

Energy Fuels and Neo Performance are creating a new U.S.-European rare earths supply chain

Many in the market may have not realized that the U.S and Europe now have a new rare earths and rare element materials supply chain. Up until now the only rare earths producer of significance in the US was MP Materials Corp. (NYSE: MP). Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) has begun to produce a rare earths carbonate in the US and has teamed up with Neo Performance Materials Inc (TSX: NEO) ("Neo"), who makes the final rare earth materials in Estonia Europe.

According to rare earths expert Jack Lifton: "Energy Fuels is today, June 30, shipping the first 20 tonne container load of MRECs (mixed rare earth carbonate), extracted from Chemours' monazite and processed to remove uranium and thorium and other interfering (with solvent extraction) ions, to Neo Performance' dedicated SX facility in Estonia. Both Mark Chalmers and Constantine Karayannopoulos will be present at the processing plant in White Mesa, Utah."

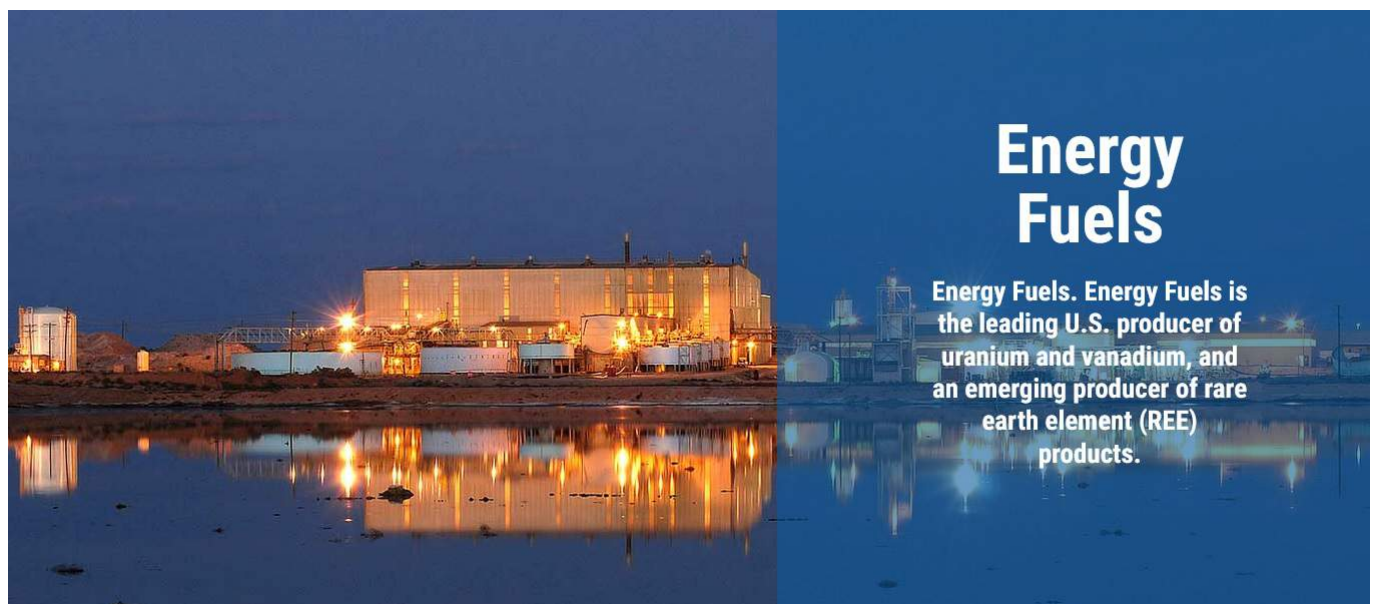
Jack Lifton also states that this is "the first production of a clean MREC derived from monazite in the USA since 1998" and "the restoration of a domestic rare earth supply chain beyond the mine has begun and Energy Fuels is leading the way."

As reported by Energy Fuels in May 2021, the Company update stated:

"...the Company, along with Neo Performance Materials, announced the joint launch of a U.S.-European REE production initiative under which the parties plan to produce value-added REE products from natural monazite sands, a byproduct of heavy

mineral sands mined in the southeastern United States. Pursuant to this initiative, in late-March 2021 Energy Fuels commenced ramping-up commercial production of a mixed rare earth carbonate (“**REE Carbonate**”) from natural monazite sands at the Company’s White Mesa Mill. Under an agreement in principle signed on March 1, and subject to completion of definitive agreements and successful ramp-up of production, Energy Fuels will ship a portion of its REE Carbonate production to Neo’s REE separations facility in Sillamae, Estonia (“**Silmet**”). Neo will then process the REE Carbonate into separated REE materials for use in REE permanent magnets and other REE-based advanced materials.”

Energy Fuels is an emerging U.S producer of rare earth element products, plus an existing uranium & vanadium producer (on standby) at their White Mesa Mill in Utah, USA



Source: Energy Fuels

The monazite ore is supplied to Energy Fuels’ White Mesa Mill in Utah, USA by The Chemours Company’s Offerman Plant in Georgia, and potential future supply of additional natural monazite sands is contracted via a non-binding MOU from the Titan heavy mineral sand project in Tennessee owned by Hyperion Metals Limited. All of this means that a new USA

supply chain for rare earths carbonate has begun.

Energy Fuels' President and CEO, Mark S. Chalmers, stated:

“Without a doubt, Energy Fuels is making major strides toward restoring critical U.S. rare earth supply chains, while also maintaining our position as the leading U.S. uranium producer....On rare earths, our efforts over the past several months culminated in the announcement on March 1 that Energy Fuels and Neo Performance Materials were creating a new, U.S.-European rare earth supply chain.....However, as I've said many times, **we have much bigger rare earth plans**, and the momentum is building rapidly as we execute our purposeful strategy. **We are now taking real steps toward designing and building fully integrated, U.S. rare earth production capabilities.**”

It seems the mass media is yet to realize the significance of CEO Chalmer's statement, especially given Energy Fuels trades on a market cap of just US\$873 million. When comparing to MP Materials on a market cap of US\$6.08 billion, Energy Fuels looks cheap, but it should be noted that Energy Fuels is not yet a fully integrated rare earths carbonate producer and has less capacity (up to 2,500 tons per year of monazite) than MP Materials (noting mining in USA and processing in China). Of course, the plan is for this to change in coming years, plus Energy Fuels has uranium and vanadium on standby production awaiting better prices and/or to supply uranium into the U.S. Uranium Reserve once it is established by the U.S. government. You can read more on Energy Fuels rare earths plan [here](#).

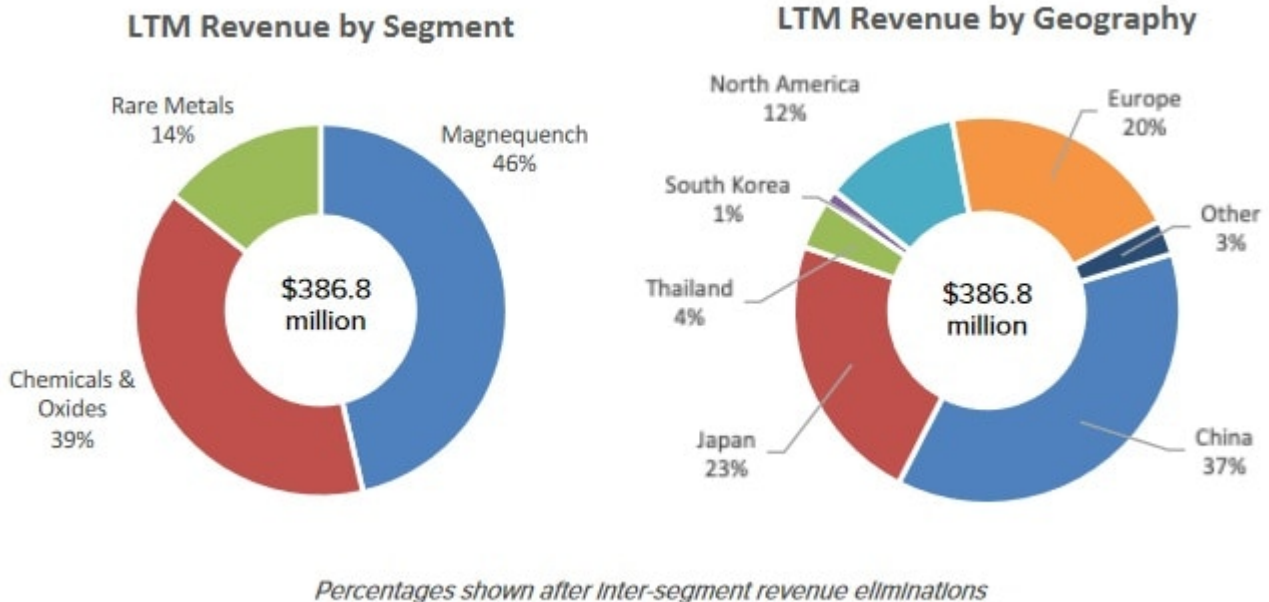
In the case of Neo Performance Materials, they are further along the supply chain specializing in advance materials including rare earths magnet materials. Neo trades on a market cap of C\$616 million (US\$497 million). Neo states:

“Neo is the only company in the world that operates dual supply chains inside and outside of China for REE separation and REE advanced materials. Neo owns the only operating

commercial rare earth separation facility in Europe.”

You can read more on Neo here.

Neo Performance Materials produces rare earths advanced materials (magnet materials etc) and sells globally



Source: Neo Performance Materials company presentation

Closing remarks

For investors wanting to get involved in western based rare earths and rare earth magnet materials companies then it would be sensible to consider both Energy Fuels (intermediate rare earths carbonate materials) and Neo Performance Materials (advanced rare earth materials).

Both companies appear to be moving in the right direction with a large runway of growth ahead. Demand for their products looks to be exceptional in the years ahead, thanks to the electric vehicle and renewable energy booms, which should support strong pricing and margins.

As a result of all of this, the West's sustainable future looks brighter thanks to increasing rare earths products supply from Energy Fuels and Neo Performance Materials.

Jack Lifton with Neo Performance's Constantine Karayannopoulos on the state of the rare earths market

In this InvestorIntel interview, Jack Lifton speaks with Constantine Karayannopoulos, President, CEO & Director of Neo Performance Materials Inc. (TSX: NEO). Jack asks Constantine where Neo's future expansion will come from, what non-Chinese competitors they face and whether he thinks there will be any Canadian rare earth mines operational within this decade.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Jack is of the opinion that no one has the range of product specialization as Neo and that they are the "go-to company for rare earth products" outside of China. Neo Performance recently announced strong Q1 financial results with revenue higher by 44.3% YoY and EBITDA higher by 132.6% YoY. With demand, volumes, and margins return to robust, pre-COVID levels across most of Neo's businesses, Constantine said, the company has "bounced back very handsomely". With "Europe in the driver's seat in terms of EV supply chain", Constantine called Europe as the high growth market for Neo and commented on the potential opportunity for Neo if Foxconn enters into the electric car assembly business.

To watch the full interview, click here

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, US; Singapore; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea.

To learn more about Neo Performance Materials Inc., [click here](#)

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If you have any questions surrounding the content of this interview, please email info@investorintel.com.

Rare Earths Frontrunner Neo Performance Outperforms with an Impressive 48% Return YTD

Neo Performance Materials Inc. (TSX: NEO) continues its outperformance in 2021, posting an impressive 48% return year to date (YTD). That compares to the TSX Composite, which closed for the first time above 19,000 yesterday, up 9.1% on the year and the S&P 500 returning a positive 8.6%. The reason for this is somewhat obvious in that there have been several catalysts so far this year for Neo including a significant deal with Energy Fuels, solid year end results and encouraging guidance for the start of 2021.

Energy Fuels Deal

As discussed previously on InvestorIntel and further in this interview with the two companies, the deal with Energy Fuels

Inc. (NYSE American: UUUU | TSX: EFR) could be considered a game changer to break the dominance of China in the rare earth supply chain. Additionally, the fact that Energy Fuels spent less than \$2M to modify its White Mesa Uranium Mill in Utah (the only licensed facility of its type in the USA) to process up to 2,500 tons per year of monazite into clean mixed rare earth carbonates and Neo Performance already having existing capacity, makes this joint venture incredibly cost-effective and competitive with China. Neo owns the only operating rare earth separation facility in Europe at Sillamäe, Estonia ("Silmet"), which is the destination for Energy Fuels ore.

Q4 & Year-End Results

On March 21st Neo reported Q4/20 and FY2020 results that included significantly stronger sequential results in the fourth quarter of 2020, driven largely by a sharp rebound in automotive and industrial end markets in the latter portion of 2020. Highlights include Q4/20 revenue of \$110.4M higher by 16.8% YoY and by 41.8% over Q3/20, adjusted Net income of \$9.6M (\$0.25 per share) improved by 56.7% YoY and reversed a loss in Q3/20, while adjusted EBITDA of \$12.3M was higher by 114.8% sequentially.

Other than a \$59.1M non-cash impairment charge in Q2 relating to non-productive assets whose value was adjusted as a result of the economic impacts of COVID-19 on future cash flows, the overall results would have been positive as well. Alas everyone has had some COVID impacts in one form or another.

First Quarter 2021 Outlook

More importantly, the company has indicated that the positive trends in volumes and higher selling prices that occurred in Q4/20 have continued into Q1/21 for the Chemicals & Oxides and the Magnequench business units, resulting in a significant positive variance between what Neo anticipates it will report for Q1/21 and current analyst consensus estimates. Neo expects

that its Q1/21 financial results will exceed current analyst consensus estimates of \$84.9M in revenue and \$9.9M in EBITDA for the period (both lower than Q4/20), as well as being significantly higher than the Q4/20 financial results. However, we are going to have to wait until May for the Q1 results to confirm this.

Summary

Neo Performance has plenty of momentum moving forward in 2021. The company should start to see the positive benefit of the Energy Fuels deal towards the end of Q2, over and above the upward trending momentum seen from Q3/20 through Q4/20 and Q1/21. Neo finished 2020 with cash and cash equivalents of \$72.2M and positive cash flow meaning the company has plenty of options to grow both organically or via acquisition.

There are currently 37.5M shares outstanding (38.6M fully diluted) of which Oaktree Capital Management, L.P. holds, directly or indirectly, an aggregate of 17.1M Common Shares, representing 45.7%, which gives the company decent leverage to good news or positive results. Neo's market cap is roughly \$759M as of close of business yesterday. Using conservative corporate guidance, an annualized Q1 P/E is 17-18x, which isn't unreasonable in the context of the current market. The question is, how much is "significantly higher than the Q4/20 financial results" and thus how much upside is there for Neo Performance?

Energy Fuels and Neo

Performance Materials take America and the West back to the future

A milestone in the race to return America and the West to having a totally domestic rare earth enabled products supply chain was achieved and announced yesterday. Clean mixed (of interfering ions and radionuclides {uranium and thorium}) rare earth carbonates were agreed to be produced commercially by Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) in the next quarter, from domestic (American) monazite sources and sold to Neo Performance Materials Inc. (TSX: NEO), which will separate them in its European facility and either convert the oxides to metals and alloys and rare earth permanent magnets itself **all outside of China** or sell the separated oxides to European metal, alloy, and magnet makers. **All of these events have come about without any government subsidies or contracts!**

Even more heartening, I have been told by the parties to the agreement that the carbonates are being produced profitably and that the customer is paying a competitive price.

Of note is the fact that the capital intensity efficiency of Energy Fuels has set a very high bar for its domestic competitors. Energy Fuels spent less than \$2,000,000 to modify its White Mesa Uranium Mill in Utah (the only licensed facility of its type in the USA) to process up to 2,500 tons per year of monazite into clean mixed rare earth carbonates. This is probably just 10% or less of what it cost Lynas to achieve the same quality of output of mixed carbonates in Malaysia on a per ton basis. MP Materials has yet to achieve this milestone at Mountain Pass.

Energy Fuels has announced that it is planning to go downstream in the rare earths supply chain so as to create a

domestic American total rare earth supply chain. My hat's off to its dynamic management and staff, which apparently did not know that recovering rare earths free of radionuclides from monazite and producing a clean mixed rare earth carbonate was not possible competitively in the USA.

The operational domestic American rare earth industry is on its way back.

I wonder when Washington, DC, will take notice of this?

Chalmers and Karayannopoulos on the production initiative designed to strengthen the US/EUR rare earths supply chain

In a recent InvestorIntel interview, Tracy Weslosky speaks with Mark Chalmers, President and CEO of Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) and Constantine Karayannopoulos, President, CEO and Director of Neo Performance Materials Inc. (TSX: NEO), about their new rare earth production initiative to strengthen and diversify U.S. and European rare earths supply chains.

In this InvestorIntel interview, which may also be viewed on YouTube ([click here to subscribe to the InvestorIntel Channel](#)), Constantine went on to say that monazite is the perfect raw material for the industry because of its excellent distribution of magnetic rare earths – neodymium and

praseodymium. “Energy Fuels is the missing link to solving the monazite problem,” he added. Speaking on the joint venture with Energy Fuels, Constantine commented that it “is going to be a major contributor to the overall supply of rare earths globally.” Mark adding, “We are confident that we can be cost-competitive with the world.”

To watch the full interview, [click here](#).

About Neo Performance Materials Inc.

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, US; Singapore; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea.

About Energy Fuels Inc.

Energy Fuels is a leading U.S.-based uranium mining company, supplying U_3O_8 to major nuclear utilities. Energy Fuels also produces vanadium from certain of its projects, as market conditions warrant, and expects to commence commercial production of REE carbonate in 2021. Its corporate offices are in Lakewood, Colorado, near Denver, and all of its assets and employees are in the United States. Energy Fuels holds three of America’s key uranium production centers: the White Mesa Mill in Utah, the Nichols Ranch in-situ recovery (“ISR”) Project in Wyoming, and the Alta Mesa ISR Project in Texas.

The White Mesa Mill is the only conventional uranium mill operating in the U.S. today, has a licensed capacity of over 8 million pounds of U_3O_8 per year, has the ability to produce vanadium when market conditions warrant, as well as REE carbonate from various uranium-bearing ores. The Nichols Ranch ISR Project is on standby and has a licensed capacity of 2 million pounds of U_3O_8 per year. The Alta Mesa ISR Project is also on standby and has a licensed capacity of 1.5 million pounds of U_3O_8 per year. In addition to the above production facilities, Energy Fuels also has one of the largest NI 43-101 compliant uranium resource portfolios in the U.S. and several uranium and uranium/vanadium mining projects on standby and in various stages of permitting and development.

To learn more about Neo Performance Materials Inc., click [here](#).

To learn more about Energy Fuels Inc., click [here](#).

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Neo Performance's Constantine Karayannopoulos on the rising interest in the rare earths market

In a recent InvestorIntel interview, Tracy Weslosky speaks with Constantine Karayannopoulos, President, CEO and Director of Neo Performance Materials Inc. (TSX: NEO) about the rise in investors' interest in the rare earths space and the state of

rare earths supply chain in North America.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Constantine went on to provide an update on Neo Performance's recent bought deal secondary offerings that helped improve the liquidity of its shares and increased its share value. "The attention paid to rare earths is refreshing," He said. "The fundamentals are very much in favor of the entire industry. Companies especially like ours that continue to execute and put money to the bottom line, deserve the attention that they are getting."

In the interview, Constantine explained how because of the lockdown "the demand for laptops and smart devices have gone through the roof" and how Neo Performance was able to benefit from this increase in demand. He also commented that the electric vehicles industry has been the biggest demand contributor for the rare earths sector "especially in China and Europe where the industry is growing at a very impressive rate."

To watch the full interview, click here

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Rare Earths market interest leads investors seeking value looking at Neo Performance Materials

Neo Performance Materials Inc. (TSX: NEO) definitely has attracted market attention as the company's share price closed at C\$13.78 on December 31, 2020, ending the year up from \$12.38 on December 28, 2019, but not reflective of the fact that the share price was as low as \$5.75 in early April, 2020. January 25, 2021 – over \$17.00/share!

The interest in the company has been highlighted by the resurgent interest in the rare earths space –NEO is our solid #3 pick for 2021, a position not to be taken lightly, given the number of companies in rare earths at this time. Lead by renowned rare earths executive, Constantine Karayannopoulos, as President and CEO, Neo has many things going for it, including the fact that it is the only other rare earths processing facility in the world that is not in China (theirs is located in Estonia).

The company has 11 manufacturing facilities around the world and is a world leader in innovation and the production of permanent magnet powders, through its Magnequench business unit. Neo has also been touted as a takeover target for MP Materials, as several Neo assets were once part of Molycorp, but with Neo's prospects, it is likely that the shareholder base would demand a massive premium to approve that transaction. And the price continues to get higher.

The company has a very strong shareholder base and notably the investment funds managed by Oaktree Capital Management, L.P continue to reduce their ownership of Neo. The company has continued the quarterly dividend of CAD\$0.10 per share as customer demand is returning and slowly growing as we enter into the vaccination stage of the global pandemic.

Recall that the company announced on December 4, 2020 that a group of selling shareholders had entered into a secondary bought deal financing for the sale and purchase of 3.9 million shares at CAD\$12.10 per share for gross proceeds of CAD\$47.6 million. As this was a secondary offering from existing shareholders, the company will not receive any of the proceeds.

On January 25, 2021, the company announced another bought deal offering of secondary shares. A syndicate of underwriters have agreed to purchase from the selling shareholders 4.5 million common shares of the company at a price of \$15.75 per common share for total gross proceeds to the selling shareholders of approximately \$70.9 million. The company will not be receiving any of the proceeds of the offering. In addition, the underwriters have been granted an option to purchase up to 15% of the base offering, exercisable up to 30 days following closing. The common shares will be offered by way of a short form prospectus to be filed in all of the provinces of Canada other than Quebec. Private placement offerings in the United States will be made to qualified institutional buyers pursuant to Rule 144A of the United States Securities Act of 1933.

That's a lot of gobbledeygook jargon, but it's important for a number of reasons. First, the company has interested investors across Canada and the United States. Secondly, they are also willing to pay \$3.65/share (30%) more per share for a secondary offering that is also about 50% larger than the last secondary offering done on December 4, 2020. That's less than 2 months ago.

Year-end 2020 financial results will not be out for a while yet, but investors have clearly done the arithmetic – at September 30, 2020, the company had cash, cash equivalents plus restricted cash of US\$78.6 million and positive working capital of US\$173 million (including \$115 million of inventories). Add \$47.6 million of new equity in December 2020, another \$70.9 million in January 2021 (before fees) and clearly Neo is ready for the next phase in the rare earths industry. With a strong balance sheet (and perhaps a war chest of capital?).

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Presumably, the US government change will not overtly affect the previous stated mandate to create a national critical metals reserve, but stay tuned. 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 and the company is a dominant global player.

Operating global advanced materials manufacturing facilities in countries including Canada, China, Estonia, Germany, South Korea, the US and Thailand, with two dedicated research and development centres in Singapore and the United Kingdom, Neo is very well positioned to continue as a global leader in the rare earths.

It is important to remember that Neo has developed dual supply chains inside and outside China for rare earths separation and

rare earths advanced materials. While the world strives to build a “new” rare earths supply chain not dependent on the Chinese, this will take time and is fraught with uncertainty and very significant capital requirements. The fact that Neo also owns the only rare earths separation facility in Europe means in the unlikely event of a global upset, it is one of only two companies which remain positioned to supply the rare earths products to a growing industry.

Blowing through the half billion-dollar (Canadian) market capitalization this year and on the way to a billion dollar market capitalization, Neo is leading the way in an industry that is continuing to evolve and grow. The company is innovative, and management has the expertise and knowledge and the potential to continue to innovate and lead the pack.