

Neo Performance Materials to Receive First-Ever Grant Under Europe's Just Transition Fund for Neo's Planned Sintered Rare Earth Magnet Manufacturing Plant in Estonia

written by Raj Shah | November 9, 2022

- Grant of up to 18.7 million Euros will help accelerate Neo's plans to construct a vertically integrated rare earth magnet manufacturing facility in Europe with an operational target of 2025
- Neo's commercial discussions with magnet customers indicate far greater demand than Neo's initial planned production capacity for the plant, supporting a likely expansion in the future
- Neo's magnet plant will integrate recycling and other operations that support circular economics

November 9, 2022 ([Source](#)) – Neo Performance Materials Inc. (“**Neo**”, the “**Company**”) (TSX: [NEO](#)) is pleased to announce that it has been awarded a grant of up to 18.7 million Euros from the Government of Estonia under Europe's Just Transition Fund (“**JTF**”) program to help pay for the cost of constructing a state-of-the-art sintered rare earth permanent magnet manufacturing facility in Estonia.

Receipt of the government grant award is a key milestone for Neo as it progresses toward an expected 2023 construction launch of

the planned magnet plant in Ida Viru County in Estonia. Neo anticipates onset of manufacturing operations in 2025. The European magnet plant is a key component of Neo's rapidly advancing "Magnets-to-Mine" vertical integration strategy.

The grant to Neo is the first such award to any critical materials company in the EU under the JTF program.

In announcing the award to Neo, Estonia's Prime Minister Kaja Kallas said: "Estonia is known for our secure and transparent business environment as well as e-solutions, which all support the ease of doing business. We are pleased that Neo Performance Materials has chosen Estonia as its new production and R&D base for its strategic growth areas. This also contributes to supporting the green energy transition in Europe."

Estonia's Minister of Entrepreneurship and Information Technology, Kristjan Järvan, added: "Rare earth magnets are a key component in renewable energy technology, electric vehicles, data carriers, consumer electronics, medical devices and robotics. The need to transition to a carbon-neutral economy predicts high demand for such magnets. Today, European Union is missing a sustainable, resilient rare earth magnet supply chain to supply European and North American OEMs for electric vehicle motors. With its new factory, Neo Performance Materials creates unique new capabilities in Europe and thereby strengthens the supply chains and also our economy."

Constantine Karayannopoulos, Neo's Chief Executive Officer, said: "On behalf of the entire Neo team, I want to thank the Government of Estonia for choosing to partner with us in making a joint investment that can help deliver a highly strategic manufacturing asset to Estonia and Europe. This vertically integrated rare earth manufacturing capacity will help Europe move closer to achieving its greenhouse gas

reduction and climate resiliency goals. Further, in our design for this facility, we intend to set a new standard of sustainability and recycling and to show that circular economics can be made integral to advanced material manufacturing in a manner that benefits the environment as well as shareholders and investors.”

The grant of up to 18.7 million Euro to Neo is based upon up to 100 million Euro in project costs, as well as other factors such as the number of new jobs created. The terms of the award are governed by the Government of Estonia’s regulations on “General conditions for granting and using funds from the operational programs of the European Union cohesion and internal security policy funds for the period 2021-2027”, the regulations on “Ida-Viru business investment support”, and the EU’s “Act on the Implementation of the European Union Cohesion and Internal Security Policy Funds for the period 2021–2027”.

Magnets-to-Mine Optionality for Customers

Once in operation, Neo’s planned magnet manufacturing facility will allow the Company to offer unprecedented Magnets-to-Mine optionality to its European and North American customers.

The first phase of Neo’s planned magnet plant is designed to produce approximately 2,000 tonnes/year of sintered rare earth permanent magnet block. Neo plans to integrate recycling into its operations to maximize the circular economics of the plant.

Neo has been in advanced commercial discussions for several years with multiple magnet customers in Europe, and those discussions indicate a level of demand for sintered rare earth magnets that far exceeds Neo’s planned Phase 1 production capacity. The Company is now considering plans to increase the plant’s capacity to 5,000 tonnes/year in a Phase 2 expansion, depending upon market conditions and other factors.

If sintered rare earth magnet demand continues on its current growth trajectory, as is expected, Neo has indicated its intent to examine the possible construction of a similar facility in North America.

Increasing Diversity of Rare Earth Supply

The separated magnetic rare earth oxides that will be used to produce these high-performance magnets are expected to be produced in Neo's existing rare earth and rare metals production facility in Sillamäe, Estonia. This facility is currently the only industrial-scale rare earth separations plant in full-scale operation in Europe.

One of the world's most geographically diverse processors of rare earth materials, Neo continues to build supply chain resiliency for its customers by expanding its sources of magnetic rare earth feedstock. Among Neo's current rare earth feedstock sources is a mixed rare earth carbonate produced by Energy Fuels in the state of Utah, USA. Neo is also pursuing a number of additional potential sources of rare earth material from prospective mines in Greenland, Australia, and other countries.

This development is a follow-up on Neo's [Joint Communiqué with Estonia's Ministry of Economic Affairs](#) published on November 17, 2021.

About Neo Performance Materials

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Neo's advanced industrial materials – magnetic powders and magnets, specialty chemicals, metals, and alloys – are critical to the performance of many everyday products and emerging technologies. Neo's products help to deliver the technologies of tomorrow to consumers today. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo

is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, United States; Singapore; and Beijing, China. Neo has a global platform that includes 10 manufacturing facilities located in China, the United States, Germany, Canada, Estonia, Thailand and South Korea as well as one dedicated research and development centre in Singapore. For more information, please visit www.neomaterials.com.

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Cautionary Statements Regarding Forward Looking Statements

This news release contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this release, other than statements of historical facts, with respect to Neo’s objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions, are forward-looking information. Specific forward-looking statements in this discussion include, but are not limited to, the following: expectations regarding certain of Neo’s future results and information, including, among other things, revenue, expenses, sales growth, capital expenditures, and operations; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and

intellectual property litigation; risk factors relating to national or international economies (including the impact of COVID-19), geopolitical risk and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate, and; expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review Neo's continuous disclosure filings that are available under Neo's profile at www.sedar.com.

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