CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Neo Performance Materials Inc.

Opinion

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

- the consolidated statement of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of profit or loss for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of cash flows for the years then ended
- the consolidated statements of changes in equity for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 2.9, 2.20.2 and 6 to the financial statements. Goodwill is assigned to a cash generating unit or group of cash generating units. The Entity performs impairment testing for each group of cash generating units containing goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value of the group of cash generating units might be impaired. The recoverable amount of a group of cash generating units is the greater of its value in use and its fair value less costs to sell. The estimated recoverable amount was determined based on forecasted cash flows discounted to calculate the present value of the cash flows expected to be derived from the group of cash generating units. This approach involves estimates and assumptions including forecasted operating profit margin, the terminal value growth rate and the discount rate.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

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

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate

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with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

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

Toronto, Canada

March 18, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of United States dollars	December 31, 2024	December 31, 2023
ASSETS		
Current		
Cash and cash equivalents	$ 85,489	$ 86,895
Restricted cash (Note 10)	—	3,357
Accounts receivable	61,232	67,643
Inventories (Note 8)	139,321	197,453
Income taxes receivable	4,108	744
Assets held for sale (Note 4)	40,949	—
Other current assets (Note 9)	24,264	22,542
Total current assets	**355,363**	**378,634**
Property, plant and equipment (Note 3)	178,925	118,918
Intangible assets (Note 5)	33,580	38,511
Goodwill (Note 6)	64,029	65,160
Investments (Note 7)	16,330	17,955
Deferred tax assets (Note 20)	4,045	6,760
Other non-current assets	982	1,066
Total non-current assets	**297,891**	**248,370**
Total assets	**$ 653,254**	**$ 627,004**
LIABILITIES AND EQUITY		
Current		
Short-term debt (Note 11)	$ 2,740	$ —
Accounts payable and other accrued charges	69,546	71,984
Income taxes payable	10,463	9,207
Provisions (Note 12)	12,512	823
Lease obligations	1,229	1,664
Derivative liability (Note 10.1.1)	47,416	36,294
Current portion of long-term debt (Note 11)	4,610	2,230
Liabilities directly associated with the assets held for sale (Note 4)	10,254	—
Other current liabilities	647	692
Total current liabilities	**159,417**	**122,894**
Long-term debt (Note 11)	64,186	23,101
Derivative liability (Note 10.1.2)	1,311	1,082
Provisions (Note 12)	6,726	26,197
Deferred tax liabilities (Note 20)	12,646	14,294
Lease obligations (Note 15.4)	3,244	2,425
Other non-current liabilities	842	1,700
Total non-current liabilities	**88,955**	**68,799**
Total liabilities	**248,372**	**191,693**
Non-controlling interest	2,714	3,164
Equity attributable to equity holders of Neo Performance Materials Inc.	402,168	432,147
Total equity	**404,882**	**435,311**
Total liabilities and equity	**$ 653,254**	**$ 627,004**

Commitments and contingencies (Note 12)

Subsequent events (Note 4), (Note 12) and (Note 16)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

In thousands of United States dollars, except per share information	Year Ended December 31, 2024	2023
Revenue	$ 475,828	$ 571,545
Cost of sales		
Cost excluding depreciation and amortization	343,315	462,815
Depreciation and amortization	8,553	9,626
Gross profit	123,960	99,104
Expenses		
Selling, general and administrative	61,400	59,155
Share-based compensation (Note 22)	3,060	3,738
Depreciation and amortization	7,192	7,187
Research and development	16,869	16,144
Impairment of assets	138	1,713
Total expenses	88,659	87,937
Operating income	**35,301**	**11,167**
Other income	3,405	3,138
Finance costs, net (Note 21)	(27,488)	(6,707)
Foreign exchange loss	(4,268)	(1,428)
Income from operations before income taxes and equity loss of associates	6,950	6,170
Income tax expense (Note 20)	(17,945)	(11,683)
Loss from operations before equity loss of associates	(10,995)	(5,513)
Equity loss of associates (net of income tax) (Note 7)	(2,021)	(2,878)
Net loss	**(13,016)**	**(8,391)**
Attributable to:		
Equity holders of Neo Performance Materials Inc.	(12,946)	(8,442)
Non-controlling interest	(70)	51
	$ (13,016)	**$ (8,391)**
Loss per share attributable to equity holders of Neo:		
Basic and diluted (Note 17)	$ (0.31)	$ (0.19)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of United States dollars	Year Ended December 31, 2024	Year Ended December 31, 2023
Net loss	$ (13,016)	$ (8,391)
Other comprehensive income (loss):		
Item that will not be reclassified subsequently to profit or loss:		
Defined benefit pension plan actuarial gain (net of income tax expense: 2024 — $95, 2023 — $70)	184	221
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation adjustment	(3,106)	(3,693)
Currency translation adjustment associated with disposal group held for sale	(756)	—
Other comprehensive loss	**(3,678)**	**(3,472)**
Total comprehensive loss	**$ (16,694)**	**$ (11,863)**
Attributable to:		
Equity holders of Neo Performance Materials Inc.	(16,782)	(11,894)
Non-controlling interest	88	31
Total comprehensive loss	**$ (16,694)**	**$ (11,863)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of United States dollars	Year Ended December 31, 2024	2023
Operating activities		
Net loss	$ (13,016)	$ (8,391)
Add (deduct) items not affecting cash:		
Depreciation and amortization	15,745	16,813
Share-based compensation (Note 22)	3,060	3,738
Provisions made (Note 12)	1,636	2,333
Finance cost, net (Note 21)	27,488	6,707
Equity loss of associates, net of income tax (Note 7)	2,021	2,878
Income tax expense (Note 20)	17,945	11,683
Foreign exchange loss	3,704	694
Other (Note 18)	58	(1,341)
Net change in non-cash working capital balances related to operations (Note 18)	18,309	39,195
Cash contributions to defined benefit pension plan	(55)	(145)
Payments made to settle provisions (Note 12)	(975)	(180)
Share-based compensation paid	(1,391)	(637)
Income taxes paid, net of income taxes recovered	(22,411)	(13,410)
Interest (paid) received, net	(586)	1,045
Cash provided by operating activities	**51,532**	**60,982**
Investing activities		
Cash spent on property, plant and equipment and intangible assets	(64,202)	(41,743)
Acquisition of business, net of cash acquired	—	(11,605)
Investment in associates (Note 7)	(250)	(4,806)
Decrease (increase) in restricted cash	3,329	(2,044)
Investment by non-controlling interest	181	—
Dividends received from associates	—	332
Proceeds from sale of assets (Note 4)	1,525	750
Cash used in investing activities	**(59,417)**	**(59,116)**
Financing activities		
Proceeds from short-term debt and bank advances	2,747	4,523
Repayment of short-term debt and bank advances	—	(21,870)
Dividends paid to equity holders of Neo Performance Materials Inc.	(12,330)	(13,396)
Proceeds from long-term debt (Note 11)	49,201	—
Repayment of long-term debt (Note 11)	(6,533)	(8,397)
Repurchase of common shares under NCIB (Note 16)	(2,250)	(19,893)
Lease payments	(1,998)	(2,220)
Dividends paid to non-controlling interest	(15,183)	(60)
Other financing activities	(531)	(93)
Cash provided by (used in) financing activities	**13,123**	**(61,406)**
Effect of exchange rate changes on cash and cash equivalents	(1,567)	(1,056)
Cash provided (used) during the period	**3,671**	**(60,596)**
Cash and cash equivalents, beginning of period	86,895	147,491
Cash reclassified to assets held for sale (Note 4)	(5,077)	—
Cash and cash equivalents, end of period	**$ 85,489**	**$ 86,895**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands of United States dollars, except share information	Share Capital				Other Comprehensive Income			Total		
	Common Stock									
	Number	**Amount**	**Retained Deficit**	**Contributed Surplus**	**Currency Translation Adjustment**	**Pension Plan Actuarial Gains, 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 loss	—	—	(12,946)	—	—	—	—	(12,946)	(70)	(13,016)
Other comprehensive (loss) income	—	—	—	—	(4,020)	184	(3,836)	(3,836)	158	(3,678)
Total comprehensive (loss) income	—	—	(12,946)	—	(4,020)	184	(3,836)	(16,782)	88	(16,694)
Non-controlling interest on subsidiary sold (Note 4.2)	—	—	—	—	—	—	—	—	(538)	(538)
Share-based compensation	—	—	—	2,084	—	—	—	2,084	—	2,084
Dividends paid to equity holders of Neo Performance Materials Inc. (Cdn $0.10 per common share)	—	—	(12,396)	—	—	—	—	(12,396)	—	(12,396)
Shares repurchased and cancelled under Normal Course Issuer Bid (Note 16)	(398,871)	—	—	(2,250)	—	—	—	(2,250)	—	(2,250)
Issuance of common shares on stock-based awards	142,943	—	—	(635)	—	—	—	(635)	—	(635)
	(255,928)	—	(12,396)	(801)	—	—	—	(13,197)	(538)	(13,735)
Balance - December 31, 2024	**41,771,464**	**$ 42**	**$ (53,887)**	**$ 472,992**	**$ (18,837)**	**$ 1,858**	**$ (16,979)**	**$ 402,168**	**$ 2,714**	**$ 404,882**
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	—	—	(8,442)	—	—	—	—	(8,442)	51	(8,391)
Other comprehensive loss	—	—	—	—	(3,673)	221	(3,452)	(3,452)	(20)	(3,472)
Total comprehensive loss	—	—	(8,442)	—	(3,673)	221	(3,452)	(11,894)	31	(11,863)
Share-based compensation	—	—	—	2,973	—	—	—	2,973	—	2,973
Dividends paid to equity holders of Neo Performance Materials Inc. (Cdn $0.10 per common share)	—	—	(13,396)	—	—	—	—	(13,396)	—	(13,396)
Dividend distributions to non-controlling interest	—	—	—	—	—	—	—	—	(60)	(60)
Shares repurchased and canceled under Normal Course Issuer Bid (Note 16)	(3,186,140)	(3)	—	(19,890)	—	—	—	(19,893)	—	(19,893)
Issuance of common shares on stock-based awards	16,611	—	—	(93)	—	—	—	(93)	—	(93)
	(3,169,529)	(3)	(13,396)	(17,010)	—	—	—	(30,409)	(60)	(30,469)
Balance - December 31, 2023	**42,027,392**	**$ 42**	**$ (28,545)**	**$ 473,793**	**$ (14,817)**	**$ 1,674**	**$ (13,143)**	**$ 432,147**	**$ 3,164**	**$ 435,311**

1. Nature of Operations

Neo Performance Materials Inc. and its subsidiaries (collectively refer to as "**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, 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.

Neo has approximately 1,800 employees and a global platform that includes 9 manufacturing facilities located in China, Germany, Canada, Estonia, the United Kingdom ("**UK**") and Thailand 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 bonded neodymium-iron-boron ("**NdFeB**") 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 NdFeB 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 made from various proprietary powder grades, which are used in applications substantially similar to those listed above.

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

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

Neo’s 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 midstream 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 emissions catalysts, permanent magnetics, consumer electronics, petroleum refining catalysts, medical devices, and wastewater treatment.

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.

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.

2. Summary of Material Accounting Policies

2.1 Basis of preparation and statement of compliance

These audited consolidated financial statements (“**Consolidated Financial Statements**”) have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IFRS**”) that are in effect at the end of the reporting period December 31, 2024 and are presented in thousands of United States dollars, unless otherwise indicated.

These consolidated financial statements were approved and authorized for issuance by Neo's Board of Directors (the “**Board**”) on March 18, 2025.

These 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. Certain prior period amounts may have been reclassified to conform to the current period presentation. Such reclassifications did not affect results of operations.

2.2 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.

2.3 Basis of Consolidation

2.3.1 Assets Held for Sale

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

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

2.3.2 Subsidiaries and associates

Subsidiaries are entities controlled by Neo. Neo controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

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

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

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

Outlined below is information related to the Neo's key operational subsidiaries and associates at December 31, 2024:

	Place of Business	Entity Type	Economic Interest	Method
Buss & Buss Spezialmetalle GmbH ("**Buss & Buss**")	Germany	Subsidiary	50.04%	Consolidation
Jiangyin Jia Hua Advanced Material Resources Co., Ltd.	China	Subsidiary	95%	Consolidation
Magnequench (Korat) Co., Ltd.	Thailand	Subsidiary	100%	Consolidation
Magnequench (Tianjin) Company Limited	China	Subsidiary	100%	Consolidation
Neo Jia Hua Advanced Materials (Zibo) Co., Ltd.	China	Subsidiary	98%	Consolidation
Neo Performance Materials (Singapore) Pte. Ltd.	Singapore	Subsidiary	100%	Consolidation
NPM Silmet OÜ	Estonia	Subsidiary	100%	Consolidation
SG Technologies Group Limited	United Kingdom	Subsidiary	90%	Consolidation
Zibo Jia Hua Advanced Material Resources Co., Ltd.	China	Subsidiary	98%	Consolidation
Gan Zhou Ke Li Rare Earth New Material	China	Joint venture	25%	Equity method

2.3.3 Transactions eliminated on consolidation

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

2.4 Functional currency

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

2.4.1 Foreign currency transactions

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

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

2.4.2 Foreign operations

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

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

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

2.5 Segment reporting

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

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

2.6 Revenue recognition

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

2.7 Accounts receivable and expected credit losses

Neo uses the simplified provision matrix for calculating expected credit losses. Allowance is determined by historical experiences, and considers factors including, the aging of the balances, customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets and location of customers. Payments are typically due 30 to 90 days upon completion of the performance obligations for each contract, generally upon delivery.

Neo reviews all amounts each reporting period date for indicators of impairment and where applicable the amounts impaired have been provided for in the loss allowance. The life-time expected credit loss for the year ended December 31, 2024 was nominal.

Neo's exposure to credit risks and impairment losses related to accounts receivable is disclosed in Note 15.

2.8 Operating expenses

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

2.9 Goodwill

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

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

Impairment of Goodwill

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

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

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

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

2.10 Property, plant and equipment ("PP&E")

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

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

- costs of employee benefits arising from the construction or acquisition of the item of property, plant and equipment;
- costs of site preparation;
- initial delivery and handling costs;
- installation and assembly costs;
- costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
- professional fees.

Impairment of PP&E

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

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

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

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

2.11 Intangible assets

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

Impairment of intangible assets

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

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

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

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

2.12 Financial instruments

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

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

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

Financial instruments - classification and measurement

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

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

Fair value of financial instruments

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

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

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.

Impairment of financial assets

IFRS 9 uses a forward–looking expected credit losses ("**ECL**") model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The existing model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward–looking information. Neo's allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

2.13 Inventories

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

2.14 Income taxes

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

2.14.1 Current tax

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

2.14.2 Deferred tax

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

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

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

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

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents may also include bank notes, as well as short-term money market instruments with terms of maturity less than three months at the date of acquisition, which can be immediately converted into cash upon acquisition.

2.16 Share-based compensation

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

2.16.1 Equity-settled share-based plans

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

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

2.16.2 Cash-settled share-based plans

The cost of cash-settled share-based compensation is recognized in share-based compensation expense as an expense over the period from the issue date to the vesting date. Obligations related to cash-settled share-based plans are recorded as liabilities at fair value in accounts payable and other accrued charges. At each reporting date, obligations related to cash-settled share-based plans are re-measured at fair value with reference to the fair value of Neo's share price and the number of units that have been vested. The corresponding share-based compensation expense or recovery is recognized over the vesting period.

2.16.3 Deferred share units plan

Under Neo's non-employee director deferred share units ("**DSUs**") plan, described in Note 22, obligations related to the DSUs plan are recorded as liabilities at fair value in accounts payable and other accrued charges, and re-measured at each reporting date at fair value with reference to the fair value of Neo's share price and the number of units that have vested. The cost of DSUs is recognized in operating expenses in the period they are awarded.

2.17 Dividends paid to non-controlling interests by non-wholly owned subsidiaries

The portion of dividends declared and paid by Neo's non-wholly owned subsidiaries to non-controlling interests is reported as finance costs in the consolidated statements of profit or loss in accordance with IAS 32 - Financial Instruments: Presentation.

2.18 Assets and Liabilities held for sale

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

2.19 Government grants

The funds received by Neo that have been awarded to the Company from government agencies will be deducted from the carrying amount of the corresponding asset for which the grant funds are applied. The funds awarded from government agencies are recognized in profit or loss over the life of the corresponding assets as a reduced depreciation expense.

2.20 Significant management judgments and estimates in applying accounting policies

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

2.20.1 Income taxes

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

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

2.20.2 Impairment

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to Neo's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. Similarly, when a reversal of an impairment loss previously recorded occurs (for property, plant and equipment and finite life intangible assets), the reversal is recognized with the carrying amount of the asset increased to the lesser of the revised estimate of its recoverable amount and the carrying value that would have remained had no impairment loss been recognized previously. Significant judgment is involved in determining if there is an indication that an asset or a CGU may be impaired or there is an indication that a previously recognized impairment loss for an asset or a CGU has reversed because of a change in the estimates used to determine the impairment loss.

2.20.3 Business combinations

On initial recognition, the identifiable assets and liabilities of the acquired business are included in the consolidated statements of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates. Any measurement changes from initial recognition would affect the measurement of goodwill.

2.20.4 Useful lives of depreciable assets

Management reviews the useful lives, residual values, and method of depreciation of depreciable assets based on the expected utility of the assets annually. Any changes are accounted for prospectively as a change in accounting estimate.

2.20.5 Inventories

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

2.20.6 Provisions

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

2.20.7 Fair value of financial instruments

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

2.21 New standards or amendments and forthcoming requirements

Neo adopted the following accounting standards and amendments to accounting standards during the year ended December 31, 2024:

- **Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** - These amendments introduce a clarification for the classification of liabilities. Under previous 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 did not have a material impact on Neo’s consolidated financial statements.
- **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** - These amendments were issued 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 that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising

from a sale-and-leaseback transaction; and 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. The amendments did not have a material impact on Neo's consolidated financial statements.

- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)** - These amendments 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 did not have a material impact on Neo's consolidated financial statements.

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 December 31, 2024:

- **Lack of Exchangeability (Amendments to IAS 21)** - These amendments provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning January 1, 2025. Early adoption is permitted. Neo does not anticipate that the above-mentioned amendment will have a material impact on its consolidated financial statements.
- **IFRS 18, Presentation and Disclosure in Financial Statements** - 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 focuses on updates to the statement of profit or loss with key new concepts introduced relating 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 apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information. Neo is currently in the process of evaluating the impact of the above-mentioned amendment on its consolidated financial statements.

3. Property, Plant and Equipment

	Land	Building & improvements	Machinery & Equipment	Right-of-use Assets	Office equipment	Construction in Progress (net of transfer)	Total
As at January 1, 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)	—	199	940	—	569	74,597	76,305
Additions of right-of-use assets (2)	—	—	—	3,837	—	—	3,837
Derecognitions and disposals, net of cost and accumulated depreciation (3)	—	(281)	—	(642)	(36)	(431)	(1,390)
Transfers within property, plant and equipment (4)	—	18,739	47,180	—	332	(66,251)	—
Currency translation adjustments	(31)	(223)	(347)	(37)	(20)	(1,940)	(2,598)
Transfer to held for sale (Note 4)	—	(1,336)	(1,466)	(822)	(539)	(86)	(4,249)
Impairments, net of reversals (5)	—	—	(548)	—	—	—	(548)
Depreciation expense	—	(1,453)	(7,640)	(1,745)	(512)	—	(11,350)
Closing net book value as at December 31, 2024	**$ 9,969**	**$ 33,921**	**$ 69,621**	**$ 9,130**	**$ 2,680**	**$ 53,604**	**$ 178,925**
Comprised of:							
Cost	$ 9,969	$ 48,175	$ 131,109	$ 15,166	$ 7,245	$ 53,604	$ 265,268
Accumulated depreciation	—	(14,254)	(61,488)	(6,036)	(4,565)	—	(86,343)

(1) For the year ended December 31, 2024, $26.8 million (RMB 194.0 million) was included in Construction in Progress (**"CIP"**) as part of the planned upgrade, expansion, and relocation of Neo's automotive catalyst production facility, Neo Jia Hua Advanced Materials (Zibo) Co., Ltd. ("**NAMCO**"), a subsidiary of Neo. Additionally, $2.7 million in interest expense relating to the Export Development Canada (**"EDC"**) facility was capitalized in CIP for the year ended December 31, 2024. For the year ended December 31, 2024, $42.5 million (net of JTF grant received in the amount of $5.6 million) was included in CIP as part of the construction of Neo's European permanent magnet facility (the "**PM facility**").

(2) For the year ended December 31, 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;

b. $2.7 million related to the renewal of office leases at various location; and

c. $0.3 million related to office equipment and vehicles.

(3) For the year ended December 31, 2024, Neo recorded the following losses related to derecognition and disposals of PP&E:

a. $1.0 million loss related to the derecognition of abandoned PP&E as a result of the relocation of NAMCO; and

b. $0.5 million loss related to early termination of a property lease at SGTec, with a similar adjustment to write-off the related lease obligations, resulting in nominal impact to the consolidated statement of profit or loss for the year ended December 31, 2024.

(4) During the year ended December 31, 2024, NAMCO reclassified the majority of its CIP to buildings, machinery and equipment as the new NAMCO facility commenced operations in August 2024.

(5) For the year ended December 31, 2024, Neo recorded $0.5 million impairment of assets at its light rare earth separation facility in Zibo Jia Hua Advanced Material Resources Co., Ltd. ("**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)

4. Assets and Liabilities Held for Sale

4.1 JAMR and ZAMR

In August 2024, Neo entered into agreements to sell to Shenghe Resources Holding Co., Ltd. ("**Shenghe**") (i) 86% of the equity interest in JAMR for cash proceeds of RMB 182.7 million ($25.0 million); and (ii) 98% of the equity interest in ZAMR for cash proceeds of RMB 28.8 million ($3.9 million). In February 2025, the agreement to sell the equity interest in ZAMR was amended to provide for the sale of 88% of the equity interest in ZAMR for cash proceeds of RMB 26.4 million ($3.6 million). Following the completion of the sale of the JAMR and ZAMR equity interests, Neo will hold 9% of JAMR and 10% of ZAMR. The sale of JAMR and ZAMR will occur concurrently and as such, JAMR and ZAMR's assets and liabilities are treated as one disposal group. The operating results of JAMR and ZAMR are presented in the C&O business segment.

Until the completion of the sale, any changes in JAMR and ZAMR's net working capital requires adjusting the value of JAMR and ZAMR's assets and liabilities held for sale because the selling price in each agreement is fixed. The adjustments to JAMR and ZAMR's assets and liabilities held for sale to the lower of carrying amount and fair value less costs to sell at each reporting period are recorded in Impairment of assets in the statement of profit or loss in the period the changes occur.

At December 31, 2024, the JAMR and ZAMR disposal group is comprised of the following assets and liabilities:

Cash and cash equivalents	$	5,077
Accounts receivable		45
Inventories		26,765
Other current assets		664
Property, plant and equipment		4,249
Deferred tax assets		4,149
Assets held for sale (1)	**$**	**40,949**
Accounts payable and other accrued charges	$	1,388
Provisions		8,191
Lease obligations		675
Liabilities directly associated with the assets held for sale	**$**	**10,254**

(1) JAMR and ZAMR's intercompany receivables in the amount of $2.1 million were excluded as they are eliminated in Neo's consolidated statement of financial position.

4.2 Neo Rare Metals (Oklahoma), LLC

On December 31, 2024, Neo completed the sale of an 80% equity interest in Neo Rare Metals (Oklahoma), LLC ("**NRM Oklahoma**") for sale proceeds of $1.5 million. The operating results of NRM Oklahoma were presented in the RM business segment.

The summary of the assets and liabilities derecognized and the resulting gain upon deconsolidation is as follows:

Current assets	$	(1,576)
Non-current assets		(13)
Current liabilities		1
Non-controlling interest		538
Net assets derecognized		(1,050)
Sale proceeds		1,525
Gain on sale of NRM Oklahoma	**$**	**475**

5. Intangible Assets

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

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

	Customer Relationships	License agreements and Patents	Trade Name	Total
At January 1, 2023				
Cost	58,776	4,659	6,000	$ 69,435
Accumulated amortization	(24,681)	(1,770)	—	(26,451)
Opening net book value at January 1, 2023	$ 34,095	$ 2,889	$ 6,000	$ 42,984
Acquisition through business combination	—	448	—	448
Additions	—	14	—	14
Currency translation adjustments	(487)	(30)	—	(517)
Amortization expense	(3,914)	(504)	—	(4,418)
Closing net book value at December 31, 2023	**$ 29,694**	**$ 2,817**	**$ 6,000**	**$ 38,511**
Comprised of:				
Cost	$ 57,918	$ 5,034	$ 6,000	$ 68,952
Accumulated amortization	(28,224)	(2,217)	—	(30,441)

6. Goodwill

	December 31, 2024	December 31, 2023
Balance as at January 1, 2024 and 2023, respectively	$ 65,160	$ 66,042
Currency translation adjustments	(1,131)	(882)
Ending balance	**$ 64,029**	**$ 65,160**

For the year ended December 31, 2024, $64.0 million of goodwill and $6.0 million (Note 5) of trade name with an indefinite life were included in the Magnequench segment for the annual goodwill and indefinite life intangible asset impairment test (2023 — $65.2 million of goodwill and $6.0 million of trade name with indefinite life).

Effective December 31, 2024, Neo performed a goodwill impairment test for its Magnequench segment in accordance with its accounting policies and based on conditions as at that date. The recoverable amount for the Magnequench group of CGUs was determined based on fair value less cost to sell. The calculations used a detailed 8-year cash flow projection based on financial forecasts prepared by management. Cash flows beyond the 8-year period were derived using an estimated growth rate. The forecasted cash flows were then discounted to calculate the present value of the cash flows expected to be derived from the group of CGUs. This approach involves estimates and assumptions including forecasted operating profit margin, the terminal value growth rate and the discount rate. The fair value measurement was categorized as a Level 3 fair value measurement based on significant unobservable inputs in the valuation technique used. The recoverable amount is most sensitive to the following assumptions:

1. **Forecasted operating profit margin and terminal value growth rate** are determined based on management's past experience in the industry and its forward-looking estimates for performance of the Magnequench group of CGUs. Forecasted operating profit margin was based on Magnequench's 8-year financial plan. The cash flow forecasts beyond the planning period used an estimated terminal value growth rate of 5.0% (2023 — 5.0%).
2. **Discount rate** is determined in order to calculate the present value of the projected cash flows of the Magnequench group of CGUs. The post-tax discount rate was 11.6% for Magnequench at December 31, 2024 (2023: 12.7%).

As a result of the annual goodwill and indefinite life intangible asset impairment test performed at December 31, 2024, it was determined that the estimated recoverable amount of the Magnequech group of CGUs exceeded its carrying amount by $41.2 million and therefore no impairment existed in the Magnequench group of CGUs at December 31, 2024. Management has identified that a reasonably possible change in the discount rate and terminal value growth rate used in the goodwill and indefinite life intangible asset impairment test could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to carrying amount:

Change required for carrying amount to equal recoverable amount	
Discount rate	1.0% increase
Terminal growth rate	1.6% decrease

7. Investments

7.1 Investments in Associates

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

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

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

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

7.2 *Summary of Investments Accounted for Using the Equity Method*

Aggregate financial information of these equity accounted associates for the year ended and as at December 31, 2024 and December 31, 2023 is presented below.

For the year ended December 31, 2024:

	TMT	Keli	GQD	NNSR	Total
Total revenue	$ 12,273	$ 360,813	$ 33,550	$ —	$ 406,636
Share of revenue in associates	4,050	90,203	6,710	—	100,963
Net income (loss)	178	(6,983)	2,376	(1,868)	(6,297)
Share of income (loss) in associates	59	(1,746)	475	(816)	(2,028)

For the year ended December 31, 2023:

	TMT	Keli	GQD	NNSR	Total
Total revenue	$ 14,262	$ 462,903	$ 53,633	$ —	$ 530,798
Share of revenue in associates	4,707	115,726	10,727	—	131,160
Net income (loss)	360	(9,427)	3,096	(4,555)	(10,526)
Share of income (loss) in associates	126	(2,285)	622	(1,341)	(2,878)

As at December 31, 2024:

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

As at December 31, 2023:

	TMT	Keli	GQD	NNSR	Total
Current assets	$ 9,618	$ 194,223	$ 31,238	$ 1,921	$ 237,000
Non-current assets	2,842	5,226	1,267	3,953	13,288
Total assets of associates	**$ 12,460**	**$ 199,449**	**$ 32,505**	**$ 5,874**	**$ 250,288**
Current liabilities	$ 2,039	$ 157,055	$ 18,808	$ 229	$ 178,131
Non-current liabilities	2,907	2,928	—	—	5,835
Total liabilities of associates	**$ 4,946**	**$ 159,983**	**$ 18,808**	**$ 229**	**$ 183,966**

	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	59	(1,734)	470	(816)	(2,021)
Unrealized profit from sales to associates	146	—	—	—	146
Investment in associates	—	—	—	250	250
Carrying value at December 31, 2024	**$ 2,700**	**$ 7,741**	**$ 3,296**	**$ 2,593**	**$ 16,330**
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**

8. Inventories

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

	December 31, 2024	December 31, 2023
Raw materials	$ 66,579	$ 79,769
Work-in-progress	17,656	36,211
Finished goods	49,092	75,299
Supplies	5,994	6,174
Total	**$ 139,321**	**$ 197,453**

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

For the year ended December 31, 2024, a total of $339.3 million of inventories was included in the cost of sales compared to $455.5 million for the year ended December 31, 2023. These include $1.6 million of change in provisions for inventories in the year ended December 31, 2024 compared to $2.0 million of change in provisions for inventories in the year ended December 31, 2023.

9. Other Current Assets

Other current assets consist of the following:

	December 31, 2024	December 31, 2023
Prepayments for inventory	$ 6,485	$ 1,893
Prepayments for property, plant and equipment	1,875	2,278
Other prepaid expenses	3,460	2,798
Value-added tax receivable	9,323	7,412
Notes receivable	1,342	4,337
Others	1,779	3,824
Total	**$ 24,264**	**$ 22,542**

10. Financial Instruments

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

Financial Assets		December 31, 2024		December 31, 2023
Fair value through profit or loss ("FVTPL")				
Equity securities (1)	$	217	$	342
Measured at amortized cost (2)				
Cash and cash equivalents:				
Cash	$	85,489	$	86,895
Restricted cash (3)		—		3,357
Accounts receivable		61,232		67,643
Total measured at amortized cost		146,721		157,895
Total financial assets	**$**	**146,938**	**$**	**158,237**

Financial Liabilities		December 31, 2024		December 31, 2023
Fair value through profit or loss				
Put option issued to non-controlling interest of Buss & Buss (derivative liability)	$	47,416	$	36,294
Put option issued to non-controlling interest of SGTec (derivative liability)		1,311		1,082
Contingent consideration liability of SGTec		667		686
	$	49,394	$	38,062
Measured at amortized cost (2)				
Current:				
Short-term debt	$	2,740	$	—
Accounts payable and other accrued charges		69,546		71,984
Current portion of long-term debt (4)		4,610		2,230
Lease obligations		1,229		1,664
Liabilities directly associated with the assets held for sale		10,254		—
Other current liabilities		647		692
	$	89,026	$	76,570
Non-current:				
Long-term debt (5)	$	64,186	$	23,101
Lease obligations		3,244		2,425
Other non-current liabilities		842		1,700
		68,272		27,226
Total financial liabilities	**$**	**206,692**	**$**	**141,858**

(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 year ended December 31, 2024, the fair value of these equity securities decreased by $0.1 million (decreased by $0.6 million for the year ended December 31, 2023).

(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 $68.8 million and a fair value of $71.0 million as at December 31, 2024.

(3) During the year ended December 31, 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 year ended December 31, 2024 to repay the remaining shareholders of SGTec.

(4) Current portion of the EDC credit facility term loan due for repayment in August 2025.

(5) Non-current portion of the EDC credit facility term loan due for repayment from August 2026 to November 2029.

10.1 Derivative liabilities

10.1.1 Buss & Buss

As at December 31, 2024, Neo's derivative liability is comprised of a put option issued to the non-controlling interest of a consolidated subsidiary, Buss & Buss. The put option liability is subsequently re-measured at each reporting period end date based on 90% of the fair value and the change in the put option liability is recorded in the consolidated statements of profit or loss.

For the year ended December 31, 2024, Buss & Buss declared and paid $29.4 million (€27.2 million) of dividends to its shareholders (NMT Holdings GmbH and a non-controlling interest). In accordance with IAS 32, Neo has elected to record the dividends paid to its non-controlling interest of $14.7 million as finance costs for the year ended December 31, 2024 (see Note 21).

For the year ended December 31, 2024 the change in the fair value of the derivative liability was an increase of $11.1 million (see Note 21). 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 year ended December 31, 2023, the change in the fair value of the derivative liability was an increase of $7.7 million.

10.1.2 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 December 31, 2024 and $1.1 million as at December 31, 2023. The change in the put option liability was recorded in the consolidated statements of profit or loss. For the year ended December 31, 2024, the change in the fair value of the derivative liability was an increase of $0.2 million.

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 British Pound Sterling ("**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 December 31, 2024, with nominal change in the fair value of the derivative liability compared to December 31, 2023.

10.2 Financial assets and liabilities measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. It does not include financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The level in which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statements of financial position as at December 31, 2024, are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3
Financial Assets:			
Equity securities	$ 217	$ —	$ —
Financial Liabilities:			
Put option issued to non-controlling interest of Buss & Buss	$ —	$ —	$ 47,416
Put option issued to non-controlling interest of SGTec	—	—	1,311
Contingent consideration liability	—	—	667

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. The following is a sensitively analysis of the inputs to the valuation model of the Buss & Buss derivative liability as at December 31, 2024:

	Effect of 1% increase (1)	Effect of 1% decrease (1)
Terminal growth rate	$ 774	$ (868)
Overall discount rate	$ (1,906)	$ 2,123

(1) Assuming all other inputs are unchanged

There have been no transfers between levels for the year ended December 31, 2024.

For further discussion of financial liabilities measured at amortized cost specifically for bank advances and other short and long-term debt, see Note 11.

11. Short-term Debt and Long-term Debt

11.1 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 $2.7 million outstanding under the Facilities as at December 31, 2024.

11.2 German debt facility

As at December 31, 2024, Buss & Buss has a $13.0 million (€12.5 million) revolving line of credit which can be drawn either in Euros or U.S. dollars. As at December 31, 2024, there was no outstanding balance.

11.3 Estonia debt facility

As at December 31, 2024, NPM Silmet OÜ (“**Silmet**”) has a $7.3 million (€7.0 million) credit facility which can be drawn in Euros. There was no amount outstanding under this facility as at December 31, 2024.

11.4 EDC credit facilities

On August 16, 2022, Neo entered into a loan agreement (the “**Loan Agreement**”) with the EDC for a term loan of up to $75.0 million (the “**EDC NAMCO**” credit facility), to be advanced in three tranches of $25.0 million, to finance the relocation, expansion, and sustainability upgrades to its automotive catalyst manufacturing facility (the “**NAMCO facility**”). The outstanding principal amount carries an interest rate equal to the secured overnight financing rate (“**SOFR**”), as administered by the Federal Reserve Bank of New York, plus an applicable margin. The interest is payable every three months, commencing on the borrowing date of the loan agreement.

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.

During the year ended December 31, 2024, Neo repaid $5.0 million of the outstanding balance pertaining to the EDC NAMCO facility. As at December 31, 2024, the carrying amount of the loan at amortized cost was $44.6 million.

On November 1, 2024, to support the construction and commissioning of the European PM facility, Neo entered into a new $50.0 million credit facility with EDC (the "**EDC PM facility**"), to be advanced in two tranches of $25.0 million. On December 27, 2024, the first tranche of $25.0 million was advanced to Neo. As at December 31, 2024, the carrying amount of the loan at amortized cost was $24.2 million. The outstanding principal amount carries an interest rate equal to the SOFR, as administered by the Federal Reserve Bank of New York, plus an applicable margin. The loan matures in five years with principal repayment beginning two years from the date of the definitive loan agreement. 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 (2025) – No principal repayment;
- Payment 2 (2026) – 10% of the Borrowed Loan;
- Payment 3 (2027) – 10% of the Borrowed Loan;
- Payment 4 (2028) – 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.

Financing costs associated with obtaining credit facilities are deferred and amortized over the term of the loan.

These credit facilities are guaranteed by a number of Neo's subsidiaries and contain a number of covenants, which include a maximum leverage ratio and debt service coverage ratio levels that should be maintained as defined in the executed agreements.

There were no defaults of principal or interest payments and no breaches of the loan agreements during the period ended December 31, 2024. Neo is in compliance with all covenants in the Credit Facility agreements as at December 31, 2024.

As at December 31, 2024, the carrying amount of the EDC facilities, measured at amortized cost, was $68.8 (2023 — $23.8 million), of which $4.6 million was classified as current (2023 — $2.2 million).

11.5 Barclays Bank PLC loan facilities

SGTec has two term loan facilities in the amounts of $3.0 million (£2.4 million) and $0.4 million (£0.3 million), 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 year ended December 31, 2024, SGTec repaid $1.5 million (£1.1 million) of the outstanding balance. There was no amount outstanding as at December 31, 2024 (2023 — $1.5 million (£1.2 million) outstanding. The sales financing facility, for which no balance was outstanding, was terminated during the year ended December 31, 2024.

12. Provisions, Commitments and Contingencies

12.1 Provisions

Neo's provisions as at December 31, 2024 are summarized below:

	Patent litigation (1)	Others	Total
Balance as at January 1, 2024	$ 19,510	$ 7,510	$ 27,020
Changes to provisions made, in the period	(61)	1,697	1,636
Payments made, in the period	(730)	(245)	(975)
Provision for the disposal of existing naturally occurring radioactive material ("**NORM**") at JAMR that was reclassified to liabilities directly associated with assets held for sale (see Note 4) (2)	—	(8,191)	(8,191)
Currency translation adjustment	—	(252)	(252)
Balance, at the end of period	**18,719**	**519**	**19,238**
Current portion	**11,993**	**519**	**12,512**
Non-current portion	**$ 6,726**	**$ —**	**$ 6,726**

(1) Represents the estimated potential damages for historical volumes related to ongoing patent litigation. Patent litigation outcomes are inherently unpredictable, present obligation is based on Neo's interpretation of the claims, the facts available and independent legal advice since damages are uncertain and subject to judicial determination.

(2) Represents provisions for the disposal of existing NORM at JAMR and Silmet. The costs associated with disposal of NORM are often unpredictable due to the need for specialized handling, regulatory and environmental requirements. Neo's estimate of NORM disposal costs is based on information available as at December 31, 2024.

12.2 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.

12.3 Legal contingencies

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.

Management makes assessments of the probability of a present obligation based on its interpretation of the claims, the facts available and independent legal advice since damages are uncertain and subject to judicial determination. Where the possibility of an outflow of economic resources is more likely than not, a provision is recorded. Future developments in claims against Neo or its subsidiaries could cause management to change its assessment.

In late February 2025, a court issued a judgment that provides that one of Neo's subsidiaries is liable for damages of approximately €10.3 million plus procedural interest of approximately €1.3 million (total $12.1 million) as of the date of the court's ruling. The judgment may be appealed by both parties within one month and is therefore not yet final. The damage award is less than the amount the Company had previously accrued. The European patent #1435338 has expired and has no impact on the Company's current products and earnings.

13. Leases

13.1 Right-of-use assets

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

Neo also leases office equipment with contract terms of 1 to 2 years. These leases are short-term and/or leases of low-value items. Neo has elected not to recognize right-of-use assets and leases liabilities for these leases.

Information about Neo's right-of-use assets is presented in Note 3.

13.2 Lease liabilities

The following table shows the contractual undiscounted cash flows of the leases based on their maturity date:

Less than one year	$	1,886
One to five years		2,370
More than five years		2,384
Total undiscounted lease liabilities at December 31, 2024 (1)	**$**	**6,640**

(1) As at December 31, 2024, JAMR's lease liabilities in the amount of $0.7 million were transferred to liabilities directly associated with the assets held for sale.

14. Management of Capital

Neo's objectives when managing its capital are:

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

Neo defines its capital as follows:

- shareholders' equity;
- non-controlling interests;
- 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.

15. Financial Risk Management

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

15.1 Foreign currency exchange risk

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

- Translation of foreign currency denominated revenue and expenses into U.S. dollars, the currency in which Neo reports in – When the foreign currency changes in relation to the U.S. dollar, income reported in U.S. dollars will change. The impact of weakening foreign currency in relation to the U.S. dollar for foreign currency denominated revenue and expenses will result in higher net income because Neo has more foreign currency-based expenses than revenue.
- Translation of foreign currency denominated debt and other monetary items – A weakening foreign currency in respect of Neo's foreign currency denominated debt will decrease the debt in U.S. dollar terms and generate a FX gain on bank advances and other short-term debt, which is recorded in income. Neo calculates FX on the short-term debt using the difference in FX rates at the beginning and at the end of each reporting period. Other foreign currency denominated monetary items will also be impacted by changes in FX rates.

The following table summarizes (in U.S. dollar equivalents) Neo's major currency exposures where balances denominated in the currencies shown in the table are different than the functional currency of the relevant entity as at December 31, 2024:

	Chinese Renminbi	Euro	U.S. Dollar	Thai Baht	Canadian Dollar	British Pound	Swiss Franc
Cash and cash equivalents	$ 10,384	$ 3,600	$ 4,297	$ 2,863	$ 286	$ 18	—
Accounts receivable	2,307	7,001	4,625	3,138	—	453	—
Income taxes receivable	—	3,717	—	—	—	—	—
Other receivable	2	399	—	—	—	563	—
Accounts payable and accrued liabilities	(19,916)	(6,133)	(169)	(1,392)	(1,068)	(1,233)	—
Lease obligations	(105)	(54)	—	(14)	(83)	—	(86)
Income taxes payable	(252)	(8,658)	—	(487)	—	(505)	—
Net financial (liabilities) assets	**$ (7,580)**	**$ (128)**	**$ 8,753**	**$ 4,108**	**$ (865)**	**$ (704)**	**$ (86)**

The following table shows the impact of a one-percentage point strengthening or weakening of foreign currencies against the U.S. dollar as at December 31, 2024 for Neo's financial instruments denominated in non-functional currencies:

	Chinese Renminbi	Euro	Thai Baht	Canadian Dollar	British Pound	Swiss Franc
1% Strengthening						
Net earnings before tax	$ (76)	$ (1)	$ 41	$ (9)	$ (7)	$ (1)
1% Weakening						
Net earnings before tax	76	1	(41)	9	7	1

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

15.2 Interest rate risk

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

As at December 31, 2024, Neo had outstanding bank loans of $68.8 million, representing the three tranches of its two EDC credit facilities, all of which bear an interest rate equal to the SOFR, as administered by the Federal Reserve Bank of New York, plus an applicable margin. Neo had outstanding short-term loans of $2.7 million as at December 31, 2024. See Note 11 for further discussion on Neo's EDC credit facilities and short-term debt.

Neo is exposed to interest rate risk as its EDC credit facilities are variable rate debt instruments tied to the SOFR. The following table shows the impact of a one-percentage point increase or decrease of the SOFR on Neo's profit or loss:

		Year ended December 31, 2024
1% increase		
Net earnings before tax	$	(290)
1% decrease		
Net earnings before tax		291

15.3 Credit risk

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

Under IFRS 9, Neo calculates a loss allowance using the ECL impairment model and the gross carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2024, the loss allowance was $0.5 million. The estimated credit losses are included in selling, general and administrative expenses in the consolidated statements of profit or loss and is net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose Neo to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at December 31, 2024, Neo does not anticipate non-performance that would materially impact Neo's financial statements.

15.4 Liquidity risk

Liquidity risk is the risk that Neo will not be able to meet its financial obligations as they fall due. Neo manages liquidity risk through the management of its capital structure, as outlined in Note 14**.** It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account Neo's sales and receipts and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves Neo's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The following table reflects the contractual maturity of Neo's financial liabilities as at December 31, 2024:

Financial liabilities	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Short-term debts	$ 2,740	$ —	$ —	$ —	$ 2,740
Accounts payable and other accrued charges	69,546	—	—	—	69,546
Derivative liabilities(1)	47,416	—	1,311	—	48,727
EDC credit facility(2)	10,672	54,642	22,653	—	87,967
Provisions(3)	12,512	8,252	—	—	20,764
Lease obligations(4)	1,444	1,261	817	2,384	5,906
Other liabilities	647	770	57	322	1,796
Contractual commitments(5)	5,713	891	4,041	—	10,645
Total	**$ 150,690**	**$ 65,816**	**$ 28,879**	**$ 2,706**	**$ 248,091**

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

(2) Represents the principal and interest payments for the three tranches of the EDC credit facility term loan.

(3) Represents management's best estimate of damages provision related to legal proceedings (see “Other Expenditures and Legal Contingencies”).

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

(5) Represents the undiscounted contractual commitments directly associated with assets held for sale.

16. Share Capital

	December 31, 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	41,771,464	42,027,392
Total treasury shares	—	—

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

On March 11, 2025, the Board of Directors declared a quarterly dividend of Cdn $0.10 per common share payable in cash on March 27, 2025, to common shareholders of record at the close of business on March 18, 2025.

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**”).

For the year ended December 31, 2024, Neo repurchased and cancelled 398,871 shares for $2.3 million. Up to the termination of the NCIB on June 18, 2024, Neo had fully utilized the allotment under the NCIB for up to 3,585,011 of its issued and outstanding common shares. As a result, Neo did not make any repurchases of shares during the second half of 2024. For the year ended December 31, 2023, Neo repurchased and canceled 3,186,140 shares for $19.9 million.

17. Loss Per Share

17.1 Weighted-average number of common shares - basic and diluted

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

	Year Ended December 31,	
	2024	2023
Common shares issued at beginning of the year	42,027,392	45,196,921
Weighted average impact of:		
Issuance of common shares	95,414	8,374
Repurchase and cancellation of common shares under the NCIB	(349,363)	(880,189)
Weighted average number of common shares for the year - basic and diluted	**41,773,443**	**44,325,106**

For the year ended December 31, 2024, all stock options, equity-settled RSUs and equity-settled PSUs were excluded because their effect would have been anti-dilutive (year ended December 31, 2023: all stock options, equity-settled RSUs and equity-settled PSUs were excluded).

17.2 Loss per share

The calculation of basic and diluted loss per share was based on net loss attributable to equity holders of Neo for the year ended December 31, 2024, and December 31, 2023.

	Year Ended December 31,	
	2024	2023
Net loss attributable to equity holders of Neo Performance Materials Inc. - basic and diluted	$ (12,946)	$ (8,442)

	Year Ended December 31,	
	2024	2023
Loss per share - basic and diluted	$ (0.31)	$ (0.19)

18. Supplemental Cash Flow Information

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

	Year Ended December 31,	
	2024	2023
(Increase) Decrease in assets:		
Accounts receivable	$ 4,645	$ 17,370
Inventories	28,862	20,268
Other assets	2,131	2,973
(Decrease) increase in liabilities:		
Accounts payable and other accrued charges	(17,287)	(1,755)
Other liabilities	(42)	339
Total net change	**$ 18,309**	**$ 39,195**

The other items not affecting cash from operations consists of the following:

	Year Ended December 31,	
	2024	2023
Add (deduct) items not affecting cash:		
Loss (gain) on disposal of assets	$ 1,155	$ (157)
Impairment of assets, net of reversals	140	1,713
Gain on loss of control of subsidiary (Note 4)	(475)	(19)
Gain on bargain purchase	—	(2,306)
Change in pension liability	(53)	(15)
Other	(709)	(557)
Total other items not affecting cash	**$ 58**	**$ (1,341)**

19. Operating Segments

The primary metric used to measure the financial performance of each operating segment is earnings before interest, taxes, depreciation and amortization ("**EBITDA**") before equity income (loss) in associates, other income (expense), foreign exchange (gain) loss, share-based compensation, impairment of assets, and other costs (recoveries) ("**Adjusted EBITDA**"). Both EBITDA and Adjusted EBITDA are non-IFRS 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 year ended December 31, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Sub-total	Eliminations	Total
External revenue	$ 176,649	$ 142,973	$ 156,206	$ —	$ 475,828	$ —	$ 475,828
Inter-segment revenue	—	3,543	—	—	3,543	(3,543)	—
Total revenue	**$ 176,649**	**$ 146,516**	**$ 156,206**	**$ —**	**$ 479,371**	**$ (3,543)**	**$ 475,828**
Net income (loss)	**$ 3,821**	**$ (775)**	**$ 10,960**	**$ (27,545)**	**$ (13,539)**	**$ 523**	**$ (13,016)**
Finance (income) cost, net	(21)	390	25,867	1,252	27,488	—	27,488
Income tax expense (benefit)	3,026	907	14,048	(36)	17,945	—	17,945
Depreciation and amortization included in cost of sales	3,721	3,461	1,371	—	8,553	—	8,553
Depreciation and amortization included in operating expenses	5,372	1,123	405	292	7,192	—	7,192
EBITDA	**15,919**	**5,106**	**52,651**	**(26,037)**	**47,639**	**523**	**48,162**
Reconciliation to Adjusted EBITDA:							
EBITDA	15,919	5,106	52,651	(26,037)	47,639	523	48,162
Other (income) expense (1)	(644)	(2,157)	(658)	54	(3,405)	—	(3,405)
Foreign exchange loss (gain)	2,735	(2,034)	(83)	3,650	4,268	—	4,268
Equity loss of associates	1,205	816	—	—	2,021	—	2,021
Share based compensation (2)	584	547	262	1,667	3,060	—	3,060
Impairment of assets (reversal of impairment) (3)	—	548	(410)	—	138	—	138
Project start-up & transition costs (4)	5,729	2,098	—	—	7,827	—	7,827
Transaction and other costs (5)	—	—	—	2,327	2,327	—	2,327
Adjusted EBITDA (6)	**$ 25,528**	**$ 4,924**	**$ 51,762**	**$ (18,339)**	**$ 63,875**	**$ 523**	**$ 64,398**

(1) Represents other expense (income) resulting from non-operational related activities, including provisions for damages for outstanding legal claims related to historic volumes. Other income for the year ended December 31, 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 released when Neo shut down the facility. 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 22).

(3) Represents an impairment charge of $0.5 million as a result of the shutdown of the light rare earth separation business in ZAMR in April 2024 and a recovery of a $0.4 million prepayment previously impaired at Buss & Buss.

(4) Represents start-up costs (primarily pre-operational staffing costs) at Neo's new European permanent magnet facility, as well as transition costs 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) Represents costs related to a comprehensive strategic review of Neo’s current operational strategy and capital structure. These costs primarily consist of professional fees for legal advisors, bankers, and other specialists engaged in evaluating and advising on strategic alternatives aimed at enhancing shareholder value. Neo has removed these charges to provide comparability with historic periods.

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

For the year ended December 31, 2023:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
External revenue	$ 213,735	$ 233,209	$ 124,601	$ —	$ 571,545	$ —	$ 571,545
Inter-segment revenue	—	2,720	—	—	2,720	(2,720)	—
Total revenue	**$ 213,735**	**$ 235,929**	**$ 124,601**	**$ —**	**$ 574,265**	**$ (2,720)**	**$ 571,545**
Net income (loss)	**$ 7,773**	**$ (1,123)**	**$ 3,761**	**$ (18,910)**	**$ (8,499)**	**$ 108**	**$ (8,391)**
Finance (income) cost, net	(621)	(443)	8,097	(326)	6,707	—	6,707
Income tax expense (benefit)	2,206	2,526	6,970	(19)	11,683	—	11,683
Depreciation and amortization included in cost of sales	3,791	4,630	1,205	—	9,626	—	9,626
Depreciation and amortization included in operating expenses	5,399	1,124	334	330	7,187	—	7,187
EBITDA	**18,548**	**6,714**	**20,367**	**(18,925)**	**26,704**	**108**	**26,812**
Reconciliation to Adjusted EBITDA:							
EBITDA	18,548	6,714	20,367	(18,925)	26,704	108	26,812
Other (income) expense [1]	(2,237)	95	(85)	(911)	(3,138)	—	(3,138)
Foreign exchange (gain) loss	(1,041)	1,691	925	(147)	1,428	—	1,428
Equity loss of associates	1,537	1,341	—	—	2,878	—	2,878
Fair value of inventory release							
Share based compensation [2]	554	586	166	2,432	3,738	—	3,738
Fair value adjustments to inventory acquired [3]	1,217	—	—	—	1,217	—	1,217
(Recovery) impairment of assets [4]	—	(1,121)	2,834	—	1,713	—	1,713
Project start-up & transition costs [5]	1,370	—	—	—	1,370	—	1,370
Transaction and other costs [6]	1,201	—	—	—	1,201	—	1,201
Adjusted EBITDA [7]	**$ 21,149**	**$ 9,306**	**$ 24,207**	**$ (17,551)**	**$ 37,111**	**$ 108**	**$ 37,219**

(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 22) 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 Omnibusd LTIP was adopted. There are no RSUs and PSUs outstanding under the LTIP and no further grants will be made under the LTIP.

(3) On completion of the acquisition of SGTec, Neo recorded SGTec's acquired inventory at fair value, which included a mark-up for profit of $1.2 million. All the inventory was sold during the year and had a $1.2 million impact on Net (loss) income in the year ended December 31, 2023.

(4) Represents impairment in property, plant and equipment and inventory in order to streamline the operational and business processes at the Silmet facility. The recovery of asset in the C&O segment was due to the reversal of previously impaired asset on June 30, 2020, which will be transferred to NAMCO's new facility for utilization.

(5) Represents start-up costs (primarily pre-operational staffing costs) at Neo's new European permanent magnet facility. Neo has removed these charges to provide comparability with historic periods. For the year ended December 31, 2023, Neo incurred $1.4 million of project costs related to the establishment of Neo's new European permanent magnet facility. These costs have been included in selling, general and administrative costs in the consolidated statements of profit or loss.

(6) 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 year ended December 31, 2023, Neo incurred 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 consolidated statements of profit or loss.

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

As at December 31, 2024:

	Magnequench	Chemicals & Oxides	Rare Metals	Corporate	Total for reportable segments	Eliminations	Total
Total assets	$ 324,122	$ 198,699	$ 122,701	$ 7,168	$ 652,690	$ 564	$ 653,254
Investment in equity method associates	13,737	2,593	—	—	16,330	—	16,330
Total liabilities	$ (42,129)	$ (56,715)	$ (66,879)	$ (82,649)	$ (248,372)	$ —	$ (248,372)

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 year ended December 31, 2024 and 2023 are summarized as follows:

Revenue	Year Ended December 31, 2024	2023
Asia:		
China	$ 126,960	$ 185,086
Japan	74,711	97,019
Thailand	13,913	18,003
South Korea	7,228	14,848
North America	148,291	132,664
Europe	78,996	96,986
Other	25,729	26,939
Total	**$ 475,828**	**$ 571,545**

Revenue from one significant customer accounted for $71.5 million and $48.3 million of Neo's total revenue for the year ended December 31, 2024 and December 31, 2023, respectively. Neo defines significant customers as those that generate 10% or more of consolidated revenue.

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

	December 31, 2024	December 31, 2023
Asia:		
China	$ 89,110	$ 69,118
Thailand	5,246	5,325
Singapore	1,261	1,860
Europe	80,897	41,542
North America	16,270	17,019
Other	3,453	3,075
Total	**$ 196,237**	**$ 137,939**

20. Income Tax

20.1 Income tax expense

	Year Ended December 31,	
	2024	2023
Current tax expense (benefit)		
Current year	$ 22,108	$ 13,922
Adjustments in respect of prior years	(1,268)	(583)
Total current tax expense	20,840	13,339
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(1,628)	(776)
Amount of benefit arising from previously unrecognized tax loss, used to reduce current tax expense	(978)	(533)
Amount of benefit arising from previously unrecognized deductible temporary differences	(289)	(347)
Total deferred tax expense	(2,895)	(1,656)
Total income tax expense	**$ 17,945**	**$ 11,683**

20.2 Reconciliation of effective tax rate

	Year Ended December 31,	
	2024	2023
Income from operations before taxes and equity income of associates	$ 6,950	$ 6,170
Income tax expense at Canadian applicable tax rate of 26.5%	1,842	1,635
Impact of countries with different tax rates	2,009	2,983
Change in unrecognized tax losses and deductible temporary differences	3,905	4,717
Current tax benefit with respect to prior years	(1,268)	(583)
Foreign withholding taxes	1,250	1,472
Deferred tax expense (benefit) on foreign exchange translation of non-monetary items	1,394	(262)
Non-deductible finance costs	7,091	2,100
Deferred tax expense relating to investment in subsidiary	509	(163)
Other expenses not deductible for tax purposes	500	—
Other	713	(216)
Total income tax expense	**$ 17,945**	**$ 11,683**

20.3 Unrecognized deferred tax assets

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

	Year Ended December 31,	
	2024	2023
Deductible temporary differences	$ 24,118	$ 26,477
Tax losses	124,694	111,867
	$ 148,812	**$ 138,344**

Tax losses for which no deferred tax asset was recognized that will not expire totaled $5.9 million while $13.6 million expire between 2025 and 2029 and $105.2 million expire between 2030 and 2044..

20.4 Unrecognized deferred tax liabilities

At December 31, 2024 taxable temporary differences of $82.9 million related to the investment in subsidiaries were not recognized because Neo controls the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20.5 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Year Ended December 31,	
	2024	2023
Deferred tax assets		
Inventory	783	1,253
Property, plant and equipment and intangible assets	1,990	1,408
Accrued charges	3,334	4,375
Deferred compensation and retirement benefits	253	227
Net operating losses	1,053	1,193
Provisions	—	1,739
Other	1,546	1,575
Deferred tax liabilities		
Inventory	(992)	(776)
Property, plant and equipment and intangible assets	(10,959)	(10,904)
Foreign subsidiary earnings and withholding tax	(4,694)	(7,260)
Other	(915)	(364)
Deferred tax liabilities - net	**$ (8,601)**	**$ (7,534)**

Certain subsidiaries of Neo that generated losses during the current year, have recognized deferred tax assets of $6.1 million that will be utilized based on expected future taxable profits.

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

	Year Ended December 31,	
	2024	2023
Deferred tax assets	$ 4,045	$ 6,760
Deferred tax liabilities	(12,646)	(14,294)
Deferred tax liabilities - net	**$ (8,601)**	**$ (7,534)**

Movement in net deferred tax liabilities:

	Year Ended December 31, 2024	2023
Balance at the beginning of the year	$ (7,534)	$ (6,986)
Recognized in profit or loss	2,895	1,656
JAMR and ZAMR - transferred to Assets Held for Sale	(4,149)	—
Acquisition of SGTec	—	(2,307)
Other	187	103
Balance at the end of the year	**$ (8,601)**	**$ (7,534)**

21. Finance Costs

Neo's net finance costs generally consist of interest earned on bank deposits, interest paid on leases, interest paid on long-term debt, changes in the fair value of its financial assets and liabilities, and dividends paid to non-controlling interests. The following table shows the breakdown of net finance costs as presented in the consolidated statements of profit or loss:

	Year Ended December 31, 2024	2023
Dividends paid to non-controlling interest (Note 10.1.1)	$ 14,699	$ —
Change in fair value of derivative liabilities (Note 10)	11,372	7,752
Interest expense on credit facilities, net	1,846	455
Interest earned on bank deposits net of interest paid on bank advances and other	(429)	(1,500)
Total	**$ 27,488**	**$ 6,707**

For the year ended December 31, 2024, $2.7 million in interest expense relating to the EDC facility was capitalized into Property, Plant and Equipment ($2.6 million for the year ended December 31, 2023). Neo ceased the capitalization of finance costs in the third quarter of 2024 when substantially all the activities necessary to prepare NAMCO's assets for their intended use were complete. For the year ended December 31, 2024, Neo recorded $1.9 million interest expense relating to the EDC credit facility as finance costs.

22. Share-Based Compensation

In 2021, an omnibus long-term incentive plan (the "**Omnibus LTIP**") was approved by the shareholders at the Annual General and Special Meeting of Neo. During the year ended December 31, 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	—	n/a	(63,536)	(111,138)
Expired/Forfeited	(96,683)	$ 9.84	(1,002)	(33,067)
Outstanding, December 31, 2024	2,076,960	$ 8.21	225,342	327,933
Exercisable, December 31, 2024	1,156,002	$ 10.39	—	—
Weighted average exercise price, exercised during the period	$ 10.39			
Weighted average remaining contractual life, December 31, 2024	4.1 years		1.9 years	1.2 years

Cash-settled share-based compensation	RSUs	PSUs	DSUs
Outstanding, January 1, 2024	177,058	238,355	194,989
Granted	183,550	—	—
Exercised	(79,436)	(64,445)	—
Expired/Forfeited	(13,183)	(22,991)	—
Outstanding, December 31, 2024	267,989	150,919	194,989
Weighted average remaining contractual life, December 31, 2024	1.9 years	1.1 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)	$ 2.34	$ 6.00	$ 6.00	$ 6.50
Dividend yield	5.0 %	— %	— %	— %
Expected volatility	53.9 %	— %	— %	— %
Risk-free interest rate	3.9 %	— %	— %	— %
Exercise price	$ 6.32	$ —	$ —	$ —
Forfeiture rate	— %	— %	— %	— %
Fair value of share-based compensation at grant date	$ 941	$ 1,355	$ 2,315	$ 400

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

	December 31, 2024	December 31, 2023
Accounts payable and other accrued charges	$ 1,923	$ 2,503
Contributed surplus	18,727	16,643
Total	**$ 20,650**	**$ 19,146**

The following table shows the share-based compensation expense recorded in the consolidated statements of profit or loss during the year ended December 31, 2024 and December 31, 2023:

	Year Ended December 31,	
	2024	**2023**
Options	$ 1,060	$ 693
RSUs	1,657	856
PSUs	386	2,056
DSUs	(43)	133
Total	**$ 3,060**	**$ 3,738**

23. 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:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Directors	$ 1,411	$ 635
Key Executive Management	4,370	4,515
Total	**$ 5,781**	**$ 5,150**

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Directors	$ (43)	$ (19)
Key Executive Management	2,040	2,056
Total	**$ 1,997**	**$ 2,037**

24. 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.

24.1 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:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Purchase of goods and services from associates:		
TMT	$ 6,952	$ 7,965
Keli	27,420	32,199
GQD	3,845	3,498
Sales of goods and services to associates:		
TMT	3,293	11,407
GQD	—	12,394

24.2 Transactions with joint venture partners

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

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Sale of goods to Toda	$ 834	$ 2,568
Sale of goods to Qian Dong	515	—
Purchase of goods from Qian Dong	—	3,111

24.3 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 year ended December 31, 2024, sales to Atatsu were $0.2 million. For the year ended December 31, 2023, sales to Atatsu were $0.2 million.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Sale of goods and services to related parties	$ 4,847	$ 30,122
Purchase of goods and services from related parties	38,217	46,773

	December 31, 2024	December 31, 2023
Trade balances:		
From related parties	$ 1,142	$ 4,043
Due to related parties	(2,042)	(4,336)
Total	**$ (900)**	**$ (293)**

25. Employee Benefits

The employee benefit expenses included in cost of sales, selling, general and administrative, and research and development expenses are $72.1 million and $68.8 million for the year ended December 31, 2024 and December 31, 2023, respectively. Included in these amounts are stock-based compensation expenses for employees of $3.1 million and $3.6 million for the year ended December 31, 2024 and December 31, 2023, respectively.