



Performance Materials

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2025

Management's Discussion and Analysis

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1. Introduction

Neo Performance Materials Inc. (“**Neo**”, the “**Company**” or the “**Group**”), together with its direct and indirect subsidiaries, is a public company listed on the Toronto Stock Exchange (“**TSX**”) under the ticker symbol ‘NEO’. The Company was incorporated on September 12, 2017, under the *Business Corporations Act* (Ontario). Neo's registered and head office is located at 121 King Street West, Suite 1740, Toronto, Ontario, Canada, M5H 3T9.

This management's discussion and analysis (“**MD&A**”), prepared as of November 13, 2025, relates to the financial condition and results of operations of Neo together with its subsidiaries, as at September 30, 2025 and for the period then ended, and is intended to supplement and complement Neo’s unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2025 and the notes thereto (the “**financial statements**”). Readers are cautioned that the MD&A contains forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Statement on Forward Looking Information below and to consult Neo's audited annual financial statements as well as Neo’s most recent Annual Information Form for the year ended December 31, 2024, dated March 18, 2025 (the “**AIF**”), which are available on www.neomaterials.com and www.sedarplus.ca.

Certain prior period disclosures may have been reclassified for consistency with the current period presentation. This MD&A has been prepared based upon information available to management as of November 13, 2025. This MD&A should not be considered all-inclusive, as it does not include changes that may occur as a result of economic, political, environmental and other events that may occur (or not occur) in the future and affect the operations and financial results of Neo.

Unless otherwise noted, all amounts in this MD&A are expressed in thousands of United States dollars.

2. Cautionary Statement on Forward-Looking Information

This MD&A contains “forward-looking information”, within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this MD&A, other than statements of historical facts, with respect to Neo’s objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions are forward-looking information.

Specific forward-looking information in this MD&A include, but are not limited to: expectations regarding certain of Neo’s future results and information, including, among other things; revenue; expenses; growth prospects; capital expenditures; and operations; risk factors relating to national or international economies, geopolitical risk and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo, including but not limited to the price of rare earth elements; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates and changes in rare earth prices; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; expectations regarding demand for fan motors and superalloys; expectations regarding the growth of superconductor materials; anticipated launch of Neo’s new permanent magnet facility in Europe and related commercial production estimates, forecasted budget, commissioning and costs associated with the facility; Neo’s requalified product portfolio, including the NAMCO product portfolio, and continued product qualification expected in 2025 and 2026; any anticipated final costs associated with NAMCO; expectations regarding tariffs and export restrictions; securing new automotive customer agreements for permanent magnet and emission catalyst facilities; expectations concerning the continued growth of the Magnequench project and improvements in C&O; expectations concerning any remediation efforts to Neo’s design of its internal controls over financial reporting and disclosure controls and procedures; and Neo’s 2025 guidance and the assumptions relating thereto.

Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. This information involves risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

Additionally, Neo’s 2025 guidance reflects Neo’s expectations as to financial performance in 2025 based on assumptions which Neo believes to be reasonable as of the date of this MD&A, including but not limited to continued Magnequench growth, significant improvements in C&O, exiting lower-margin separation assets, strong hafnium demand despite pricing moderation, continued reduction in SG&A expenses, expectations regarding tariffs and export controls; securing new automotive customer agreements for permanent magnet and emission catalyst facilities, expectations concerning the continued growth of the Magnequench project and improvements in C&O. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review filings available under Neo’s profile at www.sedarplus.ca.

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

3. Non-IFRS Financial Measures

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

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

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

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

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

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

“**Adjusted Net Income (Loss)**” is defined as net income or loss before foreign exchange (gain) loss, share and value-based compensation, impairment of assets, other costs (recoveries), and other items included in other expense (income), net of the related tax effects. Management believes this is a meaningful measure as it adjusts for non-cash and certain non-recurring items to help communicate earnings on a sustainable basis.

“**Adjusted Earnings per Share**” is defined as Adjusted Net Income (Loss) attributable to shareholders of Neo on a per share basis using the weighted average number of common shares outstanding for the respective period.

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

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

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

4. Business Overview

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

As at September 30, 2025, Neo has 1,489 employees and a global platform that includes manufacturing facilities located in Canada, China, Estonia, Germany, Thailand, and the United Kingdom (“**UK**”) as well as one dedicated research and development (“**R&D**”) centre in Singapore. Since its formation in 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets. Neo is a leading commercial partner to some of the world’s largest customers in the automotive, manufacturing, semiconductor, advanced electronic and specialty chemical industries. As a result, Neo is well positioned in markets that are forecast to see robust, long-term growth driven by multiple global macro trends, such as vehicle electrification, industrial automation, consumer electronics, energy efficient lighting, air and water pollution control and super-alloys. Neo identifies growth markets driven by global macro trends and produces highly engineered industrial materials that are critical to the performance of applications in those markets. In addition to Toronto, Canada, Neo has offices in Greenwood Village, Colorado, United States; Singapore; and Beijing, China.

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

Magnequench

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

C&O

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

Rare Metals

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

5. Select Financial Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2025	2024	2023	2025	2024	2023
Revenue						
Magnequench	\$ 54,859	\$ 45,573	\$ 54,414	\$ 149,599	\$ 133,149	\$ 158,908
C&O	28,834	27,920	57,812	105,778	102,911	180,377
Rare Metals	39,326	38,578	25,976	107,979	107,765	104,877
Corporate / Eliminations	(806)	(790)	(1,285)	(4,833)	(2,900)	(1,285)
Consolidated Revenue	\$ 122,213	\$ 111,281	\$ 136,917	\$ 358,523	\$ 340,925	\$ 442,877
Operating Income (Loss)						
Magnequench	\$ 2,512	\$ 2,465	\$ 2,911	\$ 6,016	\$ 8,106	\$ 4,943
C&O	2,463	(975)	6,068	12,150	(2,881)	1,466
Rare Metals	10,828	15,852	2,749	29,105	33,225	25,267
Corporate / Eliminations	(7,439)	(6,166)	(4,769)	(21,108)	(15,502)	(15,039)
Consolidated Operating Income	\$ 8,364	\$ 11,176	\$ 6,959	\$ 26,163	\$ 22,948	\$ 16,637
Adjusted EBITDA						
Magnequench	\$ 8,140	\$ 6,424	\$ 6,042	\$ 22,360	\$ 18,704	\$ 15,199
C&O	4,072	1,301	7,737	16,351	3,572	6,088
Rare Metals	11,514	16,355	3,293	30,912	34,379	26,407
Corporate / Eliminations	(4,550)	(4,525)	(3,912)	(14,344)	(12,948)	(13,572)
Consolidated Adjusted EBITDA	\$ 19,176	\$ 19,555	\$ 13,160	\$ 55,279	\$ 43,707	\$ 34,122
Net Income (Loss)						
	\$ 1,358	\$ (2,711)	\$ 3,109	\$ 5,659	\$ (979)	\$ (7,262)
Attributable to:						
Common shareholders	1,363	(2,627)	3,069	5,655	(895)	(7,075)
Non-controlling interest	(5)	(84)	40	4	(84)	(187)
Earnings (loss) per share attributable to common shareholders						
Basic	\$ 0.03	\$ (0.06)	\$ 0.07	\$ 0.14	\$ (0.02)	\$ (0.16)
Diluted	\$ 0.03	\$ (0.06)	\$ 0.07	\$ 0.13	\$ (0.02)	\$ (0.16)
Adjusted Net Income (Loss)						
	\$ 8,493	\$ 1,139	\$ 4,013	\$ 19,896	\$ 6,783	\$ (1,876)
Attributable to:						
Common shareholders	8,498	1,223	3,973	19,892	6,867	(1,689)
Non-controlling interest	(5)	(84)	40	4	(84)	(187)
Adjusted earnings (loss) per share attributable to common shareholders:						
Basic	\$ 0.20	\$ 0.03	\$ 0.09	\$ 0.48	\$ 0.16	\$ (0.04)
Diluted	\$ 0.19	\$ 0.03	\$ 0.09	\$ 0.46	\$ 0.16	\$ (0.04)
Cash spent on property, plant and equipment and intangible assets	\$ 7,829	\$ 25,527	\$ 7,752	\$ 28,146	\$ 52,183	\$ 17,404
Cash taxes paid	\$ 3,025	\$ 5,529	\$ 3,288	\$ 11,191	\$ 18,832	\$ 11,321
Dividends paid to shareholders	\$ 3,014	\$ 3,057	\$ 3,339	\$ 9,094	\$ 9,268	\$ 10,061
Dividend paid to Buss & Buss minority shareholder	\$ —	\$ 7,967	\$ —	\$ 7,343	\$ 7,967	\$ —
Repurchase of common shares under Normal Course Issuer Bid	\$ 1,547	\$ —	\$ 15,482	\$ 3,889	\$ 2,250	\$ 16,684
<i>As at:</i>				September 30,		December 31,
				2025	2024	2023
Cash and cash equivalents				\$ 61,481	\$ 85,489	\$ 86,895
Short-term debt, bank advances & other				\$ 693	\$ 2,740	\$ —
Total debt				\$ 89,932	\$ 71,536	\$ 25,331

6. Business Updates

Significant developments and events that occurred in 2025 and through the date of this MD&A are summarized below. Additional information on select matters is provided in Neo's AIF.

Business Updates

- **Neo Raises Full Year 2025 Adjusted EBITDA Guidance:** Neo has raised its 2025 Adjusted EBITDA outlook to \$67.0 to \$71.0 million, up from \$64.0 to \$68.0 million announced in August, driven by strong third quarter performance, as the Company continues to leverage its global supply chain to respond to evolving market dynamics.
- **Neo Opens State-of-the-Art Permanent Magnet Facility in Europe:** Neo hosted the grand opening ceremony of the European Permanent Magnet facility in September 2025, attended by more than 270 guests including senior leadership from the global automotive, renewable energy, and technology sectors, alongside government officials, media, and investors from across Europe, North America, Australia, and Japan. The event showcased the facility's advanced capabilities and its strategic importance in the global shift toward electrification and sustainability.

Completed in 500 days, Neo's new state-of-the-art facility is already producing and shipping qualification sample magnets to meet contract obligations for automotive platforms it has been awarded and for numerous upcoming programs. The European facility has already secured contracts for traction motor magnets—widely regarded as the most technically demanding product category—and has expanded its product offerings to non-traction-motor applications as demand for local supply chains has increased.

Co-funded by the European Union's Just Transition Fund, the facility is projected to produce 2,000 metric tonnes ("mt") per year of magnets in Phase 1A, with plans to scale to over 5,000 mt/year in Phase 1B.

Neo has spent \$72.3 million on the European Permanent Magnet facility as of September 30, 2025, with an expected Phase 1A total capital cost of \$75.0 million before an EU grant reimbursement of 23% of eligible project costs. Neo received a total of \$5.8 million in EU grant reimbursement to date as of September 30, 2025.

- **Neo Extends Partnership with Robert Bosch GmbH ("Bosch"):** On September 19, 2025, Neo announced the extension of its strategic partnership with Bosch through a multi-year Memorandum of Understanding. Neo has agreed to reserve annual magnet production capacity for Bosch at its European Permanent Magnet facility, ensuring a stable supply chain and fostering localized production through competition and innovation. This commitment reinforces Neo's position as a preferred strategic partner for automotive and advanced technology markets and enables the Company to advance the roadmap for the next phase of its magnet manufacturing facility in Europe.
- **Heavy Rare Earth Pilot Line at Silmet Remains on Track for Production Launch:** Neo's heavy rare earth pilot line is nearing completion with production commencement expected in early 2026. The pilot line will produce dysprosium and terbium, supplying the newly constructed European Permanent Magnet facility during its ramp-up phase in addition to serving other users and end-markets. This initiative serves as a precursor to a potential full-scale commercial production line, positioning Neo to significantly enhance its production capabilities in Europe. With a lack of commercial-scale heavy rare earth separation capacity outside of China and an acute need for localized capabilities giving the shifting geopolitical landscape, Neo will be uniquely positioned to meet growing market demands for these essential rare earth elements, given the company's direct rare earth separation experience and established operational base in Europe.
- **Strategic Review Concludes, Reinforcing Neo's Long-term Growth Strategy:** In May 2025, following a recommendation from Neo's Special Committee of independent directors, the Board resolved to further accelerate the implementation of Neo's existing strategic plan. This approach will prioritize strengthening Neo's established leadership position in rare earth magnetics and critical materials, with continued focus on downstream opportunities, portfolio optimization to simplify the business, and unlocking value for shareholders. As part of this roadmap, Neo is committed to a long-term plan to scale its permanent

magnet production capacity, positioning the Company to meet growing global demand for electrified transportation and advanced technologies.

7. Operating Segment Highlights

Magnequench

Magnequench continues its track record of strong operating results in the third quarter of 2025 with volumes up 20.7% and Adjusted EBITDA improving by 27% over the same quarter last year. This represents Magnequench's highest Adjusted EBITDA in more than three years, underscoring the segment's sustained momentum and ability to deliver strong profitability. Volume growth was supported by a combination of underlying end-market demand and customers building safety stock in response to supply concerns and geopolitical risks. The segment continues to capitalize on key growth areas while optimizing its cost structure, driving improved profitability. Key news and highlights this quarter include:

- ***Magnequench advances European magnetics strategy with grand opening of new facility***; Neo continues to advance its European magnetics strategy with the strategic partnership announcement with Bosch and the grand opening of its new Permanent Magnet Facility in September 2025. Earlier in the year, Neo announced several key milestones, including the delivery of its first traction motor-grade sintered magnet samples in April, a high-profile showcase of its magnets at the G7 Summit in June, and a major traction motor award from a European Tier 1 and OEM customer in July. These outcomes underscore the strategic importance of Neo's magnet initiative and affirm the Company's ability to deliver on its commitments.
- ***Bonded Magnets delivers record quarterly volumes up 38% from the prior year***; the business continues to execute its strategy, leveraging decades of experience to successfully move from bonded powders to bonded magnets as it advances within the value chain. Magnequench continues to grow its high-performance bonded magnet solutions in fast-growing markets such as automotive accessories and AI data centres. The business also sees future opportunities driven by strong growth potential in robotics and deeper vertical integration into magnet assemblies, enabling greater value capture and enhanced customer solutions.
- ***Bonded Powder quarterly volumes up 18% from the prior year*** with volume growth across multiple end-markets and geographies. This was driven by a combination of demand, customer inventory build, and continued progress on targeted growth areas, most notably the bonded powder for traction motor product which remains the only commercialized heavy-rare-earth-free magnet solution for traction motors globally. Enabled by Neo's decades of experience, the product offers high magnetic strength and thermal resilience, positioning Neo as a technologically advanced and scalable supplier.
- ***Adjusted EBITDA of \$8.1 million and \$22.4 million, respectively, for the three and nine months ended September 30, 2025 was up 27% and 20% versus the same periods last year***, demonstrating the value-add nature of Magnequench's product portfolio, enabling the segment to deliver stable, high quality earnings. Although demand indicators remain strong, management believes the current quarter results reflect some timing-related acceleration.

Chemicals & Oxides

C&O continues its strong financial performance with Adjusted EBITDA improving by 213% over the same quarter last year. Following the sale of the Chinese separation facilities and the successful relocation of the new emission catalyst facility, the C&O segment is positioned for growth, driven by momentum in its emission catalyst and wastewater treatment operations. C&O also retains a highly strategic separation facility in Europe, one of the few non-captive rare earth separation facilities with a world-class lab, unique technical capabilities, and a new heavy rare earth separation line nearing completion. Key news and highlights this quarter include:

- ***Emission Catalyst quarterly and year-to-date volumes rose 20% and 12%, respectively, from the prior year*** aligning with management's expectations for approximately 10% annual volume growth. Following the successful construction, customer qualification, and production ramp at the new facility, the business delivered solid volume and margin performance. The new state-of-the-art facility continues to gain strong

commercial traction, highlighting its competitive positioning and differentiated capabilities. In addition, operational benefits from improved manufacturing layout, automation, and environmental systems have resulted in improved efficiency and margin expansion.

- **Wastewater treatment delivers another record quarter with volumes up 42% from the prior year** driven by sustained commercial momentum, with new customer wins during the quarter obtained through strong trial-to-contract conversion rates. These outcomes underscore the effectiveness of Neo’s technical and customer focused sales staff, as well as the differentiated performance of its rare earth-based solutions. The current focus remains on the U.S. market where penetration is still low, and customer engagement is accelerating. Longer-term growth opportunities in Europe are expected to materialize as the business progresses through regulatory approvals.
- **Continued progress on heavy rare earth separation pilot line in Europe**, first announced in May 2025, the project remains on track and on budget with construction nearing completion. Leveraging C&O’s separation expertise, the project aims to enhance Neo’s production capabilities. The pilot line will produce dysprosium and terbium, critical inputs for high-performance magnets, used to support the ramp-up of Neo’s European Permanent Magnet facility. The pilot line will also serve as a precursor to potential commercial-scale production supply. This initiative positions Neo to meet growing demand through its established European operations and technical expertise.
- **Adjusted EBITDA of \$4.1 million and \$16.4 million, respectively, for the three and nine months ended September 30, 2025 was up 213% and 358% versus the same periods last year;** C&O has delivered three consecutive quarters with strong financial performance, and with the strategic milestones delivered over the last year, the business is well-positioned to continue delivering growth, as well as more stable, higher-quality earnings. In addition, the business is delivering improved conversion costs, particularly in its new emission catalyst facility, through technical enhancements and automation that have resulted in energy savings, high yields, and process efficiencies.

Rare Metals

Rare Metals delivered Adjusted EBITDA of \$11.5 million decreasing by 30% from the same quarter last year as hafnium prices stabilize. Rare Metals continues to benefit from strong end-market tailwinds, particularly in hafnium and gallium with demand driven by the aerospace, industrial gas turbine, and semiconductor market. To capitalize on this momentum, the business is focused on securing scrap supply and input materials through strategic sourcing agreements and recovery initiatives. Rare Metals continues to deliver strong operational execution and financial performance while benefiting from market tailwinds across many of its critical material products amid rising geopolitical tension. Key news and highlights this quarter include:

- **Hafnium gross margins for the quarter were down 41% from prior year;** as expected, hafnium prices normalized from historical highs, with the third quarter of 2024 marking the peak in selling prices and resulting in strong outperformance. As anticipated, hafnium margins are down versus the prior year, but underlying demand for hafnium remains strong. With a sharp reduction in China’s exports to the U.S., prices have begun to surge again after several quarters of relative stability. Rare Metals is well-positioned as the largest European recycler of hafnium, supporting stable supply chains to meet rising industrial demand.
- **Gallium business continues to see strong demand and higher prices amidst regulatory tailwinds;** Chinese export restrictions continued to limit availability, driving gallium market prices outside of China up by 45% in the quarter. Rare Metals maintains its strategic advantage as one of the only gallium recyclers in North America. Despite strong demand, rising prices, and expanding margins, business growth is restrained by limited gallium scrap supply. The business continues to take actions to increase supply through new sourcing arrangements and strategic projects to recover gallium from alternative sources.

- **Adjusted EBITDA of \$11.5 million and \$30.9 million, respectively, for the three and nine months ended September 30, 2025 was down 30% and 10% versus the same periods last year.** Rare Metals continues to deliver, reflecting solid execution, favourable market positioning, and a proven ability to manage complexity across global markets.

8. Impact of Geopolitical and Trade Developments

Significant geopolitical and trade developments in 2025 and through the date of this MD&A are summarized below. Refer to the MD&A for the year ended December 31, 2024 for additional information on these matters

8.1 Potential Impact of China Export Restrictions

As Neo navigates through a complex geopolitical landscape, the Company remains vigilant in monitoring and adapting to evolving global trade regulations. The Government of China has announced a series of export restrictions on critical materials, which present both opportunities and challenges for Neo's operations. Neo is well-positioned to manage these changes, leveraging its globally diversified supply chain to capture opportunities and mitigate adverse impacts. Notable Chinese export restrictions impacting Neo include:

- **Gallium Products** — Since 2023, the Government of China has introduced a series of escalating export controls impacting critical materials, including gallium, a key product for the semiconductor industry. These measures include export control restrictions, followed by an export ban on gallium to the United States. As expected, exports from China have declined from historical levels as market participants undergo a licensing and approval process to export gallium. This has resulted in a bifurcation of pricing, with gallium outside of China selling at over a 10% premium versus gallium inside of China. Neo's Peterborough facility is well positioned to benefit from this dynamic as one of the only North American recyclers of gallium.
- **Rare Earth Magnet Technologies** — In late 2023, China adopted revisions to the Catalogue of Technologies Prohibited or Restricted from Exporting, to add rare earth magnet technology, expanding the previous restrictions on extraction and separation technologies. These export restrictions are anticipated to create incremental barriers for new companies attempting to enter the rare earth magnet industry outside of China. On October 9, 2025, China broadened rare-earth magnet related export controls to include consumable materials, equipment, technology, and extraterritorial licensing for products containing China-originating rare earths content or made with Chinese rare earth technology. In order to stem the flow of dual-use applications of rare earth magnetics, the government of China requires robust evidence from end users to ensure that the application is strictly civilian. On October 29, 2025, a bilateral meeting between U.S. and Chinese leaders resulted in a one-year postponement of the export control measures announced on October 9, 2025; however, previously implemented restrictions remain in effect
- **Heavy Rare Earth Products** — In connection with escalating trade tensions with the U.S., in April 2025, the Government of China announced an export control on specific heavy rare earth elements and related downstream material, including heavy-rare-earth-bearing permanent magnets. On October 9, 2025, China expanded its export restrictions to include additional heavy rare earth elements. Following a bilateral meeting with U.S. leaders on October 29, 2025, China postponed these expanded restrictions by one year; however, the restrictions implemented in April 2025 remain in effect. Neo's C&O business exports heavy rare-earth-containing specialty oxides to customers primarily in Japan and Europe from its minority-owned joint venture in China. These exports contain gadolinium, terbium, dysprosium and yttrium, all of which are subject to export controls. The Company continues to comply with all applicable regulations, and has filed the necessary applications for exports of its products. Neo's Magnequench division is largely unaffected by restrictions on heavy rare earths, as its bonded magnetic products typically do not contain these heavy rare earth elements. There is a moderate long-term risk regarding access to heavy rare earths outside of China to support the European Permanent Magnet facility; however, the Company has been executing strategies to mitigate this risk well ahead of export restrictions, including developing relationships with upstream mines that have heavy rare earths in their feed and through development of Neo's own heavy rare earth separation line. In addition, these restrictions present an opportunity for the Magnequench

business, which currently offers the only heavy rare earth free bonded powder for traction motor applications. At present, certain mixed oxide products for emission catalysts contain small amounts of heavy rare earths (mainly yttrium) and have not faced any export disruption from China, as these products are not considered dual-use products.

8.2 Potential Impact from Global Tariffs

With global operations and sales, Neo closely monitors the evolving landscape of trade and industrial policy, which directly impacts its operational, commercial, and strategic decisions across multiple end markets. Policy changes announced or implemented since 2024, including new tariffs and sourcing requirements in the U.S., E.U., and China, present both challenges and opportunities. Notable developments include rising tariff and non-tariff barriers on critical minerals, electric vehicles, and permanent magnets, as well as E.U. regulations aimed at reducing dependency on a single foreign supplier for key materials.

The U.S. has implemented a range of global tariffs impacting supply chains, and several other countries have responded with retaliatory tariff measures, contributing to increased uncertainty in global trade flows as negotiations around tariff agreements continue. Management assesses the recent tariff developments through two key lenses: (i) Neo's comparative advantage from relative tariffs under current tariff regimes, and (ii) existing and potential domestic production capabilities in regions implementing elevated trade barriers. The geographic distribution of Neo's asset base, combined with its established midstream and downstream capabilities, and long-standing commercial relationships, enhances its ability to capture market share in this environment. Notable U.S. tariffs impacting Neo include:

- **Rare Metals Hafnium Products** — Most of Rare Metals' hafnium products are produced in Europe and sold into the U.S., and hafnium represented approximately two-thirds of Neo's imports into the U.S. in 2024. The current U.S. tariffs on hafnium imports from China are significantly higher than those on imports from Europe. This disparity creates a competitive advantage for Neo, as the U.S. has minimal production capacities for hafnium. Neo's midstream hafnium products from Europe are crucial in filling this gap, ensuring a steady supply to U.S. customers and maintaining market stability.
- **C&O Emission Catalyst Products** — A portion of C&O's emission catalyst products are produced in China and sold into the U.S. and have been subject to tariffs for approximately seven years. Although there is moderate risk given escalating tariffs, Neo remains well-positioned as the products are globally qualified, key competition is primarily in China, and Neo is positioned to provide customers an alternative production location for selected products in Europe.
- **Magnequench Powder and Magnet Products** — The Magnequench business has no material sales from China to the U.S., as the majority of motor integrator customers are located in Southeast Asia. Additionally, Magnequench's new European Permanent Magnet facility offers a significant relative advantage over Chinese imports, particularly for customers in the automotive sector.
- **Rare Earth Separated Products (Including Export Controlled Heavy Rare Earths)** — The C&O business exports minimal rare earth separated products from China to the U.S. Consequently, the recent tariffs imposed on these materials have not had a direct impact on Neo's operations.

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

8.3 Sourcing and Rare Earth Supply Strategy

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

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

8.4 Potential Impact of Ongoing Conflict with Russia in Ukraine

The actions of Russian military forces in Ukraine have escalated tensions between Russia and Ukraine, the EU, the North Atlantic Treaty Organization, the UK, the U.S., Canada and other countries. Several countries have imposed a series of sanctions targeting Russia, two separatist pro-Russian regions in Ukraine, and certain individuals, banks and corporations seen as allies to the administration in Russia. The Silmet facility sources the majority of its rare earth feedstock from a Russian supplier.

With the assistance of external advisors with expertise in global sanctions, Neo continues to monitor the impact of sanctions on its business and its continued compliance including purchases and sales to entities that may have connections to Russia. Through to the date of this MD&A, there has been no significant impact on Neo's operations.

Neo currently expects, but cannot be certain, that these sanctions will not have a material impact on Neo's consolidated financial performance.

9. Consolidated Results of Operations

(\$000s)	Three Months Ended September 30,		Nine Months Ended September 30	
	2025	2024	2025	2024
Revenue	\$ 122,213	\$ 111,281	\$ 358,523	\$ 340,925
Cost of sales				
Cost excluding depreciation and amortization	86,807	75,851	254,458	248,849
Depreciation and amortization	2,002	2,107	5,942	6,041
Gross profit	33,404	33,323	98,123	86,035
Expenses				
Selling, general and administrative	14,985	15,707	46,619	44,954
Share-based compensation	4,081	909	8,530	2,289
Depreciation and amortization	1,793	1,791	5,299	5,395
Research and development	4,181	3,474	11,512	9,976
Impairment of assets	—	266	—	473
Total expenses	25,040	22,147	71,960	63,087
Operating income	8,364	11,176	26,163	22,948
Other income (expense)	205	(696)	(4,483)	2,897
Finance costs, net	(2,464)	(10,695)	(14,254)	(13,607)
Foreign exchange (loss) gain	(519)	1,235	7,966	(31)
Income from operations before income taxes and equity loss of associates	5,586	1,020	15,392	12,207
Income tax expense	(4,573)	(2,991)	(10,528)	(10,374)
Income (loss) from operations before equity income (loss) of associates	1,013	(1,971)	4,864	1,833
Equity income (loss) of associates (net of income tax)	345	(740)	795	(2,812)
Net income (loss)	1,358	(2,711)	5,659	(979)
Attributable to:				
Common shareholders	\$ 1,363	\$ (2,627)	\$ 5,655	\$ (895)
Non-controlling interest	(5)	(84)	4	(84)
	\$ 1,358	\$ (2,711)	\$ 5,659	\$ (979)
Earnings (loss) per share attributable to common shareholders:				
Basic	\$ 0.03	\$ (0.06)	\$ 0.14	\$ (0.02)
Diluted	\$ 0.03	\$ (0.06)	\$ 0.13	\$ (0.02)

Revenue

Consolidated revenue of \$122.2 million for the three months ended September 30, 2025 increased \$10.9 million or 9.8% compared to the same quarter last year primarily due to higher volumes in Magnequench and C&O emission catalyst sales, partially offset by lower hafnium prices in Rare Metals. Consolidated revenue of \$358.5 million for the nine months ended September 30, 2025 increased \$17.6 million or 5.2% compared to the same period last year primarily due to higher volumes in the Magnequench segment. Revenue often trends along with commodity prices due to pass-through pricing mechanisms in most contracts. These provisions are contractual mechanisms that adjust selling prices based on changes in input costs over defined timeframes (e.g., monthly, quarterly, semi-annually, or annually). These provisions help mitigate gross margin volatility resulting from timing differences between cost being recognized and sales being recorded.

(\$000s)	Three Months Ended September 30,			Nine Months Ended September 30		
	2025	2024	%	2025	2024	%
	Magnequench	\$ 54,859	\$ 45,573	20.4%	\$ 149,599	\$ 133,149
C&O	28,834	27,920	3.3%	105,778	102,911	2.8%
Rare Metals	39,326	38,578	1.9%	107,979	107,765	0.2%
Eliminations	(806)	(790)	(2.0%)	(4,833)	(2,900)	(66.7%)
Consolidated Revenue	\$ 122,213	\$ 111,281	9.8%	\$ 358,523	\$ 340,925	5.2%

Inter-segment revenue is eliminated on consolidation from C&O segment revenue as C&O sold product to Magnequench in the respective periods. The products sold to Magnequench are potential marketable third-party sales and are sold at fair market value.

Further commentary on the revenue changes in each segment is included in *Section 10. Discussion and Analysis of Business Segments*.

Cost of Sales

Consolidated cost of sales, excluding depreciation and amortization, for the three months ended September 30, 2025 was \$86.8 million or 71.0% of revenue, compared to \$75.9 million or 68.2% of revenue for the same quarter last year. Consolidated cost of sales, excluding depreciation and amortization, for the nine months ended September 30, 2025 was \$254.5 million or 71.0% of revenue, compared to \$248.8 million or 73.0% of revenue for the nine months ended September 30, 2024. Cost of sales, excluding depreciation and amortization, as a percentage of revenue increased during the three-month period but decreased for the year to date period mainly due to favourable rare earth commodity prices and product mix within the business segments throughout the first half of 2025. Consolidated cost of sales include raw materials and conversion costs — the expenses directly associated with transforming raw materials into finished products (including labour, energy, and processing expenses). Neo is committed to optimizing production efficiency to continually improve controllable conversion costs.

Consolidated depreciation and amortization in cost of sales of \$2.0 million and \$5.9 million for the three and nine months ended September 30, 2025, respectively, remained relatively stable compared to the same periods in 2024 primarily due to lower carrying values of property, plant and equipment offset by the newer NAMCO facility.

Selling, General and Administrative (“SG&A”) expense

SG&A expense consists primarily of personnel and related costs, including freight, legal, accounting and other professional service fees, and information technology costs. SG&A expense of \$15.0 million and \$46.6 million for the three and nine months ended September 30, 2025, respectively, decreased by \$0.7 million and increased by \$1.7 million compared to the same periods in 2024 primarily due to advisory fees associated with the strategic review process incurred in the second half of 2024 and the first half of 2025.

Share-based Compensation expense

Share-based compensation expense was \$4.1 million and \$8.5 million for the three and nine months ended September 30, 2025, respectively, compared to \$0.9 million and \$2.3 million for the three and nine months ended September 30, 2024, increasing primarily due to the rise in the Company’s share price over the prior year impacting the cash-settled awards vested to date, as well as a greater number of awards granted in 2025, reflecting the exclusion on issuance of awards in 2024 during the course of the strategic review process.

Research and Development (“R&D”) expense

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

aim to identify new commercial applications for its products, provide technical solutions to its customers, as well as drive new process and market development.

R&D expense, primarily comprised of salaries, outside labour, materials, and equipment, of \$4.2 million and \$11.5 million for the three and nine months ended September 30, 2025, respectively, increased \$0.7 million and \$1.5 million compared to the same periods of 2024. The increase is primarily due to hiring at the European Permanent Magnet facility prior to the commencement of operations expected in 2026. In general, R&D costs are project-based and may fluctuate in any given period.

Depreciation and Amortization

Depreciation and amortization, unrelated to production, of \$1.8 million and \$5.3 million for the three and nine months ended September 30, 2025, respectively, remained stable compared to the same periods in 2024.

Other Income (Expense)

Other income of \$0.2 million and other expense of \$4.5 million for the three and nine months ended September 30, 2025, respectively, improved by \$0.9 million and decreased by \$7.4 million compared to the same periods in 2024. Other income (expense) generally represents non-operational activities deemed not indicative of Neo's ongoing operations. For the nine months ended September 30, 2025, other expense includes \$5.9 million for the loss on sale of the legacy separation facilities in China ("**sale of JAMR and ZAMR**"), primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of \$4.8 million. For the nine months ended September 30, 2024, other income includes the reversal of liabilities at the legacy ZAMR facility in China when the facility was closed. In addition, other (expense) income includes charges for estimated damage claims related to legal proceedings.

Finance Costs, Net

Neo's finance costs are primarily comprised of interest and finance costs on credit facilities, re-measurement of Neo's derivative liability put option issued to the non-controlling shareholders of two subsidiaries, Buss & Buss and SGTec. During the nine months ended September 30, 2025, Neo paid special dividends totaling €6.8 million (\$7.3 million) to the minority shareholder of the Buss & Buss subsidiary, which is done on a periodic basis as the Company evaluates capital and liquidity requirements across its subsidiaries.

Neo's interest-bearing credit facilities include a revolving loan in China and in Germany and term loans in Canada. Where applicable, interest cost is capitalized into property, plant and equipment, such as during the construction of the NAMCO and European Permanent Magnet facilities.

Neo's derivative liabilities are remeasured each reporting period based on forecasts of future performance of Buss & Buss and SGTec, long term growth factors and changes in discount rates.

	Three Months Ended September 30,		Nine Months Ended September 30	
	2025	2024	2025	2024
Dividends paid to non-controlling interest	\$ —	\$ 7,483	\$ 7,343	\$ 7,483
Change in fair value of derivative liabilities	1,665	2,663	4,260	5,861
Interest expense on credit facilities, net	1,009	820	2,568	877
Interest earned on bank deposits net of interest paid on bank advances and other	(210)	(271)	83	(614)
Total	\$ 2,464	\$ 10,695	\$ 14,254	\$ 13,607

Foreign Exchange (Loss) Gain

Foreign exchange (loss) gain represents realized and unrealized (losses) gains that include non-cash adjustments in translating foreign currency denominated monetary assets and liabilities. Inter-company loans within the Group between entities with different functional currencies can result in unrealized foreign exchange gains or losses in the statement of other comprehensive income and the statement of profit or loss, that are not eliminated on consolidation.

Income Tax Expense

For the three and nine months ended September 30, 2025, Neo recorded an income tax expense of \$4.6 million and \$10.5 million (2024 — \$3.0 million and \$10.4 million), respectively.

For the three months ended September 30, 2025, Neo's income tax expense was unfavourably impacted by \$3.2 million due to losses and temporary differences for which there are no recognized tax benefits, \$0.5 million due to the re-measurement of the Buss & Buss derivative liability and \$0.3 million due to foreign exchange rate fluctuations on certain non-monetary assets. For the nine months ended September 30, 2025, Neo's income tax expense was unfavourably impacted by \$7.3 million due to losses and temporary differences for which there are no recognized tax benefits, \$3.1 million due to non-deductible finance costs and favourably impacted by \$2.4 million due to foreign exchange rate fluctuations on certain non-monetary assets. Non-deductible finance costs primarily comprise of the dividends paid to Buss & Buss' minority shareholder and the re-measurement of derivative liabilities.

For the three months ended September 30, 2024, Neo's income tax expense was favourably impacted by \$1.9 million due to foreign exchange fluctuations on certain non-monetary assets and unfavourably impacted by \$2.7 million due to non-deductible finance costs and \$1.5 million due to losses and temporary differences for which there are no recognized tax benefits. For the nine months ended September 30, 2024, Neo's income tax expense was unfavourably impacted by \$5.1 million due to losses and temporary differences for which there are no recognized tax benefits and \$3.5 million due to non-deductible finance costs.

Capital Expenditures

Neo reinvests to enhance production capabilities, improve operational efficiency, support innovation in advanced materials, modernize manufacturing infrastructure, expand sustainable supply chains, and meet growing demand for high-performance magnets, catalysts, and engineered materials. These investments align with long-term industry trends, including electrification, clean energy, and advanced automotive technologies. By strengthening capabilities in separation, refining, and precision manufacturing, Neo enhances its competitive position while ensuring the reliability and quality of critical materials used in key industries worldwide.

For the nine months ended September 30, 2025, Neo capitalized expenditures of \$18.4 million, including \$8.0 million for the ongoing construction of the European Permanent Magnet facility, \$2.2 million in associated capitalized interest expense, with the remainder of capital expenditures comprised of the construction of a heavy rare earth pilot line at Silmet, sustaining capital expenditures, growth capital investment in adding new capacity, new products and longer-term planning initiatives.

For the nine months ended September 30, 2024, capital expenditures totaled \$57.4 million, including \$21.0 million for the ongoing construction of the European Permanent Magnet facility, \$27.3 million for the construction of NAMCO, \$2.7 million in capitalized interest expenses relating to the Export Development Canada ("EDC") credit facilities, and other growth and sustaining capital expenditures.

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

(\$000s, except volume)	Three Months Ended September 30,			Nine Months Ended September 30		
	2025	2024	%	2025	2024	%
Sales volume (tonnes)	3,537	3,036	16.5%	10,228	9,256	10.5%
Revenue	\$ 122,213	\$ 111,281	9.8%	\$ 358,523	\$ 340,925	5.2%
Net income (loss)	\$ 1,358	\$ (2,711)	150.1%	\$ 5,659	\$ (979)	678.0%
Add back (deduct):						
Finance costs, net	2,464	10,695		14,254	13,607	
Income tax expense	4,573	2,991		10,528	10,374	
Depreciation and amortization included in cost of sales	2,002	2,107		5,942	6,041	
Depreciation and amortization included in operating expenses	1,793	1,791		5,299	5,395	
EBITDA	12,190	14,873	(18.0)%	41,682	34,438	21.0 %
Adjustments to EBITDA:						
Other (income) expense	(205)	696		4,483	(2,897)	
Foreign exchange loss (gain)	519	(1,235)		(7,966)	31	
Equity (income) loss of associates	(345)	740		(795)	2,812	
Share-based compensation	4,081	909		8,530	2,289	
Project start-up and transition costs	2,936	3,306		9,345	6,561	
Impairment of assets	—	266		—	473	
Adjusted EBITDA	\$ 19,176	\$ 19,555	(1.9)%	\$ 55,279	\$ 43,707	26.5 %
<i>Adjusted EBITDA Margin</i>	<i>15.7%</i>	<i>17.6%</i>		<i>15.4%</i>	<i>12.8%</i>	
Less:						
Capital expenditures	8,214	21,339	(61.5)%	18,447	57,387	(67.9)%
Free Cash Flow	\$ 10,962	\$ (1,784)	714.5 %	\$ 36,832	\$ (13,680)	369.2 %

Foreign exchange loss (gain) includes non-cash adjustments in translating foreign currency denominated monetary assets and liabilities.

Project start-up and transition costs represent primarily pre-operational personnel costs at the European Permanent Magnet facility, as well as strategic review advisor costs. Neo has removed these charges to provide comparability with historical periods.

Consolidated Free Cash Flow for the three and nine months ended September 30, 2025 increased \$12.7 million and \$50.5 million, respectively, compared to the same periods of 2024 primarily due to higher Adjusted EBITDA and lower capital expenditures.

9.2 Reconciliations of Net Income (Loss) to Adjusted Net Income:

(\$000s)	Three Months Ended September 30,		Nine Months Ended September 30	
	2025	2024	2025	2024
Net income (loss)	\$ 1,358	\$ (2,711)	\$ 5,659	\$ (979)
Adjustments to net income (loss):				
Foreign exchange loss (gain)	519	(1,235)	(7,966)	31
Impairment of assets	—	266	—	473
Share-based compensation	4,081	909	8,530	2,289
Project start-up & transition costs	2,936	3,306	9,345	6,561
Other items included in other (income) expense	(200)	891	4,628	(1,999)
Tax impact of the above items	(201)	(287)	(300)	407
Adjusted net income	\$ 8,493	\$ 1,139	\$ 19,896	\$ 6,783
Attributable to:				
Common shareholders	\$ 8,498	\$ 1,223	\$ 19,892	\$ 6,867
Non-controlling interest	(5)	(84)	4	(84)
Weighted average number of common shares outstanding:				
Basic (000s)	41,588	41,752	41,732	41,778
Diluted (000s)	43,982	42,466	43,356	42,459
Adjusted earnings per share attributable to common shareholders:				
Basic	\$ 0.20	\$ 0.03	\$ 0.48	\$ 0.16
Diluted	\$ 0.19	\$ 0.03	\$ 0.46	\$ 0.16

Other items included in other expense (income) represent items resulting from non-operational activities, primarily related to provisions for damages for legal claims concerning legacy product volumes. Other expense for the nine months ended September 30, 2025, includes \$5.9 million for the loss on sale of JAMR and ZAMR, primarily as a result of the release of the cumulative translation adjustment for the former subsidiaries of \$4.8 million. Other income for the nine months ended September 30, 2024 includes the reversal of a special reserve for potential liabilities at the legacy ZAMR facility. These costs or recoveries are not indicative of Neo's ongoing activities.

Consolidated Adjusted Net Income of \$8.5 million and \$19.9 million for the three and nine months ended September 30, 2025 increased \$7.4 million and \$13.1 million, respectively, primarily due to improved operating margins largely attributable to increased Magnequench volumes realized in 2025 relative to the same periods last year.

10. Discussion and Analysis of Business Segments

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

10.1 Magnequench

(\$000s, except volume)	Three Months Ended September 30,			Nine Months Ended September 30		
	2025	2024	%	2025	2024	%
Sales volume (tonnes)	1,649	1,366	20.7%	4,509	3,769	19.6%
Revenue	\$ 54,859	\$ 45,573	20.4%	\$ 149,599	\$ 133,149	12.4%
Operating income	\$ 2,512	\$ 2,465	1.9%	\$ 6,016	\$ 8,106	(25.8%)
EBITDA	5,952	5,291	12.5 %	18,605	12,541	48.4 %
Other (income) expense	(612)	520		(1,250)	4	
Foreign exchange (gain) loss	(122)	(1,462)		(3,728)	281	
Equity (income) loss of associates	(451)	432		(930)	2,083	
Share-based compensation	472	170		1,505	409	
Project start-up & transition costs	2,901	1,473		8,158	3,386	
Adjusted EBITDA	\$ 8,140	\$ 6,424	26.7 %	\$ 22,360	\$ 18,704	19.5 %
<i>Adjusted EBITDA Margin</i>	14.8%	14.1%		14.9%	14.0%	

For the three and nine months ended September 30, 2025, Magnequench contributed 44.6% and 41.2% of revenue, respectively, 15.9% and 12.7% of operating income and 34.3% and 32.1% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue for the Magnequench segment of \$54.9 million and \$149.6 million, respectively, for the three and nine months ended September 30, 2025 increased \$9.3 million and \$16.5 million compared to the same periods last year. This was primarily due to higher volumes sold in the current periods partially offset by lower selling prices.

Operating income of \$2.5 million and \$6.0 million for the three and nine months ended September 30, 2025 increased by less than \$0.1 million and decreased by \$2.1 million, respectively, compared to the same periods last year. This was primarily due to increases in operating expenses driven by pre-operational personnel costs for the European Permanent Magnet facility, partially offset by improvements in gross profit due to increased revenues.

Adjusted EBITDA for the three and nine months ended September 30, 2025 was \$8.1 million and \$22.4 million, respectively, increases of \$1.7 million and \$3.7 million compared to the same periods last year. This represents the fundamental operating performance of the business with Magnequench delivering volume gains in targeted growth areas and reducing operating expenses (after adjusting for pre-operational personnel costs).

10.2 Chemicals & Oxides

(\$000s, except volume)	Three Months Ended September 30,			Nine Months Ended September 30		
	2025	2024	%	2025	2024	%
Sales volume (tonnes)	1,814	1,605	13.0%	5,565	5,287	5.3%
Revenue	\$ 28,834	\$ 27,920	3.3%	\$ 105,778	\$ 102,911	2.8%
Operating income (loss)	\$ 2,463	\$ (975)	352.6%	\$ 12,150	\$ (2,881)	521.7%
EBITDA	2,689	(2,912)	192.3%	5,811	1,012	474.2%
Other expense (income)	160	201		5,413	(2,780)	
Foreign exchange loss	511	2,531		3,796	1,225	
Equity loss of associates	106	308		135	729	
Share-based compensation	606	152		1,196	406	
Project start-up & transition costs	—	755		—	2,097	
Impairment of assets	—	266		—	883	
Adjusted EBITDA	\$ 4,072	\$ 1,301	213.0%	\$ 16,351	\$ 3,572	357.8%
<i>Adjusted EBITDA Margin</i>	14.1%	4.7%		15.5%	3.5%	

For the three and nine months ended September 30, 2025, C&O contributed approximately 23.4% and 29.1% of revenue, respectively, 15.6% and 25.7% of operating income and 17.2% and 23.5% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the C&O segment of \$28.8 million and \$105.8 million, respectively, for the three and nine months ended September 30, 2025, increased by \$0.9 million and \$2.9 million compared to the same periods last year, primarily due to increased volumes sold along with improved product mix.

Operating income of \$2.5 million and \$12.2 million, respectively, for the three and nine months ended September 30, 2025, increased by \$3.4 million and \$15.0 million compared to the same periods last year primarily due to increased volumes and lower conversion costs at NAMCO, and reduced margin impact from rare earth price fluctuations in the midstream separation business.

Adjusted EBITDA of \$4.1 million and \$16.4 million, respectively, for the three and nine months ended September 30, 2025, increased by \$2.8 million and \$12.8 million compared to the same periods last year primarily due to the factors listed above. The business delivered a notable rebound, completed significant strategic actions, and has emerged better positioned for growth and reduced volatility in financial performance.

10.3 Rare Metals

(\$000s, except volume)	Three Months Ended September 30,			Nine Months Ended September 30		
	2025	2024	%	2025	2024	%
Sales volume (tonnes)	84	81	3.7 %	234	256	(8.6)%
Revenue	\$ 39,326	\$ 38,578	1.9 %	\$ 107,979	\$ 107,765	0.2 %
Operating income	\$ 10,828	\$ 15,852	(31.7)%	\$ 29,105	\$ 33,225	(12.4)%
EBITDA	10,754	15,311	(29.8)%	29,357	34,589	(15.1)%
Other (income) expense	247	(25)		320	(175)	
Foreign exchange loss (gain)	276	982		733	162	
Share-based compensation	237	87		502	213	
Reversal of impairment of assets ⁽¹⁾	—	—		—	(410)	
Adjusted EBITDA	\$ 11,514	\$ 16,355	(29.6)%	\$ 30,912	\$ 34,379	(10.1)%
<i>Adjusted EBITDA Margin</i>	29.3%	42.4%		28.6%	31.9%	

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

For the three and nine months ended September 30, 2025, Rare Metals contributed approximately 32.0% and 29.7% of revenue, respectively, 68.5% and 61.6% of operating income and 48.5% and 44.4% of Neo's reported Adjusted EBITDA from operations before eliminations.

Revenue in the Rare Metals segment of \$39.3 million and \$108.0 million, respectively, for the three and nine months ended September 30, 2025, remained relatively flat, increasing by \$0.7 million and \$0.2 million compared to the same periods last year, primarily due to the impact of lower hafnium pricing compared to the prior year partially offset by higher tantalum volumes.

Operating income of \$10.8 million and \$29.1 million, respectively, for the three and nine months ended September 30, 2025, decreased by \$5.0 million and \$4.1 million compared to the same periods last year primarily due to the above factors.

Adjusted EBITDA of \$11.5 million and \$30.9 million, respectively, for the three and nine months ended September 30, 2025, decreased \$4.8 million and \$3.5 million compared to the same periods last year. Despite the decrease in Adjusted EBITDA from prior year comparative periods, the Rare Metals business continues to perform well with strong end market demand and strategic emphasis on operation and commercial initiatives.

11. Summary of Consolidated Quarterly Results

(\$000s, except for per share amounts)	2025				2024			2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$122,213	\$114,700	\$121,610	\$134,903	\$111,281	\$107,549	\$122,095	\$128,668
Net income (loss) attributable to common shareholders	1,363	5,772	(1,480)	(12,050)	(2,627)	859	873	(1,367)
Basic EPS	0.03	0.14	(0.04)	(0.29)	(0.06)	0.02	0.02	(0.03)
Diluted EPS	0.03	0.13	(0.04)	(0.29)	(0.06)	0.02	0.02	(0.03)
Operating income (loss)	8,364	8,210	9,589	12,355	11,176	5,824	5,948	(5,470)
Net income (loss)	1,358	5,688	(1,387)	(12,037)	(2,711)	883	849	(1,129)
EBITDA	12,190	16,748	12,744	13,724	14,873	9,377	10,188	2,319
Adjusted EBITDA	\$ 19,176	\$ 18,968	\$ 17,134	\$ 20,691	\$ 19,555	\$ 13,392	\$ 10,760	\$ 3,097
Adjusted EBITDA Margin	15.7%	16.5%	14.1%	15.3%	17.6%	12.5%	8.8%	2.4%

12. Liquidity and Capital Resources

12.1 Cash flow and Liquidity

Neo maintains sufficient liquidity to meet short- and medium-term cash needs and ensures that it has access to sufficient resources to fund quarterly cash dividend requirements, meet growth expenditure commitments, capitalize on investment opportunities, and other needs in the normal course of operations. Neo finances these commitments through cash flow from operations, corporate credit facilities, and equity, such as common and preferred shares.

	Nine Months Ended September 30,	
	2025	2024
Cash flow:		
Cash (used in) provided by operating activities	\$ (25,385)	\$ 30,243
Cash used in investing activities	(3,181)	(48,923)
Cash used in financing activities	(2,681)	(2,612)
	September 30, 2025	December 31, 2024
Working capital - as at		
Cash and cash equivalents	\$ 61,481	\$ 85,489
Total current assets	340,776	353,488
Current portion of long-term debt	4,923	4,610
Total current liabilities	152,413	159,417

As at September 30, 2025, Neo had cash and cash equivalents of \$61.5 million, compared to \$85.5 million as at December 31, 2024. For the nine months ended September 30, 2025, Neo paid \$9.1 million in dividends to its shareholders. Neo's financial position and ability to generate cash from its operations in the short and long-term remains sound.

The primary cash inflows and outflows contributing to the change from December 31, 2024 were the following:

Inflows

- \$25.2 million in net proceeds from the sale of JAMR and ZAMR;
- \$25.0 million drawn on an EDC credit facility;
- \$29.3 million from operations before net change in working capital, income taxes paid and net interest received;

Outflows

- \$40.8 million of net change in non-cash working capital, and \$12.5 million settlement for the European patent '338 litigation;
- \$28.1 million of other capital spending;
- \$11.2 million of income taxes paid;
- \$7.3 million of dividends paid to Buss & Buss' minority shareholder;
- \$9.1 million of dividends paid to shareholders; and
- \$3.9 million of repurchases of common shares under the NCIB.

Cash (Used in) Provided by Operating Activities

Cash used in operating activities was \$25.4 million for the nine months ended September 30, 2025, compared to cash provided by operating activities of \$30.2 million for the nine months ended September 30, 2024.

The \$40.8 million net change in working capital for the nine months ended September 30, 2025, was primarily due to the \$12.5 million settlement for the European patent litigation, as well as higher accounts receivable due to timing of customer sales, and higher inventory as the business held strategic inventory in select jurisdictions given geopolitical uncertainties.

Cash Used in Investing Activities

For the nine months ended September 30, 2025, cash used in investing activities was \$3.2 million, compared to \$48.9 million for the nine months ended September 30, 2024. The cash used was primarily related to \$25.2 million in net proceeds for the sale of JAMR and ZAMR, offset by \$6.0 million used for NAMCO's relocation, upgrade and modernization, \$15.2 million for the establishment of the European Permanent Magnet facility, the construction of a rare earth pilot line at Silmet, as well as \$3.5 million additional capital projects performed at other facilities.

Cash Used in Financing Activities

Cash used in financing activities during the nine months ended September 30, 2025 was \$2.7 million, compared to \$2.6 million for the nine months ended September 30, 2024. For the nine months ended September 30, 2025, Neo has distributed \$7.3 million of dividends to Buss & Buss' minority shareholder, distributed \$9.1 million in dividends distributed to Neo's common shareholders, as well as repaid \$5.0 million of its long-term debt.

Approximately \$15.5 million of cash on hand is held by Neo's foreign operating subsidiaries relates to earnings considered indefinitely reinvested in these foreign subsidiaries. Although substantially all of Neo's cash and cash equivalents can be repatriated, a portion may be subject to withholding taxes under current tax laws. While some of Neo's subsidiaries are subject to local governmental restrictions on the flow of capital into and out of their jurisdictions (including in the form of cash dividends, loans or advances), these restrictions have not had a material impact on Neo's ability to meet its cash obligations. Therefore, management does not consider this to be a significant risk to its ability to meet ongoing commitments or fund operations.

In addition to cash on hand, the primary sources of liquidity for Neo's domestic and foreign subsidiaries are cash provided by operations and, in the case of the activities in China, Estonia, Germany and the UK, borrowings under certain bank loans. From time to time, the sources of liquidity for Neo's operating subsidiaries may be supplemented by intercompany loans in the form of unsecured promissory notes. Neo's

operating subsidiaries' liquidity is generally used to fund their working capital requirements, investments, capital expenditures and third-party debt service requirements.

As at September 30, 2025, Neo's only off-balance sheet arrangements were purchase obligations for the procurement of equipment and materials within the normal course of operations.

12.2 Outstanding Shares Information

Class of Equity Security	Total Outstanding as at September 30, 2025
Common Shares	41,598,853
Stock Options ⁽¹⁾	1,928,954
Restricted Share Units (time-vested and performance vested)	1,162,734

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

The number of common shares outstanding as at November 13, 2025 is 41,598,853.

During the nine months ended September 30, 2025, Neo granted 228,340 equity-settled RSUs, 554,795 equity-settled PSUs, 114,615 cash-settled RSUs and 266,965 cash-settled PSUs under the Long-Term Incentive Plan ("LTIP").

12.3 Normal Course Issuer Bid

On June 6, 2025, Neo announced that the TSX had accepted a notice filed by Neo of its intention to make a NCIB for up to 3,297,296 of its issued and outstanding common shares. In connection with the NCIB, Neo has entered into an automatic share purchase plan (the "ASPP") with its designated broker. Under the NCIB, purchases may not exceed 24,039 shares on any trading day during the NCIB, including during self-imposed trading blackout periods. The price that Neo will pay for any shares purchased under the NCIB will be the prevailing market price at the time of purchase. Any shares purchased by Neo will be canceled. The NCIB terminates on June 10, 2026 and can be canceled at Neo's discretion prior to the termination date.

Since the announcement of the program in June 2025 and through to September 30, 2025, Neo repurchased and canceled 386,068 shares for \$3.9 million. For the nine months ended September 30, 2024, Neo repurchased 398,871 shares for \$2.3 million.

13. Contractual Obligations

In the normal course of business, Neo is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable, and are summarized below:

Financial liabilities	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Short-term debts	\$ 693	\$ —	\$ —	\$ —	\$ 693
Accounts payable and other accrued charges	\$ 79,368	\$ —	\$ —	\$ —	\$ 79,368
Derivative liabilities ⁽¹⁾	51,676	—	1,632	—	53,308
EDC credit facilities	12,605	54,603	42,821	—	110,029
Provisions ⁽²⁾	587	6,937	—	—	7,524
Lease obligations ⁽³⁾	1,160	1,097	813	2,241	5,311
Other liabilities	466	178	65	347	1,056
Total	\$ 146,555	\$ 62,815	\$ 45,331	\$ 2,588	\$ 257,289

(1) Represents the fair value of the put options on shares of the non-controlling interest shareholders of Buss & Buss and SGTec.

(2) Primarily represents management's best estimate of damages provision related to legal proceedings (see "Legal Proceedings and Regulatory Actions").

(3) Represents the lease payment obligations for office space, land, office equipment and machinery.

As at September 30, 2025, Neo had \$61.5 million of cash and cash equivalents. Management believes Neo has sufficient cash available, including cash from operating activities, to meet Neo's non-cancelable contractual obligations and other commercial commitments and the capital program for the next twelve months. Management considers cash to be "available" to the extent it can be utilized in operating activities, for capital expenditures, for intercompany loans or for repatriation. Neo also maintains access to credit facilities and short-term borrowings for its working capital needs, capital expenditures, and general corporate purposes.

14. Business Risks and Uncertainties

Neo's risk factors are substantially unchanged from and should be read in conjunction with Neo's MD&A for the year ended December 31, 2024 and Neo's AIF. Refer to Section 8. *Impact of Geopolitical and Trade Developments* for further discussion on Neo's risk factors regarding geopolitical changes throughout the period.

15. Legal Proceedings and Regulatory Actions

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 defenses to the actions that have been brought against it and vigorously pursues the defense of each such action, including but not limited to initiated legal proceedings to revoke or invalidate the patents Neo is alleged to have infringed.

However, litigation outcomes are inherently unpredictable and may be even harder to predict for patent litigation since patents are issued separately by each country or applicable jurisdiction with different standards for infringement or invalidation, as well as differing levels of damages, including as a result of the number of customers and level of activity of Neo in a given country or jurisdiction. If multiple cases were decided adversely, Neo's operations, cash flows, prospects, or financial condition could be materially affected. In jurisdictions where an injunction or similar remedy is imposed, the Company may face significant disruption.

Refer to the AIF for additional information on on-going legal proceedings.

In March 2025, Neo settled, in cash, the legal dispute with respect to European patent #1435338 for €10.3 million, plus procedural interest of €1.3 million totaling €11.6 million (\$12.5 million). For the nine months ended September 30, 2025, no penalties or sanctions were imposed against Neo by a court relating to Canadian provincial and territorial securities legislation or by a securities regulatory authority.

16. Related Party Transactions

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

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

A summary of transactions with associates, with joint venture partners and any other related parties can be found in Note 19 to Neo's interim condensed consolidated financial statements for the nine months ended September 30, 2025.

17. Recent Accounting Pronouncements

Management assesses each new IFRS or amendment to determine whether it may have a material impact on Neo's consolidated financial statements. As at September 30, 2025, there have been no accounting pronouncements by the International Accounting Standards Board expected to materially affect Neo's consolidated financial statements beyond those described in Note 2.3 of the interim condensed consolidated financial statements for the period ended September 30, 2025.

18. Internal Control Over Financial Reporting and Disclosure Controls and Procedures

Disclosure controls and procedures

Neo's Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) for Neo. Neo maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO evaluated the design and operating effectiveness of Neo's DC&P as of December 31, 2024 and based on the evaluation, the CEO and CFO have concluded that Neo's DC&P were effective. There have been no changes in Neo's DC&P during the nine months ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, Neo's financial reporting.

Internal controls over financial reporting

Neo's internal controls over financial reporting (“ICFR”) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Neo's management is responsible for establishing and maintaining adequate ICFR. National Instrument 52-109 of the Canadian Securities Administrators requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for Neo and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

The CEO and CFO are also responsible for disclosing any changes to Neo's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Neo's management, under the supervision of the CEO and CFO, has evaluated the design and operating effectiveness of Neo's ICFR based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As of December 31, 2024, management assessed that Neo's ICFR were effective. There have been no changes in Neo's ICFR during the nine months ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, Neo's financial reporting.