NEO PERFORMANCE MATERIALS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2024

NEO PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - all figures in thousands of United States dollars)

	June 30, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	100,483	86,895
Restricted cash (Note 9)	53	3,357
Accounts receivable	58,822	67,643
Inventories (Note 5)	163,946	197,453
Income taxes receivable	371	744
Other current assets (Note 6)	26,182	22,542
Total current assets	**349,857**	**378,634**
Property, plant and equipment (Note 7)	147,927	118,918
Intangible assets	35,744	38,511
Goodwill	64,223	65,160
Investments (Note 8)	15,985	17,955
Deferred tax assets	6,911	6,760
Other non-current assets	905	1,066
Total non-current assets	**271,695**	**248,370**
Total assets	**$ 621,552**	**$ 627,004**
LIABILITIES AND EQUITY		
Current		
Accounts payable and other accrued charges	53,608	71,984
Income taxes payable	4,271	9,207
Provisions (Note 20)	714	823
Lease obligations	1,783	1,664
Derivative liability (Note 9.1.1)	39,242	36,294
Current portion of long-term debt (Note 10)	4,634	2,230
Other current liabilities	1,605	692
Total current liabilities	**105,857**	**122,894**
Long-term debt (Note 10)	44,820	23,101
Employee benefits	112	108
Derivative liability (Note 9.1.2)	1,324	1,082
Provisions (Note 20)	26,354	26,197
Deferred tax liabilities	12,470	14,294
Lease obligations	4,131	2,425
Other non-current liabilities	1,136	1,592
Total non-current liabilities	**90,347**	**68,799**
Total liabilities	**196,204**	**191,693**
Non-controlling interest	3,322	3,164
Equity attributable to equity holders of Neo Performance Materials Inc.	422,026	432,147
Total equity	**425,348**	**435,311**
Total liabilities and equity	**$ 621,552**	**$ 627,004**

Commitments and contingencies (Note 13)
Subsequent events (Note 23)

See accompanying notes

NEO PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Unaudited - all figures in thousands of United States dollars, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenue	107,549	170,430	229,644	305,960
Cost of sales				
Cost excluding depreciation and amortization	78,250	132,589	172,998	249,210
Depreciation and amortization	2,004	2,368	3,934	4,536
Gross profit	27,295	35,473	52,712	52,214
Expenses				
Selling, general and administrative	14,605	16,111	29,247	30,982
Share-based compensation (Note 17)	1,476	(82)	1,380	768
Depreciation and amortization	1,876	1,814	3,604	3,580
Research and development	3,307	3,955	6,502	7,206
Impairment of assets	207	—	207	—
	21,471	21,798	40,940	42,536
Operating income	**5,824**	**13,675**	**11,772**	**9,678**
Other (expense) income	(86)	(171)	3,593	(649)
Finance costs, net (Note 22)	(1,572)	(4,085)	(2,912)	(8,097)
Foreign exchange loss	(544)	(662)	(1,266)	(1,242)
Income (loss) from operations before income taxes and equity income (loss) of associates	3,622	8,757	11,187	(310)
Income tax expense (Note 16)	(3,042)	(5,988)	(7,383)	(7,598)
Income (loss) from operations before equity income (loss) of associates	580	2,769	3,804	(7,908)
Equity income (loss) of associates (net of income tax) (Note 8)	303	(2,440)	(2,072)	(2,463)
Net income (loss)	**$ 883**	**$ 329**	**$ 1,732**	**$ (10,371)**
Attributable to:				
Equity holders of Neo Performance Materials Inc.	$ 859	$ 310	$ 1,732	$ (10,144)
Non-controlling interest	24	19	—	(227)
	$ 883	**$ 329**	**$ 1,732**	**$ (10,371)**
Earnings (loss) per share attributable to equity holders of Neo Performance Materials Inc.:				
Basic and diluted (Note 15)	$ 0.02	$ 0.01	$ 0.04	$ (0.22)

See accompanying notes

NEO PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited - all figures in thousands of United States dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income (loss) for the period	$ 883	$ 329	$ 1,732	$ (10,371)
Other comprehensive loss:				
Item that will not be reclassified subsequently to profit or loss:				
Defined benefit pension plan actuarial loss	(117)	—	(117)	—
Item that is or may be reclassified subsequently to profit or loss:				
Currency translation adjustment	(717)	(10,034)	(3,473)	(7,631)
Other comprehensive loss for the period	**(834)**	**(10,034)**	**(3,590)**	**(7,631)**
Total comprehensive income (loss) for the period	**$ 49**	**$ (9,705)**	**$ (1,858)**	**$ (18,002)**
Attributable to:				
Equity holders of Neo Performance Materials Inc.	(156)	(9,650)	(2,016)	(17,723)
Non-controlling interest	205	(55)	158	(279)
	$ 49	**$ (9,705)**	**$ (1,858)**	**$ (18,002)**

See accompanying notes

NEO PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - all figures in thousands of United States dollars)

	Six Months Ended June 30,	
	2024	**2023**
Operating activities		
Net income (loss) for the period	$ 1,732	$ (10,371)
Add (deduct) items not affecting cash:		
Depreciation and amortization	7,538	8,116
Share-based compensation (Note 17)	1,380	768
Provisions made (Note 20)	1,056	1,292
Change in pension liability	12	(32)
Finance cost, net (Note 22)	2,912	8,097
Equity loss of associates, net of income tax (Note 8)	2,072	2,463
Loss on disposal of assets	135	240
Gain on loss of control of investment (Note 12)	—	(19)
Income tax expense (Note 16)	7,383	7,598
Foreign exchange loss	1,851	1,516
Impairment of assets, net of reversals	207	—
Other	(137)	593
Net change in non-cash working capital balances related to operations (Note 12)	13,660	29,847
Payments made to settle provisions (Note 20)	(821)	(50)
Income taxes paid, net of income taxes recovered	(13,303)	(8,033)
Interest received, net of interest paid	329	737
Cash provided by operating activities	**$ 26,006**	**$ 42,762**
Investing activities		
Additions of property, plant and equipment (Note 7)	(26,628)	(9,638)
Additions of intangible assets	(28)	(14)
Acquisition of business, net of cash acquired (Note 30)	—	(11,605)
Investment in associates (Note 12)	—	(4,500)
Decrease (increase) in restricted cash (Note 9)	3,277	(2,044)
Investment by non-controlling interest	181	—
Cash used in investing activities	**$ (23,198)**	**$ (27,801)**
Financing activities		
Decrease in bank advances and other short-term debt, net	—	(17,339)
Dividends paid to equity holders of Neo Performance Materials Inc.	(6,211)	(6,722)
Share-based compensation paid	(746)	—
Proceeds from long-term debt (Note 10)	25,000	—
Repayment of long-term debt (Note 10)	(1,533)	(7,017)
Repurchase of common shares under NCIB (Note 14)	(2,250)	(1,202)
Lease payments	(1,208)	(1,232)
Dividends paid to non-controlling interest	(484)	(40)
Cash provided by (used in) financing activities	**$ 12,568**	**$ (33,552)**
Effect of exchange rate changes on cash and cash equivalents	(1,788)	(1,985)
Cash provided (used) during the period	**13,588**	**(20,576)**
Cash and cash equivalents, beginning of period	86,895	147,491
Cash and cash equivalents, end of period	**$ 100,483**	**$ 126,915**

See accompanying notes

NEO PERFORMANCE MATERIALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - all figures in thousands of United States dollars)

	Share Capital				Other Comprehensive Income			Total		
	Common Stock									
	Number	Amount	Retained (Deficit) Earnings	Contributed Surplus	Currency Translation Adjustment	Pension Plan Actuarial Gains (Losses), net of tax	Accumulated Other Comprehensive Loss	Equity Attributable to Equity Holders of NPM Inc.	Non-Controlling Interest	Equity
Balance - January 1, 2024	**42,027,392**	**$ 42**	**$ (28,545)**	**$ 473,793**	**$ (14,817)**	**$ 1,674**	**$ (13,143)**	**$ 432,147**	**$ 3,164**	**$ 435,311**
Net income	—	—	1,732	—	—	—	—	1,732	—	1,732
Other comprehensive loss	—	—	—	—	(3,631)	(117)	(3,748)	(3,748)	158	(3,590)
Total comprehensive income (loss)	—	—	1,732	—	(3,631)	(117)	(3,748)	(2,016)	158	(1,858)
Share-based compensation	—	—	—	934	—	—	—	934	—	934
Dividends paid to equity holders of Neo Performance Materials Inc. (Cdn $0.10 per common share)	—	—	(6,258)	—	—	—	—	(6,258)	—	(6,258)
Shares repurchased and cancelled under Normal Course Issuer Bid (Note 14)	(398,871)	—	—	(2,250)	—	—	—	(2,250)	—	(2,250)
Issuance of common shares on stock-based awards	123,039	—	—	(531)	—	—	—	(531)	—	(531)
	(275,832)	—	(6,258)	(1,847)	—	—	—	(8,105)	—	(8,105)
Balance - June 30, 2024	**41,751,560**	**$ 42**	**$ (33,071)**	**$ 471,946**	**$ (18,448)**	**$ 1,557**	**$ (16,891)**	**$ 422,026**	**$ 3,322**	**$ 425,348**
Balance - January 1, 2023	**45,196,921**	**$ 45**	**$ (6,707)**	**$ 490,803**	**$ (11,144)**	**$ 1,453**	**$ (9,691)**	**$ 474,450**	**$ 3,193**	**$ 477,643**
Net loss	—	—	(10,144)	—	—	—	—	(10,144)	(227)	(10,371)
Other comprehensive loss	—	—	—	—	(7,579)	—	(7,579)	(7,579)	(52)	(7,631)
Total comprehensive loss	—	—	(10,144)	—	(7,579)	—	(7,579)	(17,723)	(279)	(18,002)
Share-based compensation	—	—	—	542	—	—	—	542	—	542
Dividends paid to equity holders of Neo Performance Materials Inc. (Cdn $0.10 per common share)	—	—	(6,722)	—	—	—	—	(6,722)	—	(6,722)
Dividend distributions to non-controlling interest	—	—	—	—	—	—	—	—	(40)	(40)
Shares repurchased and canceled under Normal Course Issuer Bid (Note 12)	(191,770)	—	—	(1,202)	—	—	—	(1,202)	—	(1,202)
Issuance of common shares on stock-based awards	16,611	—	—	—	—	—	—	—	—	—
	(175,159)	—	(6,722)	(660)	—	—	—	(7,382)	(40)	(7,422)
Balance - June 30, 2023	**45,021,762**	**$ 45**	**$ (23,573)**	**$ 490,143**	**$ (18,723)**	**$ 1,453**	**$ (17,270)**	**$ 449,345**	**$ 2,874**	**$ 452,219**

See accompanying notes

NOTE 1 NATURE OF OPERATIONS

Neo Performance Materials Inc. ("**Neo**", the "**Company**" or the "**Group**") is a Canadian public company traded on the Toronto Stock Exchange ("**TSX**") and was incorporated on September 12, 2017 under the *Business Corporations Act* (Ontario). Neo's registered and head office is located at 121 King Street West, Suite 1740, Toronto, Ontario, Canada, M5H 3T9.

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

Neo has approximately 1,780 employees and a global platform that includes 10 manufacturing facilities located in China, the United States ("**U.S.**"), Germany, Canada, Estonia, the United Kingdom ("**UK**") and Thailand as well as one dedicated research and development ("**R&D**") centre in Singapore. Since 1994, Neo has leveraged its processing expertise to innovate and grow into a leading manufacturer of advanced industrial materials for specialty end markets. Neo has established itself as 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 superalloys. Neo identifies growth markets driven by global macro trends such as these, and produces highly engineered industrial materials that are critical to the performance of applications in those markets.

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

Magnequench

The Magnequench segment manufactures bonded neodymium-iron-boron ("**NdFeB**" or "**neo**") powders and bonded 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 neo magnets. These powders are formed through Magnequench's market-leading technology related to the development, processing, and manufacturing of magnetic powders. Magnequench uses a proprietary process to manufacture Magnequench Powder using a blend of various inputs. 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 produces bonded magnets ("**Magnequench Magnets**") made from its various Magnequench powder grades, which are used in applications substantially similar to those listed above. Magnequench Magnets are produced by combining Magnequench powders with a binder to form a compound, then compacting, pressing, curing and coating the compound into a final magnet shape.

Magnequench is also building a new sintered magnet facility in Europe which is expected to be commissioned in 2025. The new facility will manufacture and distribute sintered magnets which are critical in clean energy technologies, such as traction motors for electric vehicles and generators for wind turbines.

On April 19, 2023, Neo completed its acquisition of SG Technologies Group Limited and its wholly-owned subsidiaries (collectively referred to as "**SGTec**"), one of Europe's leading advanced, specialty manufacturers of rare-earth-based and other high-performance magnets for industrial and commercial markets.

C&O

The C&O segment manufactures and distributes a broad range of advanced industrial materials that have become an indispensable part of modern life. Neo's world-class processing and advanced materials manufacturing capabilities enable Neo to meet increasingly demanding specifications from manufacturers that need custom engineered materials. Applications from these products include automotive catalysts, permanent magnetics, consumer electronics, petroleum refining catalysts, medical devices, and wastewater treatment.

Rare Metals

The Rare Metals 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.

Corporate

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

NOTE 2 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("**IAS 34**"), as issued by the International Accounting Standards Board ("**IASB**"). These interim condensed consolidated financial statements do not include all the disclosures required by IFRS Accounting Standards as issued by the IASB for annual financial statements and should be read in conjunction with Neo's audited annual financial statements and accompanying notes for the year ended December 31, 2023. The significant accounting policies disclosed in Note 4 of Neo's audited annual financial statements for the year ended December 31, 2023 have been applied consistently in the preparation of these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were approved and authorized for issuance by Neo's Board of Directors ("**Board**") on August 8, 2024.

Significant management judgments in applying accounting policies, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant management judgements in applying accounting policies, estimates and assumptions disclosed in Neo's audited annual financial statements for the year ended December 31, 2023 have been applied consistently in the preparation of these interim condensed consolidated financial statements.

NOTE 3 BASIS OF PREPARATION

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

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS

4.1 Neo adopted the following accounting standards and amendments to accounting standards during the period ended June 30, 2024:

4.1.1 Non-current Liabilities with Covenants* and *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On October 31, 2022, the IASB issued Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to IAS 1) to introduce a clarification for the classification of liabilities. Under previous IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. Under the new definition, the IASB has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The IASB also reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

The amendment was adopted by Neo on January 1, 2024.

The amendment did not have a material impact on the interim condensed consolidated financial statements.

4.1.2 Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) to help companies clarify how to measure the right-of-use asset and lease liability if variable lease payments arise in a sale-and-leaseback transaction. The key amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent remeasurement.

The amendments were adopted by Neo on January 1, 2024 and applied prospectively.

The amendments did not have a material impact on the interim condensed consolidated financial statements.

4.1.3 Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements, and clarify existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements that would enable users to assess the effects of those arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

The amendments were adopted by Neo on January 1, 2024 and applied prospectively.

The amendments did not have a material impact on the interim condensed consolidated financial statements.

4.2 The following are new accounting pronouncements or amendments that have been issued by the IASB but have not yet been adopted by Neo as at June 30, 2024:

4.2.1 Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates) to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after January 1, 2025. Early adoption is permitted.

Neo does not anticipate that the above-mentioned amendment will have a material impact on its interim condensed consolidated financial statements.

4.2.2 IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside of an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1 (many of the other existing principles in IAS 1 will be retained), with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Neo will perform an assessment on the impact of this new standard on its financial statements prior to the effective date of the new standard.

NOTE 5 INVENTORIES

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

	June 30, 2024	December 31, 2023
Raw materials	$ 71,583	$ 79,769
Work-in-progress	32,978	36,211
Finished goods	53,864	75,299
Supplies	5,521	6,174
Total	**$ 163,946**	**$ 197,453**

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

For the three months ended June 30, 2024, a total of $77.4 million of inventories was included in the cost of sales compared to $130.5 million for the three months ended June 30, 2023. These include $0.7 million of reversal of provisions for inventories in the three months ended June 30, 2024 compared to $1.3 million of reversal of provisions in the three months ended June 30, 2023.

For the six months ended June 30, 2024, a total of $170.5 million of inventories was included in the cost of sales compared to $243.8 million for the six months ended June 30, 2023. These include $0.6 million of reversal of provisions for inventories in the six months ended June 30, 2024 compared to $4.3 million of change in provisions in the six months ended June 30, 2023.

NOTE 6 OTHER CURRENT ASSETS

Other current assets consist of the following:

	June 30, 2024	December 31, 2023
Prepayments for inventory	$ 2,099	$ 1,893
Prepayments for property, plant and equipment (1)	4,471	2,278
Other prepaid expenses	4,044	2,798
Value-added tax receivable	7,510	7,412
Notes receivable	3,740	4,337
Others	4,318	3,824
Total	**$ 26,182**	**$ 22,542**

Notes:

(1) As at June 30, 2024, prepayments for property, plant and equipment relates to the construction of Neo's sintered magnet plant in Europe.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Land	Building & improvements	Machinery & Equipment	Right-of-use Assets	Office equipment	Construction in Progress (net of transfer)	Total
As at January 1, 2024							
Cost	$ 10,000	$ 37,557	$ 96,141	$ 14,562	$ 7,837	$ 47,715	$213,812
Accumulated depreciation	—	(19,281)	(64,639)	(6,023)	(4,951)	—	(94,894)
Opening net book value as at January 1, 2024	**$ 10,000**	**$ 18,276**	**$ 31,502**	**$ 8,539**	**$ 2,886**	**$ 47,715**	**$118,918**
Additions of property, plant, and equipment (1)	—	157	448	—	78	32,192	32,875
Additions of right-of-use assets (2)	—	—	—	3,145	—	—	3,145
Write-offs, net of cost and accumulated depreciation	—	—	(25)	(72)	—	—	(97)
Transfers	—	108	2,349	—	148	(2,605)	—
Currency translation adjustments	(16)	(190)	(320)	(32)	(22)	(430)	(1,010)
Impairments (3)	—	—	(617)	—	—	—	(617)
Depreciation expense	—	(681)	(3,390)	(945)	(271)	—	(5,287)
Closing net book value as at June 30, 2024	**$ 9,984**	**$ 17,670**	**$ 29,947**	**$ 10,635**	**$ 2,819**	**$ 76,872**	**$147,927**
Comprised of:							
Cost	$ 9,984	$ 37,438	$ 94,852	$ 17,185	$ 7,939	$ 76,872	$244,270
Accumulated depreciation	—	(19,768)	(64,905)	(6,550)	(5,120)	—	(96,343)

Notes:

(1) For the six months ended June 30, 2024, $12.8 million (RMB 92.9 million) was included in Construction in Progress ("**CIP**") as part of the planned upgrade, expansion, and relocation of Neo's environmental emissions catalyst production facility, Neo Jia Hua Advanced Materials (Zibo) Co., Ltd. ("**NAMCO**"), a subsidiary of Neo. Additionally, $2.3 million in interest expense relating to the Export Development Canada ("**EDC**") facility was capitalized in CIP in accordance with IAS 23 *Borrowing Costs* for the six months ended June 30, 2024. For the six months ended June 30, 2024, $15.9 million was included in CIP as part of the construction of Neo's sintered magnet plant in Europe.

(2) For the six months ended June 30, 2024, the increase in Right-of-Use assets was mainly due to the following:
   a. $0.8 million for a new land lease agreement at JAMR; and
   b. $2.2 million related to the renewal of office leases at various locations.

(3) For the six months ended June 30, 2024, Neo recorded a $0.6 million impairment of certain assets at its light rare earth separation business in ZAMR, which ceased production in the second quarter of 2024.

	Land	Building & improvements	Machinery & Equipment	Right-of-use Assets	Office equipment	Construction in Progress (net of transfer)	Total
As at January 1, 2023							
Cost	$ 2,550	$ 35,091	$ 78,490	11,414	$ 8,055	$ 11,102	$146,702
Accumulated depreciation	—	(15,819)	(45,924)	(4,972)	(4,220)	—	(70,935)
Opening net book value as at January 1, 2023	**$ 2,550**	**$ 19,272**	**$ 32,566**	**$ 6,442**	**$ 3,835**	**$ 11,102**	**$ 75,767**
Acquisition through Business Combination	6,740	622	3,107	2,035	164	605	13,273
Additions of property, plant, and equipment	700	1,293	1,110	—	531	38,095	41,729
Additions of right-of-use assets	—	—	—	2,218	—	—	2,218
Write-offs, net of cost and accumulated depreciation	—	(19)	(558)	(163)	(9)	—	(749)
Transfers	—	176	4,218	(74)	(904)	(3,416)	—
Currency translation adjustments	10	(192)	(326)	(33)	(16)	208	(349)
Impairments (Reversal of impairments)	—	(1,023)	(674)	—	—	1,121	(576)
Depreciation expense	—	(1,853)	(7,941)	(1,886)	(715)	—	(12,395)
Closing net book value as at December 31, 2023	**$ 10,000**	**$ 18,276**	**$ 31,502**	**$ 8,539**	**$ 2,886**	**$ 47,715**	**$118,918**
Comprised of:							
Cost	$ 10,000	$ 37,557	$ 96,141	$ 14,562	$ 7,837	$ 47,715	$213,812
Accumulated depreciation	—	(19,281)	(64,639)	(6,023)	(4,951)	—	(94,894)

NOTE 8 INVESTMENTS

8.1 Investments in Associates

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

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

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

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

8.2 Summary of Investments Accounted for Using the Equity Method

	Country of Incorporation or Registration	Percentage Share Holdings
TMT	China	33%
Keli	China	25%
GQD	Thailand	20%
NNSR	United States	43.7%

	TMT	Keli	GQD	NNSR	Total
Carrying value at January 1, 2024	$ 2,495	$ 9,475	$ 2,826	$ 3,159	$ 17,955
Share of results in associates	28	(1,997)	318	(421)	(2,072)
Unrealized profit from sales to associates	101	—	—	—	101
Carrying value at June 30, 2024	**$ 2,624**	**$ 7,478**	**$ 3,144**	**$ 2,738**	**$ 15,984**
Carrying value at January 1, 2023	$ 2,373	$ 11,760	$ 2,230	$ —	$ 16,363
Share of results in associates	126	(2,285)	622	(1,341)	(2,878)
Unrealized profit from sales to associates	(4)	—	—	—	(4)
Dividends received from associates	—	—	(332)	—	(332)
Investment in associates	—	—	306	4,500	4,806
Carrying value at December 31, 2023	**$ 2,495**	**$ 9,475**	**$ 2,826**	**$ 3,159**	**$ 17,955**

NOTE 9 CATEGORIES OF FINANCIAL INSTRUMENTS

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

Financial Assets	June 30, 2024	December 31, 2023
Fair value through profit or loss ("FVTPL")		
Equity securities [1]	$ 173	$ 342
Measured at amortized cost [2]		
Cash and cash equivalents:		
Cash	$ 100,483	$ 86,895
Restricted cash [3]	53	3,357
Accounts receivable	58,822	67,643
	$ 159,358	$ 157,895
Total financial assets	**$ 159,531**	**$ 158,237**

Financial Liabilities	June 30, 2024	December 31, 2023
Fair value through profit or loss		
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$ 39,242	$ 36,294
Put option issued to non-controlling interest of SGTec (derivative liability)	1,324	1,082
Contingent consideration liability of SGTec	681	686
	$ 41,247	$ 38,062
Measured at amortized cost [2]		
Current:		
Accounts payable and other accrued charges	53,608	71,984
Current portion of long-term debt [4]	4,634	2,230
	$ 58,242	$ 74,214
Non-current:		
Long-term debt [5]	$ 44,820	$ 23,101
Total financial liabilities	**$ 144,309**	**$ 135,377**

Notes:

(1) The equity securities are re-measured at each reporting period with the change in fair value recorded in finance cost or income. For the six months ended June 30, 2024 and June 30, 2023, the fair value of these equity securities decreased by $0.2 million.

(2) The carrying values of the financial instruments, current and non-current, measured at amortized cost are a reasonable approximation of their fair value with the exception of the EDC credit facility which has an amortized cost of $49.5 million and a fair value of $51.0 million as at June 30, 2024.

(3) During the six months ended June 30, 2024, $1.2 million collateral on the HSBC line of credit issued in the UK was released and transferred from Restricted Cash to Cash and Cash Equivalents. In addition, the $2.1 million held in escrow related to the acquisition of SGTec was released during the six months ended June 30, 2024 to repay the remaining shareholders of SGTec.

(4) Current portion of the EDC credit facility term loan due for repayment in August 2024.

(5) EDC credit facility term loan (see Note 10.4).

9.1 Derivative liabilities

9.1.1 Buss & Buss Spezialmetalle GmbH

As at June 30, 2024, Neo's derivative liability is comprised of a put option issued to the non-controlling interest of a consolidated subsidiary, Buss & Buss Spezialmetalle GmbH ("**Buss & Buss**"). The put option liability is subsequently re-measured at each reporting period end date based on 90% of the fair value and the change in the put option liability is recorded in the interim condensed consolidated statements of profit or loss.

For the three and six months ended June 30, 2024, the change in the fair value of the derivative liability was an increase of $1.8 million and $2.9 million, (see Note 22), respectively. The fair value of the derivative is based on the best market information available to management, including assumptions regarding the forecasted pricing of the advanced industrial materials Buss & Buss produces. For the three and six months ended June 30, 2023, the change in the fair value of the derivative liability was an increase of $5.2 million and $8.6 million, respectively.

9.1.2 SGTec

The put option on the remaining 10% of SGTec that continues to be owned by members of SGTec's senior management team was measured at the acquisition date, April 19, 2023, at an estimated fair value of $1.6 million and recorded as a Derivative liability. The put option is remeasured at each reporting period and was $1.3 million as at June 30, 2024 and $1.1 million as at December 31, 2023. The change in the put option liability was recorded in the interim condensed consolidated statements of profit or loss. For the three and six months ended June 30, 2024, the change in the fair value of the derivative liability was nominal and $0.2 million, respectively.

As part of the SGTec acquisition, Neo has a contingent requirement to make a future cash payment based on SGTec's financial performance during its fiscal years ending March 31, 2024, March 31, 2025 and March 31, 2026. The amount of the payment will be between a minimum of nil and a maximum of 5.4 million Great British Pounds ("**GBP**") and the payment will be made in 2026. This contingent consideration was estimated to be 0.5 million GBP ($0.7 million) as at June 30, 2024, with nominal change in the fair value of the derivative liability compared to December 31, 2023.

9.2 Financial assets and liabilities measured at fair value

The following table presents financial assets and liabilities measured at fair value in the interim condensed consolidated statements of financial position in accordance with the fair value hierarchy. It does not include financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position as at June 30, 2024, are grouped into the fair value hierarchy as follows:

		Level 1		Level 2		Level 3
Financial Assets:						
Equity securities	$	173	$	—	$	—
Financial Liabilities:						
Put option issued to non-controlling interest of Buss & Buss	$	—	$	—	$	39,242
Put option issued to non-controlling interest of SGTec	$	—	$	—		1,324
Contingent consideration liability	$	—	$	—		681

Neo's investment in equity securities, classified in Level 1, is measured at FVTPL based on the stock price of the securities that is publicly available. The following table shows the change in the fair value of the equity securities as at June 30, 2024:

		June 30, 2024		December 31, 2023
Balance as at January 1, 2024 and 2023, respectively	$	342	$	902
Change in fair value		(159)		(565)
Foreign exchange (loss) gain		(10)		5
Ending balance	**$**	**173**	**$**	**342**

Neo's derivative liability, classified in Level 3, uses the discounted cash flow method to determine the fair value based on significant inputs that are not based on observable market data.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions may significantly change amounts recognized in net income, total assets, total liabilities or total equity.

There have been no transfers between levels for the period ended June 30, 2024.

For further discussion of financial liabilities measured at amortized cost specifically for bank advances and other short and long-term debt, see Note 10.

NOTE 10 BANK ADVANCES, SHORT-TERM DEBT, AND LONG-TERM DEBT

10.1 Chinese debt facility

In the third quarter of 2021, Magnequench (Tianjin) Co. Ltd., Magnequench International Trading (Tianjin) Co. Ltd., Jiangyin Jia Hua Advanced Material Resources Co. Ltd., Zibo Jiahua Advanced Material Resources Co. Ltd., Magnequench Magnetics (Chu Zhou) Co. Ltd., and NAMCO, each referred to as a ("**Borrower**") or collectively as ("**Chinese Subsidiaries**"), entered into a $10.0 million Overdraft Facility ("**Tranche I**") and a $20.0 million Import Facilities or a Multiple Currency Revolving Loan Facility ("**Tranche II**") with HSBC Bank (China) ("**Lender**"). Tranche I and Tranche II (collectively, the "**Facilities**") may be drawn down in accordance with the provisions of the Facilities to finance the working capital requirement of the Chinese Subsidiaries.

There was no balance outstanding under the Facilities as at June 30, 2024.

10.2 German debt facility

As at June 30, 2024, Buss & Buss has a $13.4 million (€12.5 million) revolving line of credit which can be drawn either in Euros or U.S. dollars.

As at June 30, 2024, there was no outstanding balance.

10.3 Estonia debt facility

As at June 30, 2024, Silmet has a $7.5 million (€7.0 million) credit facility which can be drawn in Euros.

There was no amount outstanding under this facility as at June 30, 2024.

10.4 EDC credit facility

On August 16, 2022, Neo entered into a loan agreement (the "**Loan Agreement**") with Export Development Canada ("**EDC**") for a term loan of up to $75.0 million (the "**Credit Facility**"), to be advanced in three tranches of $25.0 million, to finance the relocation, expansion, and sustainability upgrades to its environmental emissions catalyst manufacturing facility (the "**NAMCO Project**").

On January 11, 2024, the second tranche of $25.0 million was advanced to Neo.

Both tranche 1 and 2 mature five years from the date of the loan agreement, on August 16, 2027, with principal repayment beginning on August 16, 2024. Neo will repay to EDC the full principal amount of each outstanding loan as follows, each year on the anniversary of the date of the agreement:

- Payment 1 (2023) – No principal repayment;
- Payment 2 (2024) – 10% of the Borrowed Loan;
- Payment 3 (2025) – 10% of the Borrowed Loan;
- Payment 4 (2026) – 10% of the Borrowed Loan;
- Payment 5 (Maturity Date) – all remaining amount necessary to repay the loan in full, including all payable principal, interests, fees and expenses.

As at June 30, 2024, the carrying amount of the loan, measured at amortized cost, was $49.5 million (December 31, 2023: $23.8 million), of which $4.6 million was classified as current.

There were no defaults of principal or interest payments and no breaches of the loan agreement during the period ended June 30, 2024. Neo is in compliance with all covenants in the Credit Facility agreement as at June 30, 2024.

10.5 Barclays Bank PLC loan facilities

SGTec has two term loan facilities in the amounts of $3.0 million (2.4 million GBP) and $0.4 million (0.3 million GBP), and a sales financing facility with Barclays Bank PLC ("**Barclays**") in the UK for general corporate purposes. The term loan facilities can be drawn in GBP and accrues interest at either a fixed or floating rate, as administered by the Bank of England bank rate, plus an applicable margin.

During the six months ended June 30, 2024, SGTec repaid $1.5 million (1.1 million GBP) of the outstanding balance. There was no amount outstanding as at June 30, 2024 (December 31, 2023: $1.5 million (1.2 million GBP) outstanding). The sales financing facility, for which no balance was outstanding, was terminated during the six months ended June 30, 2024.

NOTE 11 OPERATING SEGMENTS

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

A comparative breakdown of business segment information is as follows:

For the three months ended June 30, 2024:

	Magnequench	Chemicals and Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
External revenue	$ 42,096	$ 33,544	$ 31,909	$ —	$ 107,549	$ —	$ 107,549
Inter-segment revenue	—	934	—	—	934	(934)	—
Total revenue	**$ 42,096**	**$ 34,478**	**$ 31,909**	**$ —**	**$ 108,483**	**$ (934)**	**$ 107,549**
Net (loss) income	**$ 1,612**	**$ 415**	**$ 4,824**	**$ (6,448)**	**$ 403**	**$ 480**	**$ 883**
Finance (income) cost, net	(144)	(319)	1,793	242	1,572	—	1,572
Income tax expense (benefit)	825	22	2,205	(10)	3,042	—	3,042
Depreciation and amortization included in cost of sales	935	715	354	—	2,004	—	2,004
Depreciation and amortization included in operating expenses	1,324	315	163	74	1,876	—	1,876
EBITDA	**$ 4,552**	**$ 1,148**	**$ 9,339**	**$ (6,142)**	**$ 8,897**	**$ 480**	**$ 9,377**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 4,552	$ 1,148	$ 9,339	$ (6,142)	$ 8,897	$ 480	$ 9,377
Other (income) expense (1)	(24)	195	(139)	54	86	—	86
Foreign exchange loss (gain)	443	(267)	(110)	478	544	—	544
Equity (income) loss of associates	(457)	154	—	—	(303)	—	(303)
Share based compensation (2)	221	232	106	917	1,476	—	1,476
Impairment (recovery) of assets (3)	—	617	(410)	—	207	—	207
Project start-up & transition costs (4)	1,433	572	—		2,005	—	2,005
Adjusted EBITDA (5)	**$ 6,168**	**$ 2,651**	**$ 8,786**	**$ (4,693)**	**$ 12,912**	**$ 480**	**$ 13,392**
Capital expenditures (6)	$ 10,942	$ 5,709	$ 322	$ 1,598	$ 18,571	$ —	$ 18,571

Notes:

(1) Represents other (income) expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. These items are not indicative of Neo's ongoing activities.

(2) Represents share-based compensation expense in respect of the Omnibus long-term incentive plan (the "**Omnibus LTIP**"), which was originally approved by shareholders on June 29, 2021 and, amended and approved by shareholders on June 19, 2024 (Note 17).

(3) Represents an impairment charge of $0.6 million resulting from the shut down of Neo's light rare earth separation business in ZAMR, and a reversal of an asset impairment of $0.4 million previously recorded at Buss & Buss.

(4) Represents start-up costs (primarily pre-operational staffing costs) at Neo's new European sintered magnet facility, as well as transition cost during qualification and start-up of the NAMCO facility and winding down of the ZAMR facility. Neo has removed these charges to provide comparability with historic periods.

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

(6) Includes cash and non-cash capital expenditures of $16.3 million and right-of-use assets of $2.2 million.

For the six months ended June 30, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
External revenue	$ 87,576	$ 72,881	$ 69,187	$ —	$ 229,644	$ —	$ 229,644
Inter-segment revenue	—	2,110	—	—	2,110	(2,110)	—
Total revenue	**$ 87,576**	**$ 74,991**	**$ 69,187**	**$ —**	**$ 231,754**	**$ (2,110)**	**$ 229,644**
Net (loss) income	**$ 1,299**	**$ 1,390**	**$ 10,494**	**$ (12,194)**	**$ 989**	**$ 743**	**$ 1,732**
Finance cost (income), net	58	(583)	3,011	426	2,912	—	2,912
Income tax expense (benefit)	1,404	1,155	4,838	(14)	7,383	—	7,383
Depreciation and amortization included in cost of sales	1,841	1,404	689	—	3,934	—	3,934
Depreciation and amortization included in operating expenses	2,648	558	246	152	3,604	—	3,604
EBITDA	**$ 7,250**	**$ 3,924**	**$ 19,278**	**$ (11,630)**	**$ 18,822**	**$ 743**	**$ 19,565**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 7,250	$ 3,924	$ 19,278	$ (11,630)	$ 18,822	$ 743	$ 19,565
Other (income) expense (1)	(516)	(2,981)	(150)	54	(3,593)	—	(3,593)
Foreign exchange loss (gain)	1,743	(1,306)	(820)	1,649	1,266	—	1,266
Equity loss of associates	1,651	421	—	—	2,072	—	2,072
Share based compensation (2)	239	254	126	761	1,380	—	1,380
Impairment (recovery) of assets (3)	—	617	(410)	—	207	—	207
Project start-up & transition costs (4)	1,913	1,342	—	—	3,255	—	3,255
Adjusted EBITDA (5)	**$ 12,280**	**$ 2,271**	**$ 18,024**	**$ (9,166)**	**$ 23,409**	**$ 743**	**$ 24,152**
Capital expenditures (6)	$ 17,383	$ 16,454	$ 613	$ 1,598	36,048	$ —	$ 36,048

Notes:

(1) Represents other (income) expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. Other income for the six months ended June 30, 2024 includes the reversal of a special reserve to cover for potential liabilities related to employee safety incidents or workplace accidents at the ZAMR facility. This reserve was set up since inception of the light rare earth separation business and has been released as Neo has shut down this business. These items are not indicative of Neo's ongoing activities.

(2) Represents share-based compensation expense in respect of the Omnibus LTIP, which was originally approved by shareholders on June 29, 2021 and, amended and approved by shareholders on June 19, 2024 (Note 17).

(3) Represents an impairment charge of $0.6 million resulting from the shut down of Neo's light rare earth separation business in ZAMR, and a reversal of an asset impairment of $0.4 million previously recorded at Buss & Buss.

(4) Represents start-up costs (primarily pre-operational staffing costs) at Neo's new European sintered magnet facility, as well as transition cost during qualification and start-up of the NAMCO facility and winding down of the ZAMR facility. Neo has removed these charges to provide comparability with historic periods.

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

(6) Includes cash and non-cash capital expenditures of $32.9 million and right-of-use assets of $3.1 million.

For the three months ended June 30, 2023:

	Magnequench	Chemicals and Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
External revenue	$ 49,329	$ 71,276	$ 49,825	$ —	$ 170,430	$ —	$ 170,430
Inter-segment revenue	—	—	—	—	—	—	—
Total revenue	**$ 49,329**	**$ 71,276**	**$ 49,825**	**$ —**	**$ 170,430**	**$ —**	**$ 170,430**
Net (loss) income	**$ (1,027)**	**$ 1,055**	**$ 6,576**	**$ (6,306)**	**$ 298**	**$ 31**	**$ 329**
Finance (income) cost, net	(35)	(790)	5,288	(378)	4,085	—	4,085
Income tax expense	45	951	4,978	14	5,988	—	5,988
Depreciation and amortization included in cost of sales	1,010	1,144	214	—	2,368	—	2,368
Depreciation and amortization included in operating expenses	1,419	258	53	84	1,814	—	1,814
EBITDA	**$ 1,412**	**$ 2,618**	**$ 17,109**	**$ (6,586)**	**$ 14,553**	**$ 31**	**$ 14,584**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 1,412	$ 2,618	$ 17,109	$ (6,586)	$ 14,553	$ 31	$ 14,584
Other (income) expense (1)	(23)	172	22	—	171	—	171
Foreign exchange (gain) loss	(323)	136	(178)	1,027	662	—	662
Equity loss of associates	2,440	—	—	—	2,440	—	2,440
Share based compensation (2)	(5)	(13)	(3)	(61)	(82)	—	(82)
Fair value adjustments to inventory acquired (3)	572	—	—	—	572	—	572
Transaction costs (4)	1,201	—	—		1,201	—	1,201
Adjusted EBITDA (5)	**$ 5,274**	**$ 2,913**	**$ 16,950**	**$ (5,620)**	**$ 19,517**	**$ 31**	**$ 19,548**
Capital expenditures (6)	$ 929	$ 5,082	$ 809	$ —	$ 6,820	$ —	$ 6,820

Notes:

(1) Represents other (income) expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. These items are not indicative of Neo's ongoing activities.

(2) Represents share-based compensation expense (Note 17) in respect of the long-term incentive plans (the "**LTIP**") which was adopted on May 9, 2018 as well as the Omnibus LTIP, which was originally approved by shareholders on June 29, 2021 and amended and approved by shareholders on June 19, 2024. No further grants were made under the LTIP once the Omnibus LTIP was adopted. There are no RSUs and PSUs outstanding under the LTIP and no further grants will be made under the LTIP.

(3) In accordance with *IFRS 3 - Business Combinations*, and on completion of the acquisition of SGTec, Neo recorded the acquisition of SGTec's inventory at fair value, which included a mark-up for profit of $1.3 million. A portion of this inventory was sold in the three months ended June 30, 2023 and had a $0.6 million impact on Net (loss) income.

(4) These represent primarily legal, professional advisory fees and other transaction costs for capital structuring associated with Neo or investments of Neo. Neo has removed these charges to provide comparability with historic periods. For the three months ended June 30, 2023, Neo incurred a total acquisition-related costs of $1.2 million in the acquisition of SGTec. These costs have been included in selling, general and administrative costs in the condensed consolidated statements of profit or loss.

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

(6) Includes cash and non-cash capital expenditures of $6.1 million and right-of-use assets of $0.7 million, but excludes $12.0 million of Additions of Property, Plant and Equipment due to business combination.

For the six months ended June 30, 2023:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
External revenue	$ 104,494	$ 122,565	$ 78,901	$ —	$ 305,960	$ —	$ 305,960
Inter-segment revenue	—	—	—	—	—	—	—
Total revenue	**$ 104,494**	**$ 122,565**	**$ 78,901**	**$ —**	**$ 305,960**	**$ —**	**$ 305,960**
Net income (loss)	**$ 16**	**$ (6,190)**	**$ 6,132**	**$ (10,395)**	**$ (10,437)**	**$ 66**	**$ (10,371)**
Finance (income) cost, net	(130)	(159)	8,851	(465)	8,097	—	8,097
Income tax expense	166	633	6,784	15	7,598	—	7,598
Depreciation and amortization included in cost of sales	1,838	2,270	428	—	4,536	—	4,536
Depreciation and amortization included in operating expenses	2,749	541	121	169	3,580	—	3,580
EBITDA	**$ 4,639**	**$ (2,905)**	**$ 22,316**	**$ (10,676)**	**$ 13,374**	**$ 66**	**$ 13,440**
Reconciliation to Adjusted EBITDA:							
EBITDA	$ 4,639	$ (2,905)	$ 22,316	$ (10,676)	$ 13,374	$ 66	$ 13,440
Other expense (income) [(1)]	127	530	(8)	—	649	—	649
Foreign exchange (gain) loss	(611)	584	758	511	1,242	—	1,242
Equity loss of associates	2,463	—	—	—	2,463	—	2,463
Share based compensation [(2)]	139	142	48	439	768	—	768
Fair value adjustments to inventory acquired [(3)]	572	—	—	—	572	—	572
Transaction costs [(4)]	1,201	—	—	—	1,201	—	1,201
Adjusted EBITDA [(5)]	**$ 8,530**	**$ (1,649)**	**$ 23,114**	**$ (9,726)**	**$ 20,269**	**$ 66**	**$ 20,335**
Capital expenditures [(6)]	$ 3,149	$ 7,412	$ 1,275	$ —	$ 11,836	$ —	$ 11,836

Notes:

(1) Represents other (income) expenses resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. These items are not indicative of Neo's ongoing activities.

(2) Represents share-based compensation expense (Note 17) in respect of the LTIP which was adopted on May 9, 2018 as well as the Omnibus LTIP, which was originally approved by shareholders on June 29, 2021 and amended and approved by shareholders on June 19, 2024. No further grants were made under the LTIP once the Omnibus LTIP was adopted. There are no RSUs and PSUs outstanding under the LTIP and no further grants will be made under the LTIP.

(3) In accordance with *IFRS 3 - Business Combinations*, and on completion of the acquisition of SGTec, Neo recorded the acquisition of SGTec's inventory at fair value, which included a mark-up for profit of $1.3 million. A portion of this inventory was sold in the three months ended June 30, 2023 and had a $0.6 million impact on Net (loss) income.

(4) These represent primarily legal, professional advisory fees and other transaction costs for capital structuring associated with Neo or investments of Neo. Neo has removed these charges to provide comparability with historic periods. For the three and six months ended June 30, 2023, Neo incurred a total acquisition-related costs of $1.2 million in the acquisition of SGTec. These costs have been included in selling, general and administrative costs in the condensed consolidated statements of profit or loss.

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

(6) Includes cash and non-cash capital expenditures of $9.6 million and right-of-use assets of $2.2 million, but excludes $12.0 million of Additions of Property, Plant and Equipment due to business combination.

As at June 30, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
Total assets	$ 289,408	$ 203,173	$ 123,117	$ 5,069	$ 620,767	$ 785	$ 621,552
Investment in equity method associates	13,247	2,738	—	—	15,985	—	15,985
Total liabilities	(38,037)	(45,495)	(51,282)	(61,390)	(196,204)	—	(196,204)

As at December 31, 2023:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
Total assets	$ 298,978	$ 199,174	$ 120,075	$ 8,735	$ 626,962	$ 42	$ 627,004
Investment in equity method associates	14,796	3,159	—	—	17,955	—	17,955
Total liabilities	(50,281)	(46,711)	(58,487)	(36,214)	(191,693)	—	(191,693)

The geographic distribution of Neo's revenue based on the location of its customers for the three and six months ended June 30, 2024 and 2023 are summarized as follows:

<u>**Revenue**</u>	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2024	**2023**	**2024**	**2023**
Asia:				
China	$ 26,331	$ 47,310	$ 55,007	$ 81,176
Japan	17,319	24,724	39,044	53,824
Thailand	3,287	4,865	7,053	10,703
South Korea	3,465	3,042	4,708	5,738
North America	32,329	51,986	69,471	80,190
Europe	18,593	28,329	42,436	60,126
Other	6,225	10,174	11,925	14,203
Total	**$ 107,549**	**$ 170,430**	**$ 229,644**	**$ 305,960**

Revenue from one significant customer accounted for $12.1 million and $30.8 million of Neo's total revenue for the three and six months ended June 30, 2024, respectively. Revenue from a significant customer accounts for $18.9 million of Neo's total revenue for the three months ended June 30, 2023. There was no significant customer for the six months ended June 30, 2023. Neo defines significant customers as those that generate 10% or more of consolidated revenue.

NOTE 12 SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six Months Ended June 30,	
	2024	**2023**
Decrease (increase) in assets:		
Accounts receivable	$ 7,904	$ (2,955)
Inventories	31,987	39,718
Other assets	(3,510)	1,276
(Decrease) increase in liabilities:		
Accounts payable and other accrued charges	(23,634)	(9,067)
Other liabilities	913	875
Total net change	**$ 13,660**	**$ 29,847**

NOTE 13 COMMITMENTS AND CONTINGENCIES

13.1 Commitments

In the normal course of business, Neo and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variables prices. Neo believes that these contracts serve to reduce risk and does not anticipate that losses will be incurred on these contracts.

13.2 Legal contingencies

Neo operates in a high technology and advanced engineering product environment in which many patents have been issued over time. The subsidiaries of Neo are currently, and may in the future, become involved in legal proceedings alleging patent infringement. At present, Neo is defending against patent infringement legal proceedings filed in Germany, the UK, the US, and Estonia. Additionally, Neo has initiated proceedings to invalidate certain patents of Neo's competitors issued in these same jurisdictions.

There are many factors that make it difficult to estimate the impact of a particular lawsuit on Neo, including the following, among others: being in the early stage of a proceeding when the claimant is not required to specifically identify the manner in which the patent has allegedly been infringed; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery not having been started or still incomplete; the complexity of the facts that are in dispute (e.g., the analysis of the patent and a comparison to the activities of Neo is a labour-intensive and highly technical process); the difficulty of assessing novel claims or legal arguments, and; the parties not having engaged in any meaningful settlement discussions. Management is required to apply judgment with respect to estimating the potential impact of the ongoing patent litigation on Neo. Potential impacts to Neo include, but are not limited to the following: the possibility of an injunction prohibiting Neo from manufacturing, distributing, marketing or selling products that are found to infringe on an unexpired patent; potential damages, attorney's fees and costs that Neo could be ordered to pay if it is found to have infringed on a patent, and; damage to Neo's reputation with key customers, or prospective customers, from a finding of patent infringement.

Of the various lawsuits initiated and underway, the German Courts have ruled that certain of Neo Chemicals & Oxides (Europe) Ltd.'s ("**Neo C&O (Europe)**") products infringed six expired patents of Rhodia Chimie ("**Rhodia**"): European patent #0735984 B1 ("**984**"), European patent #0863846 B1("**846**"), European patent #0605274 ("**274**"), European patent #0955267 B1 ("**267**"), European patent #1527018 ("**018**") and European patent #1435338 B1 ("**338**"). Neo C&O (Europe) filed an appeal in the 018 infringement action, which stayed pending a final judgement in a separate case concerning the validity of 018, which is pending before the German Federal Supreme Court. Neo C&O (Europe) filed an appeal in the 338 infringement action but the Higher Regional Court of Karlsruhe affirmed the judgment of infringement. Neo C&O (Europe) subsequently filed for leave to appeal the 338 judgment of infringement to the German Federal Supreme Court and that application was denied. The judgments of infringement with respect to 984, 274, 846 and 267 are final. Neo C&O (Europe) was ordered to provide information related to the calculation of damages, but as of yet, except with respect to 267, there has been no determination of damages in any of the German infringement lawsuits. In May 2024, Neo C&O (Europe) was ordered to pay approximately $0.7 million in damages in respect of the 267 action and has done so, while further appealing the judgment.

Neo C&O (Europe) challenged the validity of patents 984, 846, 274, 267 and 338 before the German Federal Patent Court. Following litigation before the German Federal Patent Court, and subsequent appeals to the German Supreme Court, patents 984, 846, 274, 267 and 338 were upheld subject to restrictions in scope. Neo C&O (Europe) also filed actions in the German Federal Patent Court challenging the validity of 018, European patent #2523907 ("**907**") and European patent #2007682 ("**682**"). The German Federal Patent Court upheld the validity of both 018 and 907 in restricted form. Both Rhodia and Neo have appealed these rulings. The German Federal Supreme Court has set the 018 matter for a hearing on October 10, 2024, and the 907 matter for a hearing on December 3, 2024. On February 6, 2024, the German Federal Patent Court revoked 682 in Germany. Rhodia has filed its appeal to this ruling in June 2024.

In addition to the above-referenced cases, Rhodia has filed actions in Germany alleging that Neo C&O (Europe) has infringed 682 and European Patent #3009403 B1 ("**403**"). The Düsseldorf Regional Court stayed Rhodia's case alleging infringement of 682, pending the outcome of Neo's action before the German Federal Patent Court to invalidate 682. In September of 2021 the Court of Appeal remanded the case back to the Düsseldorf Regional Court to reconsider its order staying the 682 infringement proceeding. The Düsseldorf Regional Court has not yet ruled on Neo's motion for stay following the remand. On February 22, 2024, a hearing was held before the Düsseldorf Regional Court for the 403 infringement action. On March 14, 2024, the Düsseldorf Regional Court ruled that Neo infringed on 403. Neo subsequently filed an appeal to the Düsseldorf Regional Court on April 10, 2024.

In November of 2020, Rhodia Operations filed a lawsuit in Estonia against NPM Silmet OÜ ("**Silmet**") alleging infringement of 403. This case has not yet been set for trial. Neo C&O (Europe) has filed an action before the European Patent Office seeking to revoke 403.

In April of 2024, MP Materials Corp. and certain of its affiliates (collectively, "**MP Materials**") filed a lawsuit in the U.S. Federal Court in the District of Delaware, alleging that Neo Water Treatment LLC misappropriated trade secrets arising out of the MP Materials purchase of Molycorp Minerals in 2016 and disclosed the same in US Patent No.10,988,395 (and related counterparts) and US Patent No.11,111,161 (and related counterparts). MP Materials subsequently amended the pleadings to remove MP Materials Corp. as a plaintiff and to add Chemicals and Oxides LLC as a defendant. Neo denies the allegations set forth by MP Materials and intends to vigorously defend the action.

The following infringement proceedings are ongoing. These proceedings are at various stages including being at pre-trial stage, within infringement proceedings, as well as invalidity proceedings.

Patent Reference	Jurisdiction of Claim	Specified Damages by Claimant
European patent 0863846 B1	Germany	$8.7 million
European patent 0735984 B1	Germany	
European patent 0605274 B1	Germany	
European Patent EP 3009403	Germany	Not specified
European Patent EP 3009403	Estonia	$0.1 million
European EP 1435338 B1 (1)	Germany	$40.7 million (€38.0 million)
European patent 0955267 (2)	Germany	$0.7 million (€0.7 million)
European patent 1527018	Germany	$0.7 million
European patent 2007682	Germany	Not specified
US Patent 10,988,395	United States	Not specified
US Patent 11,111,161	United States	Not specified

Notes:

(1) During the second quarter of 2023, the Claimant filed new pleadings, which allege a different sum of damages than the amount shown in the table. However, the Claimant redacted the relevant portions of the pleading that specify the claimed amount of damages, and these portions of the pleading are subject to confidentiality restrictions which prevent public disclosure.

(2) During the second quarter of 2024, Neo C&O Europe was ordered to pay $0.7 million in damages and has paid such amount in accordance with the court order and has filed a further appeal.

Management has made an assessment, based on its interpretation of the claims as to the quantum of the appropriate provision for certain claims, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Such a provision is based on management's best estimate, as damages are uncertain and are subject to judicial determination. Management's assessment, based on its interpretation of the claims, the limited facts available at this time and independent legal advice, is that for all other claims it is not probable that an outflow of resources will be required in settling these claims and no provision has been made. Future developments in these cases could cause management to change its assessment.

Management does not have sufficient information to comment on the quantum or methodology of the damages sought by the claimants including with respect to potential duplicity of the parts affected. Management's view on specified damages could be materially different than those proposed by the claimant in each case.

Neo intends to defend itself vigorously in all cases. In light of the inherent uncertainties in litigation there can be no assurance that the ultimate resolution of these matters will not significantly exceed the amounts currently accrued for those cases for which an estimate can be made. Losses in connection with any litigation for which management is not presently able to reasonably estimate any potential loss, or range of loss, could be material to Neo's results of operations and financial condition.

NOTE 14 SHARE CAPITAL

	June 30, 2024	December 31, 2023
Number of common shares authorized for issue:	Unlimited	Unlimited
Number of preference shares authorized for issue:	Unlimited	Unlimited
Total common shares issued and fully paid	41,751,560	42,027,392
Total treasury shares	—	—

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

Normal Course Issuer Bid

On June 14, 2023, Neo announced that the TSX had accepted a notice filed by Neo of its intention to make a Normal Course Issuer Bid (the "**NCIB**") for up to 3,585,011 of its issued and outstanding common shares. In connection with the NCIB, Neo entered into an automatic share purchase plan with its designated broker to allow for purchases of its shares (the "**Share Purchase Plan**").

During the six months ended June 30, 2024, Neo repurchased and cancelled 398,871 shares for $2.3 million. Up to the termination of the Share Purchase Plan, Neo had fully utilized the allotment under the NCIB for up to 3,585,011 of its issued and outstanding common shares. For the three and six months ended June 30, 2023, Neo repurchased and canceled 191,770 shares for $1.2 million.

The Share Purchase Plan terminated on June 18, 2024.

NOTE 15 EARNINGS (LOSS) PER SHARE

15.1 Weighted-average number of common shares - basic

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Common shares issued at beginning of period	41,751,560	45,196,921	42,027,392	45,196,921
Weighted average impact of:				
Issuance of common shares	—	—	63,548	—
Repurchase and cancellation of common shares under NCIB	—	—	(299,312)	—
Weighted average number of common shares for the period - basic	**41,751,560**	**45,196,921**	**41,791,628**	**45,196,921**

15.2 Weighted-average number of common shares - diluted

The weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average number of common shares - basic	41,751,560	45,196,921	41,791,628	45,196,921
Dilutive effect of stock units	591,522	424,354	638,020	—
Weighted average number of common shares for the period - diluted	**42,343,082**	**45,621,275**	**42,429,648**	**45,196,921**

For the three months ended June 30, 2024, 2,076,960 stock options were excluded because their effect would have been anti-dilutive (three months ended June 30, 2023: 1,517,318 stock options, 94,595 equity-settled RSUs and 236,455 equity-settled PSUs).

For the six months ended June 30, 2024, 2,076,960 stock options and 145,455 equity-settled RSUs were excluded because their effect would have been anti-dilutive (six months ended June 30, 2023: all stock options, equity-settled RSUs and equity-settled PSUs were excluded).

15.3 Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share was based on net income (loss) attributable to equity holders of Neo for the three and six months ended June 30, 2024, and June 30, 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss) attributable to equity holders of Neo Performance Materials Inc. - basic and diluted	$ 859	$ 310	$ 1,732	$ (10,144)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings (loss) per share - basic and diluted	$ 0.02	$ 0.01	$ 0.04	$ (0.22)

NOTE 16 INCOME TAXES

The effective income tax rate can vary significantly from quarter-to-quarter for various reasons, including the mix and volume of business in different tax jurisdictions, in jurisdictions with tax holidays and tax incentives, and in jurisdictions for which no deferred tax assets have been recognized because management believes it is not probable that future taxable profit will be available against which tax losses and deductible temporary differences could be utilized. Neo's effective income tax rate can also vary due to the impact of foreign exchange fluctuations, operating losses, changes in provisions related to tax uncertainties and changes in management's assessment as to whether temporary differences arising from investments in subsidiaries will reverse in the foreseeable future.

For the three and six months ended June 30, 2024, Neo had an income tax expense of $3.0 million and $7.4 million, respectively. For the three months ended June 30, 2024, Neo's income tax expense was unfavourably impacted by $2.1 million due to losses and temporary differences for which there are no recognized tax benefits. For the six months ended June 30, 2024, Neo's income tax expense was unfavourably impacted by $1.2 million due to foreign exchange fluctuations on certain non-monetary assets and $3.6 million due to losses and temporary differences for which there are no recognized tax benefits.

For the three and six months ended June 30, 2023, Neo had an income tax expense of $6.0 million and $7.6 million, respectively. For the three months ended June 30, 2023, Neo's income tax expense was unfavourably impacted by $3.0 million due to losses and temporary differences for which there are no recognized tax benefits and $1.4 million due to non-deductible finance costs related to the re-measurement of the Buss & Buss derivative liability. For the six months ended June 30, 2023, Neo's income tax expense was unfavourably impacted by $6.1 million due to losses and temporary differences for which there are no recognized tax benefits and $2.3 million due to non-deductible finance costs related to the re-measurement of the Buss & Buss derivative liability.

NOTE 17 SHARE-BASED COMPENSATION

On June 29, 2021, an omnibus long-term incentive plan (the "**Omnibus LTIP**") was approved by the shareholders at the Annual General and Special Meeting of Neo. Initial awards under the Omnibus LTIP in the form of stock options, PSUs and RSUs were granted in September 2021.

During the six months ended June 30, 2024, Neo granted 612,850 Options, 145,455 equity-settled RSUs and 183,550 cash-settled RSUs under the Omnibus LTIP.

Equity-settled share-based compensation	**Options**	**Weighted-average exercise price - Options**	**RSUs**	**PSUs**
Outstanding, January 1, 2024	1,560,793	$ 9.77	144,425	472,138
Granted	612,850	$ 4.52	145,455	—
Exercised	—	$ —	(28,694)	(111,138)
Expired/Forfeited	(96,683)	$ 9.84	—	(23,346)
Outstanding, June 30, 2024	2,076,960	$ 8.21	261,186	337,654
Exercisable, June 30, 2024	1,141,510	$ 10.46	—	—
Weighted average exercise price, exercised during the period ended June 30, 2024	$ 10.46			
Weighted average remaining contractual life, June 30, 2024	4.60 years		2.27 years	1.27 years

Cash-settled share-based compensation	**RSUs**	**PSUs**	**DSUs**
Outstanding, January 1, 2024	177,058	238,355	194,989
Granted	183,550	—	—
Exercised	(39,762)	(64,445)	—
Outstanding, June 30, 2024	320,846	173,910	194,989
Weighted average remaining contractual life, June 30, 2024	2.25 years	1.18 years	—

The following table summarizes the inputs used in the calculation of the grant date fair values for each of the stock units issued under the Omnibus LTIP during 2024 and 2023:

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

	Options	RSUs	PSUs	DSUs
Key assumptions used for 2023 grants:				
Weighted average grant date fair value (per unit)	$ 3.16	$ 6.11	$ 6.11	$ 6.50
Dividend yield	5.0 %	— %	— %	— %
Expected volatility	54.0 %	— %	— %	— %
Risk-free interest rate	3.8 %	— %	— %	— %
Exercise price	$ 6.48	$ —	$ —	$ —
Forfeiture rate	— %	— %	— %	— %
Fair value of share-based compensation at grant date	$ 1,135	$ 1,305	$ 2,172	$ 400

The following table shows the share-based compensation expense recorded in the interim condensed consolidated statements of profit or loss during the three and six months ended June 30, 2024 and June 30, 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Options	$ 325	$ 87	$ 552	$ 287
RSUs	598	61	760	301
PSUs	285	(503)	19	(57)
DSUs	268	273	49	237
Total	**$ 1,476**	**$ (82)**	**$ 1,380**	**$ 768**

NOTE 18 RELATED PARTY TRANSACTIONS

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

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

18.1 Transactions with associates

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Purchase of goods and services from associates:				
TMT	$ 1,325	$ 1,934	$ 2,771	$ 3,651
Keli	3,994	6,228	9,767	12,314
GQD	199	596	1,246	3,097
Sales of goods and services to associates:				
TMT	650	2,691	1,827	5,946

18.2 Transactions with joint venture partners

Neo also has occasionally purchased and sold products from and to Ganzhou Qian Dong Rare Earth Group Co. Ltd. ("**Qian Dong**") and Toda Kogyo Corp. ("**Toda**").

Transactions between Neo and its joint venture partners are summarized in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sale of goods to Toda	$ 80	$ —	$ 169	$ 1,349
Purchase of goods from Qian Dong	—	222	—	3,014

18.3 Transactions with other related parties

Neo, through one of its subsidiaries in China, MQCZ, has occasionally sold products to Atatsu Co., Ltd. ("**Atatsu**") for resale to third party customers. Atatsu is controlled by members of MQCZ's key management personnel. For the three and six months ended June 30, 2024, sales to Atatsu were nominal and $0.1 million, respectively. For the three and six months ended June 30, 2023, sales to Atatsu were nominal and $0.1 million, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sale of goods and services to related parties	$ 756	$ 3,204	$ 2,087	$ 13,858
Purchase of goods and services from related parties	5,518	8,980	13,784	22,076

	June 30, 2024	December 31, 2023
Trade balances:		
from related parties	$ 427	$ 4,043
due to related parties	(1,382)	(4,336)
Total	**$ (955)**	**$ (293)**

NOTE 19 DIRECTORS AND KEY MANAGEMENT COMPENSATION

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Directors	$ 199	$ 167	$ 365	$ 334
Key Executive Management	667	1,091	1,887	2,187
Total	**$ 866**	**$ 1,258**	**$ 2,252**	**$ 2,521**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Directors	$ 268	$ 272	$ 49	$ 236
Key Executive Management	659	(206)	969	485
Total	**$ 927**	**$ 66**	**$ 1,018**	**$ 721**

NOTE 20 PROVISIONS

The provisions for the disposal of naturally occurring radioactive material ("**NORM**"), and for the estimated potential damages for historical volumes related to ongoing patent litigation, for the six months ended June 30, 2024 are summarized below:

	June 30, 2024	**December 31, 2023**
Balance as at January 1, 2024 and 2023, respectively	27,020	24,973
Provisions made, in the period	1,056	2,333
Payments made, in the period	(821)	(180)
Currency translation adjustment	(187)	(106)
Balance, at the end of period	**$ 27,068**	**$ 27,020**
Current portion	**$ 714**	**$ 823**
Non-current portion	**$ 26,354**	**$ 26,197**

NOTE 21 CAPITAL DISCLOSURES

Neo's objectives when managing its capital are:

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

Neo defines its capital as follows:

- shareholders' equity;
- non-controlling interests;
- bank advances and other short-term debt; and
- long-term debt

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

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

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

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

NOTE 22 FINANCE COSTS

Neo's net finance costs generally consist of interest earned on bank deposits, interest paid on bank advances, interest paid on leases, and changes in the fair value of its financial assets and liabilities. The following table shows the breakdown of net finance costs as presented in the interim condensed consolidated statements of profit or loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Change in fair value of equity securities (Note 9)	$ 60	$ (139)	$ 159	$ 218
Change in fair value of derivative liabilities (Note 9)	1,762	5,196	3,198	8,616
Accretion expense on lease liabilities	77	67	143	109
Interest earned on bank deposits net of interest paid on bank advances	(342)	(1,132)	(645)	(1,121)
Interest expense on Estonia debt facility	3	67	6	140
Interest expense on China debt facility	—	7	—	45
Interest expense on German debt facility	—	19	29	90
Interest expense on Barclays debt facility	12	—	22	—
Total	**$ 1,572**	**$ 4,085**	**$ 2,912**	**$ 8,097**

For the three and six months ended June 30, 2024, $1.2 million and $2.3 million in interest expense relating to the EDC facility was capitalized into Property, Plant and Equipment in accordance with IAS 23 *Borrowing Costs*. For the three and six months ended June 30, 2023, $1.4 million in EDC facility interest expenses was capitalized into Property, Plant and Equipment.

NOTE 23 SUBSEQUENT EVENT

23.1 Dividends payable to equity holders of Neo

On August 8, 2024, the Board of Directors declared a quarterly dividend of Cdn $0.10 per common share payable in cash on September 27, 2024, to common shareholders of record at the close of business on September 17, 2024.

23.2 Sale of Quapaw facility

In August 2024, Neo announced the sale of an 80% equity interest in its Quapaw, Oklahoma facility which produces gallium trichloride used in LED lighting, lithium batteries, integrated circuit chips, and capacitors, for sale proceeds equal to $1.4 million plus cash on closing, subject to normal closing adjustments.