissions standards being implemented globally require more complex rare earth-based emission catalysts, which we make often in development partnerships with our customers. Rising global demand for more sustainable and fuel-efficient technologies also is a key driver for Neo, as the functional materials we engineer are often essential to improved performance in these areas. We are well positioned to take advantage of these and other long-term global macro trends and help our customers do the same."

SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results				
	Q-over-Q Comparison		YTD-over-YTD Comparison	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Volume (tonnes)	3,396	3,658	6,995	7,640
(\$000s)				
Revenue	\$110,433	\$101,634	\$230,618	\$208,296
Operating income ⁽¹⁾	\$12,269	\$7,806	\$25,774	\$18,686
EBITDA ⁽²⁾	\$24,983	\$13,681	\$41,655	\$30,145
Adjusted EBITDA ⁽²⁾	\$17,858	\$14,798	\$37,146	\$35,438
Adjusted EBITDA % ⁽²⁾	16.2%	14.6%	16.1%	17.0%

⁽¹⁾In accordance with IFRS 3 - Business Combinations and on completion of the reorganization in September 2016, Neo recorded the acquisition of its inventory at fair value. See details in Acquisition of Inventory at Fair Value section of this news release and in the MD&A.

⁽²⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

MAGNEQUENCH SEGMENT RESULTS

Magnequench continued to see growth in many of its end market applications, including traction motors for hybrid and electric vehicles and micro-motors for vehicles, factory automation, appliances and other motor applications. Revenue for the three months ended June 30, 2018 was up by 33% compared to the three months ended June 30, 2017, due largely to a combination of higher volumes and increased selling prices from higher rare earth input costs, which are subject to pass-through mechanics with customers. Sales volume in the period increased by 9% compared to the three months ended June 30, 2017. Adjusted EBITDA for the quarter was \$13.4 million, a 20% improvement from the same period in 2017. This was driven by higher volumes, continued strong operating performance, strategic purchases of other non-rare earth raw materials, and a favorable product mix.

For the six months ended June 30, 2018, sales volume was comparable to the six months ended June 30, 2017. Revenue for the six months ended June 30, 2018 was up by 25% from the prior year, largely due to increased selling prices from higher rare earth input costs. For the six months ended June 30, 2018, Adjusted EBITDA was \$28.9 million, a 17% improvement from the same period in the prior year. This was driven by continued strong operating performance, strategic purchases of other non-rare earth raw materials, and the impact of selling prices being adjusted on a lagged basis.

TABLE 2: Selected Magnequench Results				
	<i>Q-over-Q Comparison</i>		<i>YTD-over-YTD Comparison</i>	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Volume (tonnes)	1,554	1,426	3,081	3,085
(\$000s)				
Revenue	\$56,229	\$42,277	\$111,963	\$89,721
Operating income ⁽¹⁾	\$11,432	\$8,498	\$24,773	\$19,770
EBITDA ⁽²⁾	\$13,261	\$11,029	\$28,589	\$23,431
Adjusted EBITDA ⁽²⁾	\$13,408	\$11,150	\$28,883	\$24,595

⁽¹⁾In accordance with IFRS 3 - Business Combinations and on completion of the reorganization in September 2016, Neo recorded the acquisition of its inventory at fair value. See details in Acquisition of Inventory at Fair Value section of this news release and in the MD&A.

⁽²⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

CHEMICALS AND OXIDES ("C&O") SEGMENT RESULTS

Revenue for the quarter was \$36.7 million, compared to \$41.4 million for the prior-year quarter, a decrease of 11.3%. Volume decreased to 1,776 tonnes, from 2,178 tonnes in the same period in 2017, a decrease of 18.5%. Adjusted EBITDA for the quarter was \$5.2 million, compared to \$6.4 million in the prior-year quarter, a decrease of 19.2%.

For the six months ended June 30, 2018, C&O revenue was \$81.9 million, compared to \$84.4 million for the corresponding period in 2017, a decrease of 3.1%. Volume during the period was 3,783 tonnes, compared to 4,468 tonnes in the corresponding six-month period in 2017, a decrease of 15.3%. Adjusted EBITDA was \$8.7 million, compared to \$14.7 million in the prior year period, a decrease of 40.7%.

Volumes in the auto-catalyst market for the quarter were similar to volumes in the prior-year period. The C&O segment did incur additional premium freight costs in the quarter of \$1.1 million, compared to \$3.0 million in the first quarter of 2018, as the supply chain was replenished following implementation of a new wastewater system in one of its manufacturing plants. The C&O segment believes the supply chain is now adequately replenished and, under current operating parameters, does not anticipate continuing premium freight costs from this production system change.

In the rare earth separation business, timing of campaign production planning and customer purchasing patterns impacted the segment's results for the quarter. Notably, the production campaign for C&O's heavy rare earth plant in China, which makes products with selling prices higher than light rare earth products, is expected to occur later in 2018 than in the previous year.

TABLE 3: Selected C&O Results				
	Q-over-Q Comparison		YTD-over-YTD Comparison	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Volume (tonnes)	1,776	2,178	3,783	4,468
(\$000s)				
Revenue	\$36,698	\$41,366	\$81,854	\$84,432
Operating income ⁽¹⁾	\$3,808	\$4,538	\$5,925	\$9,198
EBITDA ⁽²⁾	\$4,937	\$5,512	\$8,214	\$11,206
Adjusted EBITDA ⁽²⁾	\$5,180	\$6,413	\$8,700	\$14,679

⁽¹⁾In accordance with IFRS 3 - Business Combinations and on completion of the reorganization in September 2016, Neo recorded the acquisition of its inventory at fair value. See details in Acquisition of Inventory at Fair Value section of this news release and in the MD&A.

⁽²⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

RARE METALS SEGMENT RESULTS

Strong improvement in results continued to be realized at the Rare Metals segment's Silmet facility in the quarter, primarily attributable to more production volume as full production capacity had been restored through 2017. The segment also benefited in the quarter from higher sales in its Gallium Trichloride ("GaCl₃") business, as a customer recovered from a fire that happened in mid-2017, and from higher selling prices associated with some of the underlying products the segment sells, primarily tantalum and gallium. These factors were partially offset by lower hafnium sales volumes, where customer buying patterns were lower than in the prior year.

Rare Metals revenue for the quarter were \$21.3 million, compared to \$21.1 million in the prior-year quarter, an increase of 1.2%. Volume increased to 139 tonnes, compared to 129 tonnes in the same period in 2017, an increase of 7.8%. Adjusted EBITDA was \$2.5 million, compared to \$2.6 million in the three months ended June 30, 2018, a decrease of 3.2%.

For the six months ended June 30, 2018, revenue in the segment was \$44.1 million, compared to \$39.5 million in the prior-year period, an increase of 11.7%. Volume was 274 tonnes, compared to 222 tonnes in the same period in 2017, an increase of 23.4%. Adjusted EBITDA in the period was \$6.3 million, compared to \$5.2 million in the same period in 2017, an increase of 21.1%.

Neo recorded other income of \$7.9 million related to the further partial settlement of insurance claims from the fire that affected Silmet in 2015.

TABLE 4: Selected Rare Metals Results				
	Q-over-Q Comparison		YTD-over-YTD Comparison	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Volume (tonnes)	139	129	274	222
(\$000s)				
Revenue	\$21,321	\$21,059	\$44,092	\$39,480
Operating income ⁽¹⁾	\$1,160	\$1,485	\$3,639	\$2,688
EBITDA ⁽²⁾	\$2,384	\$2,703	\$6,093	\$5,153
Adjusted EBITDA ⁽²⁾	\$2,472	\$2,555	\$6,268	\$5,176

⁽¹⁾In accordance with IFRS 3 - Business Combinations and on completion of the reorganization in September 2016, Neo recorded the acquisition of its inventory at fair value. See details in Acquisition of Inventory at Fair Value section of this news release and in the MD&A.

⁽²⁾Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

CONFERENCE CALL ON MONDAY, AUGUST 13, 2018 AT 10 AM EASTERN

Management will host a teleconference call on Monday, August 13, 2018 at 10:00 a.m. (Eastern Time) to discuss the second quarter 2018 results. Interested parties may access the teleconference by calling (647)427-7450 (local) or (888)231-8191 (toll-free long distance) or by visiting <https://www.newswire.ca/webcasts>. A recording of the teleconference may be accessed by calling (416) 849-0833 (local) or (855) 859-2056 (toll-free long distance), and entering pass code 9671069# until September 13, 2018 or by visiting <https://www.newswire.ca/webcasts>.

NON-IFRS MEASURES

This news release refers to certain non-IFRS financial measures such as "Operating Income", "Adjusted Net Income", "EBITDA", "Adjusted EBITDA", and "Adjusted EBITDA Margin". These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of Neo's results of operations from management's perspective. Neo's definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo's financial information reported under IFRS. Neo uses non-IFRS financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Neo's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. For the operating segments, Neo also uses "OIBDA" and "Adjusted OIBDA", which reconciles to operating income. Neo uses Adjusted OIBDA and Adjusted EBITDA interchangeably as the use of adjustments in each measure provides the same calculated outcome of operating performance. For definitions of how Neo defines such financial measures, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the six months ended June 30, 2018, available on Neo's web site at www.neomaterials.com and on SEDAR at www.sedar.com.

ACQUISITION OF INVENTORY AT FAIR VALUE

In accordance with IFRS 3 - Business Combinations, and on completion of the Reorganization, Neo recorded the acquisition of its inventory at fair value, which included a mark-up for profit of \$27,062. A portion of this inventory was sold in the three and six months ended June 30, 2017 and impacted costs of sales by \$508 and \$3,443, respectively. The mark-up has not been added back to operating income in the calculation of operating income. For the three months ended June 30, 2017, the \$508 consists of Magnequench \$32, C&O \$723 and Rare Metals \$(247). For the six months ended June 30, 2017, the \$3,443 consists of Magnequench \$868, C&O \$2,881 and Rare Metals \$(306). There is no impact to operating income in 2018. For a full description, please refer to Neo's MD&A for the six months ended June 30, 2018, available on Neo's website www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 5: CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$000s)	June 30, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 74,659	\$ 96,805
Restricted cash	1,491	1,529
Accounts receivable	46,143	46,766
Inventories	132,754	104,534
Income taxes receivable	849	661
Other current assets	27,153	13,955
Total current assets	283,049	264,250
Property, plant and equipment	87,027	88,392
Intangible assets	70,274	72,769
Goodwill	101,098	101,893
Investments	7,781	8,633
Deferred tax assets	1,382	1,406
Other non-current assets	701	1,150
Total non-current assets	268,263	274,243
Total assets	\$ 551,312	\$ 538,493
LIABILITIES AND EQUITY		
Current		
Bank advances and other short-term debt	\$ 7	\$ 181
Accounts payable and other accrued charges	65,496	72,231
Income taxes payable	6,885	6,319
Other current liabilities	3,584	2,723
Total current liabilities	75,972	81,454
Employee benefits	2,303	2,437
Derivative liability	8,604	9,842
Provisions	4,706	4,665
Deferred tax liabilities	20,046	20,206
Other non-current liabilities	986	642
Total non-current liabilities	36,645	37,792
Total liabilities	112,617	119,246
Non-controlling interest	4,798	5,831
Equity attributable to equity holders of Neo Performance Materials Inc.	433,897	413,416
Total equity	438,695	419,247
Total liabilities and equity	\$ 551,312	\$ 538,493

See accompanying notes to this table in Neo's Interim Condensed Consolidated Financial Statements for the Six Months Ended June 30, 2018, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 6: CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2018 to the three and six months ended June 30, 2017:

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 110,433	\$ 101,634	\$ 230,618	\$ 208,296
Costs of sales				
Costs excluding depreciation and amortization	76,368	67,237	160,054	141,993
Depreciation and amortization.....	2,475	3,150	4,985	4,932
Gross profit	31,590	31,247	65,579	61,371
Expenses				
Selling, general and administrative.....	11,913	16,237	25,059	27,126
Stock-based compensation	1,090	1,623	2,180	4,981
Depreciation and amortization.....	1,722	1,711	3,604	3,396
Research and development	4,596	3,870	8,962	7,182
	19,321	23,441	39,805	42,685
Operating income	12,269	7,806	25,774	18,686
Other income	8,112	1,276	8,078	3,049
Finance income, net.....	1,703	90	1,466	25
Foreign exchange gain (loss).....	237	(537)	66	(523)
Income from operations before income taxes and equity income (loss) of associates	22,321	8,635	35,384	21,237
Income tax (expense) recovery	(3,351)	640	(6,542)	(4,067)
Income from operations before equity income (loss) of associates	18,970	9,275	28,842	17,170
Equity income (loss) of associates (net of income tax).....	168	275	(852)	605
Net income	\$ 19,138	\$ 9,550	\$ 27,990	\$ 17,775
Attributable to:				
Equity holders of Neo Performance Materials Inc.	\$ 19,174	\$ 9,294	\$ 27,841	\$ 17,472
Non-controlling interest.....	(36)	256	149	303
	\$ 19,138	\$ 9,550	\$ 27,990	\$ 17,775
Earnings per share attributable to equity holders of Neo Performance Materials Inc.:				
Basic	\$ 0.48	\$ 0.23	\$ 0.70	\$ 0.44
Diluted.....	\$ 0.47	\$ 0.23	\$ 0.69	\$ 0.44

See Management's Discussion and Analysis for the Six Months Ended June 30, 2018, available on Neo's website at www.neomaterials.com and on SEDAR at www.sedar.com.

TABLE 7: RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 19,138	\$ 9,550	\$ 27,990	\$ 17,775
Add back (deduct):				
Finance income, net.....	(1,703)	(90)	(1,466)	(25)
Income tax expense (recovery).....	3,351	(640)	6,542	4,067
Depreciation and amortization included in costs of sales ...	2,475	3,150	4,985	4,932
Depreciation and amortization.....	1,722	1,711	3,604	3,396
EBITDA	24,983	13,681	41,655	30,145
Adjustments to EBITDA:				
Equity (income) loss in associates	(168)	(275)	852	(605)
Other income ⁽¹⁾	(8,112)	(1,276)	(8,078)	(3,049)
Foreign exchange (gain) loss ⁽²⁾	(237)	537	(66)	523
Stock and value-based compensation expense ⁽³⁾	1,392	1,623	2,783	4,981
Acquired inventory fair value release ⁽⁴⁾	—	508	—	3,443
Adjusted EBITDA	\$ 17,858	\$ 14,798	\$ 37,146	\$ 35,438
<i>Adjusted EBITDA Margins</i>	<i>16.2%</i>	<i>14.6%</i>	<i>16.1%</i>	<i>17.0%</i>
Less:				
Capital expenditures	3,929	2,939	6,234	4,303
Free Cash Flow	13,929	11,859	30,912	31,135
<i>Free Cash Flow Conversion</i> ⁽⁵⁾	<i>78.0%</i>	<i>80.1%</i>	<i>83.2%</i>	<i>87.9%</i>

Notes:

- (1) Represents other income (expenses) resulting from non-operational related activities. Other income primarily relating to costs and insurance recoveries as a result of the fire at the Silmet facility. These costs and recoveries are not indicative of Neo's ongoing activities.
- (2) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (3) Represents stock and value based compensation expense in respect of the Legacy Plan adopted upon the completion of the reorganization (please refer to the MD&A dated March 9, 2018) and the long-term value bonus plan, which has similar vesting criteria to the stock based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. The value based compensation expense of \$302 and \$603 are included in selling, general, and administration expenses for the three and six months ended June 30, 2018, respectively, and \$nil for both three and six months ended June 30, 2017, respectively. Neo has removed both the stock and value based compensation expense from EBITDA to provide comparability with historic periods and to treat it consistently with the Share-based plan awards that they are intended to replace.
- (4) In accordance with IFRS 3 Business Combinations and on completion of the reorganization, Neo recorded the acquisition of its inventory at fair value, which included a mark-up for profit of \$27,062. A portion of this inventory was sold in the three and six months ended June 30, 2017 and had a \$508 and \$3,443 impact, respectively, on net income. Neo has removed this from net income to provide a measure of operating performance without the non-cash, non-operational accounting change to the inventory and to provide comparability with historic periods.
- (5) Calculated as Free Cash Flow divided by Adjusted EBITDA.

TABLE 8: RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 19,138	\$ 9,550	\$ 27,990	\$ 17,775
Adjustments to net income:				
Foreign exchange (gain) loss ⁽¹⁾	(237)	537	(66)	523
Stock and value-based compensation expense ⁽²⁾	1,392	1,623	2,783	4,981
Acquired inventory fair value release ⁽³⁾	—	508	—	3,443
Insurance recovery included in other income ⁽⁴⁾	(7,865)	—	(7,865)	—
Tax impact of the above items.....	61	(97)	(85)	(572)
Adjusted net income	\$ 12,489	\$ 12,121	\$ 22,757	\$ 26,150
Attributable to:				
Equity holders of Neo Performance Materials Inc.....	12,525	11,865	22,608	25,847
Non-controlling interest.....	(36)	256	149	303
Weighted average number of common shares outstanding:				
Basic.....	39,903,277	39,770,488	39,911,662	39,717,800
Diluted.....	40,458,090	40,156,968	40,451,774	40,102,516
Adjusted earnings per share⁽⁵⁾ attributable to equity shareholders of Neo Performance Materials Inc.:				
Basic.....	\$ 0.31	\$ 0.30	\$ 0.57	\$ 0.65
Diluted.....	\$ 0.31	\$ 0.30	\$ 0.56	\$ 0.64

Notes:

- (1) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (2) Represents stock and value based compensation expense in respect of the Legacy Plan adopted upon the completion of the reorganization (please refer to the MD&A dated March 9, 2018) and the long-term value bonus plan, which has similar vesting criteria to the stock based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. The value based compensation expense of \$302 and \$603 are included in selling, general, and administration expenses for the three and six months ended June 30, 2018, respectively, and \$nil for both three and six months ended June 30, 2017, respectively. Neo has removed both the stock and value based compensation expense from net income to provide comparability with historic periods and to treat it consistently with the Share-based plan awards that they are intended to replace.
- (3) In accordance with IFRS 3 Business Combinations and on completion of the reorganization, Neo recorded the acquisition of its inventory at fair value, which included a mark-up for profit of \$27,062. A portion of this inventory was sold in the three and six months ended June 30, 2017 and had a \$508 and \$3,443 impact, respectively, on net income. Neo has removed this from net income to provide a measure of operating performance without the non-cash, non-operational accounting change to the inventory and to provide comparability with historic periods.
- (4) Represents partial settlement of the insurance claims from the fire affecting Silmet in 2015. Neo has removed this from net income to provide comparability with historic periods.
- (5) Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website www.neomaterials.com and on SEDAR at www.sedar.com.

About Neo Performance Materials

Neo Performance Materials is a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, which are essential inputs to high technology, high growth, future-facing industries. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, US; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea. For more information, please visit www.neomaterials.com.

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Cautionary Statements Regarding Forward Looking Statements

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