

**IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the Act)**

— AND —

**IN THE MATTER OF
NEO MATERIAL TECHNOLOGIES INC.
AND PALA INVESTMENTS HOLDINGS LIMITED AND
ITS WHOLLY-OWNED SUBSIDIARY 0833824 B.C. LTD.**

AGREED STATEMENT OF FACTS

Neo Material Technologies Inc. (Neo)

1. Neo is a public corporation continued under the laws of Canada. Neo is headquartered in Toronto and has approximately 1,300 employees in 15 locations, across 10 countries. Neo's shares are listed on the Toronto Stock Exchange.
2. Neo is a producer, processor and developer of neodymium-iron-boron magnetic powders, rare earths and zirconium based engineered materials and applications through its Magnequench and AMR Performance Materials business divisions. Neo's products are processed at plants in China and Thailand into products used in the manufacture of a wide range of products such as micro motors, precision motors, sensors, catalytic converters, computers, television display panels, optical lenses, mobile phones and electronic chips.

Pala Investments Holding Limited (Pala)

3. Pala is a multi-strategy investment company launched in 2006 and registered in Jersey, Channel Islands. It has a particular focus on mining and resource companies in both developed and emerging markets. Pala is advised on an exclusive basis by Pala Investments AG.
4. Pala has been an investor in Neo since July 2007. At the date of the Pala Offer, Pala had beneficial ownership of, or exercised control or direction over, 23,640,000 common shares of

Neo, representing approximately 20.46% of the 115,521,000 outstanding common shares of Neo. Since that time, Pala has not increased its interest in Neo.

5. 08338254 B.C. Ltd. ("083") was incorporated on August 29, 2008 under the laws of the Province of British Columbia. It was incorporated for the purpose of acquiring or investing in Canadian businesses, and as of the date of the application, had made no such investment or acquisition. 083's head office and principal place of business is located in the City of Vancouver in the Province of British Columbia.

Chronology of Events

6. Neo has a shareholder rights plan dated as of February 5, 2004 (the "First Shareholder Rights Plan"). The First Shareholder Rights Plan was effective immediately upon approval by Neo's board on February 5, 2004, subject to receipt of all regulatory approvals and shareholder approval. The necessary shareholder approval was received at the annual and special meeting of shareholders held June 28, 2004. The First Shareholder Rights Plan was reconfirmed at the annual and special meeting of shareholders held April 18, 2007.
7. On February 9, 2009 Pala issued a press release, which was followed by a letter to Neo's management, announcing that, through an indirect wholly-owned subsidiary, it intended to make an offer of \$1.40 per share in cash to acquire up to a maximum of 23 million of the outstanding common shares of Neo, representing approximately 20% of Neo's shares.
8. Pursuant to the terms of the Pala Offer, if more than 23 million of the outstanding Neo shares are deposited, the shares to be purchased from each depositing shareholder will be taken up on a pro rata basis. The Pala Offer, if completed, would have brought Pala's aggregate ownership interest to approximately 40% of the issued and outstanding Neo shares.
9. The Pala Offer was structured to comply with the Permitted Bid definition contained in the First Shareholder Rights Plan by remaining open for at least 60 days, and, in the event the

Minimum Tender Condition is met, then the Pala Offer will remain open for another 10 days from the date of the announcement that 50% had been tendered.

10. In a letter to Neo's management dated February 9, 2009, Pala asked Neo to waive the Minimum Tender Condition contained in the First Shareholder Rights Plan.
11. On February 12, 2009, Neo's Board adopted a second shareholder rights plan (the "Second Shareholder Rights Plan"). The Second Shareholder Rights Plan is substantially similar to the First Shareholder Rights Plan except that it requires that any take-over bid be made to all Neo shareholders for all of their shares. In a press release announcing the adoption of the Second Shareholder Rights Plan, Neo's board articulates the purpose of the Second Shareholder Rights Plan as follows:

[T]o prevent the acquisition of control of, or a creeping takeover bid for, the Company by means of a partial bid. The [Second Shareholder Rights Plan] requires that any offer to acquire shares of the Company be made to all shareholders for all of their shares to ensure that all shareholders of the Company are treated equally and fairly in connection with any take-over bid for the Company. The [Second Shareholder Rights Plan] is being adopted to discourage discriminatory, coercive or unfair attempts to take over the Company.
12. On February 24, 2009, Pala submitted a shareholder proposal (pursuant to section 137 of the Canadian Business Corporations Act ("CBCA")) which sought the termination of the First Shareholder Rights Plan.
13. Pala issued a Take-over Bid Circular on February 25, 2009.
14. On March 9, 2009, Neo's Board issued a press release announcing its Directors' Circular, dated March 9, 2009 and its accompanying recommendation that Neo shareholders reject the Pala Offer.

15. On March 10, 2009 Neo's Board declined Pala's request to put the First Shareholder Rights Plan to a shareholder vote on the grounds, amongst others, that the request had not been made in a timely manner.
16. On March 24, 2009 Neo filed its Notice of Annual and Special Meeting of the shareholders and Management Information Circular with a meeting date of April 24, 2009. One of the agenda items was the adoption of the Second Shareholder Rights Plan.
17. On April 8, 2009, Pala proposed to limit the Pala offer to a maximum of 13.8 million shares or 12% of the issued and outstanding shares of Neo. This proposal was conditional on (i) Neo waiving the application of the First Rights Plan, and (ii) Neo removing the Second Rights Plan from the Agenda of the Special Meeting. The proposal was open until April 14, 2009.
18. On April 14, 2009, Neo responded to Pala and the proposed amendment to the Pala Offer rejecting the proposal on the basis that the board believed the Pala Offer to be inadequate from a financial point of view.
19. Pala filed its Application with the Ontario Securities Commission (the "Commission") requesting that the Commission cease trade the First and Second Shareholder Rights Plans on April 16, 2009.
20. On April 21, 2009, Neo filed a press release providing an update on the Second Shareholder Rights Plan. The press release stated that Second Shareholder Rights Plan was adopted in direct response to the Pala Offer and "will only remain in effect until the 2010 annual meeting of shareholders".
21. On April 21, 2009, Pala filed a press release announcing the intention to vary and extend the Pala Offer (i) to increase the offer price to \$1.70 per share (ii) to decrease the maximum number of shares to be taken up and (iii) to extend the expiry time of the Offer.
22. At Neo's Annual and Special Meeting on April 24, 2009, Neo's shareholders passed a

23. On April 27, 2009, Pala filed its Notice of Variation and Extension which (i) increases the offer price to \$1.70 per share (ii) extends the offer to May 15, 2009 and (iii) decreases the maximum number of shares to be taken up to 10,600,000.

24. On April 30, 2009, Neo filed on SEDAR a report of the voting results for the Annual and Special Meeting pursuant to section 11.3 of NI 51-102 *Continuous Disclosure Requirements*. The report disclosed that the resolution to approve the Second Shareholder Rights Plan was approved, with 56,199,241 shares representing 81.24% of the shares voted (excluding shares voted by Pala) voted in favour of the Second Shareholder Rights Plan and 12,976,593 shares representing 18.76% of the shares voted (excluding shares voted by Pala) against the Second Shareholder Rights Plan.