Market eyes Neo Performance Materials Constantine Karayannopoulos with, what's next?

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August is usually a slow time for business and news as it is the end of the summer holiday season in the Northern hemisphere, but this August has been a particularly busy time for Neo Performance Materials Inc.'s (TSX: NEO) management team, especially CEO Constantine Karayannopoulos.

Announcements have been coming fast and furious. Let's start with the most surprising news first:

- Hastings Technology Metals acquires a 22.1% shareholding in Neo Performance Materials – August 26, 2022

On August 26th Hastings Technology Metals Ltd (ASX: HAS) announced it was acquiring a 22.1% shareholding in Neo Performance Materials by buying out most of the position of Oaktree Capital Management, L.P. (Oaktree) fund OPPS NPM SARL. Oaktree will sell 8,974,127 shares at C$15/share. Prior to this OPPS held 9,878,155 shares. The funding comes from Wyloo Metals, a private Australian metals company formed by Andrew "Twiggy" Forrest, whose worth is reported at US$17.5 billion. Wyloo will invest the money into Hastings who in turn will acquire the shares from the Oaktree subsidiary.

- Neo Performance Materials Announces $67.5 Million Bought Deal Treasury Offering of Common Shares – August 26, 2022

On the same day as the announcement of the share acquisition by Hastings, a bought deal was announced with Paradigm Capital being the lead underwriter. The deal was done at $15/share. At the time of writing, Neo Performance Materials was trading at $14.25. There are over 40 million shares outstanding so after this deal, there will be 45 million shares. According to the press release the funds will be used for "general corporate purposes including the expansion, maintenance of global assets and the pursuit of strategic growth opportunities around the globe." Expansion of the operations in Estonia is likely one area for the usage of the funds. Having visited the plant over a decade ago it is a Soviet era plant which runs nitric acid to separate the rare earths. Neo Performance Materials' two plants in China use hydrochloric acid. The nitric route is high initial capex as every component is made from stainless steel but has lower opex than the Chinese approach. At a capacity of 3,000 TPY of rare earths oxides the Greenland deposit would produce 750 TPY of Nd/Pr or about 2,500 tonnes of magnets. A nominal size.

- Second quarter results with records for revenue, Operating income and adjusted EBITDA – August 12, 2022

This is due to the high prices for the four key magnetic elements, Neodymium, Praseodymium, Terbium and Dysprosium, which hit prices not seen in the past decade. Since then, Nd and Pr have dropped about 50%, Tb 20% and Dy 35%, which means it will be a challenge for Q3 results to match Q2 numbers.

- Neo Secures $75 Million Loan to Finance Expansion and Relocation Of Its Environmental Emissions Catalyst Business – August 17, 2022

This financing came from Export Development Canada (EDC). The

credit facility matures in 5 years and is available in 3 tranches of $25 million. The funds will be used to relocate its rare earth plant in Zibo, Shandong province, China, to a nearby industrial park which will provide access to water treatment and waste/water recycling. This plant produces high value materials for automotive catalytic converters. The relocation is to expand capacity from 4,000 TPY REO to 5,000 TPY REO. Based on reported analysis for Baiyan Obo this expanded capacity will produce 370 tonnes of Nd/Pr oxide which would generate an additional 1,300 TPY of NdFeB magnets.

- Hudson Resources and Neo Performance Materials Sign Agreement on The Sarfartoq Rare Earth Element Project in Greenland – August 22, 2022

This is an interesting move by Neo as they only tried to go upstream into mining once before when they got involved in a tin mine in Brazil over a decade ago. The development of this project would provide a source for their plant in Estonia which gets most of its raw material from Russia presently with the balance from Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) in the USA. The deal is a non-refundable deposit of $250k. Once the Greenland government gives approval for transfer of the license to Neo or its special purpose entity, Neo will pay Hudson Resources an additional $3.25 million. There are two projects in the deal. One is an REE project in SW Greenland and a nearby Nb/Ta. Deposit. The Neo plant in Estonia also produces high purity Nb and Ta metal as well as rare earths so there is synergy in this deal. The 2011 43-101 report on the REE project showed an indicated resource of 5.9 million tonnes at 1.8% rare earth oxide which translate to about 100,000 of rare earth oxides. It is an underground mine opportunity which will bring added cost to the mining process. Should Neo proceed with this acquisition it will need to develop a camp onsite and decide

where to upgrade the ore prior to shipping a concentrate to Estonia – all challenges Canadian companies have dealt with for decades.

If Neo Performance Materials is an indicator for the rare earths sector, one can only wonder what’s next.