



*(Formerly Pan Andean Minerals Ltd)  
(An Exploration Stage Company)*

**Condensed Consolidated Interim Financial Statements**

**For the Six Months Ended August 31, 2021 and August 31, 2020**

**(Unaudited – Prepared by Management)**

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

Assets	August 31, 2021	February 28, 2021
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 791,180	\$ 625,876
Sales tax and other receivables (Note 4)	16,469	8,371
Prepaid expenses	227,298	16,022
Marketable securities (Note 3)	10,040	12,424
	1,044,987	662,693
<b>Non-Current Assets:</b>		
Deposits	12,597	12,597
Right-of-use asset (Notes 9)	39,847	69,733
Exploration and evaluation assets (Note 5)	1,344	1,344
<b>Total Assets</b>	\$ 1,098,775	\$ 746,367
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 92,456	\$ 204,279
Convertible debenture interest payable	3,169	3,169
Lease liability – current portion (9)	48,571	70,926
Short-term loan (Note 8)	-	1,290,359
	144,196	1,568,733
Lease liability – long-term (Notes 9)	-	12,167
<b>Total Liabilities</b>	144,196	1,580,900
<b>Shareholders' Equity (Deficiency):</b>		
Share capital (Note 10)	19,533,597	18,935,514
Share subscriptions received (Note 10)	-	25,000
Reserves (Note 10)	9,292,876	6,733,711
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(27,658,371)	(26,315,235)
<b>Total Equity (Deficiency)</b>	954,579	(834,533)
<b>Total Liabilities and Equity</b>	\$ 1,098,775	\$ 746,367

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For Three Months Ended August 31		For Six Months Ended August 31,	
	2021	2020	2021	2020
<b>Expenses</b>				
Amortization (Note 9)	\$ 14,942	\$ 14,942	\$ 29,885	\$ 29,885
Consulting and management fees (Note 11)	109,967	113,126	232,867	227,835
Corporate listing and filing fees	11,115	3,797	83,164	4,717
Exploration and evaluation expenses	3,690	-	3,690	-
Investor relations	25,580	925	48,808	1,750
License fees	10,000	-	10,000	-
Office and general	8,863	4,171	17,627	16,080
Professional fees (Note 11)	32,312	41,417	76,610	76,540
Marketing	32,788	-	82,122	-
Rent (non-lease portion)	19,530	15,964	36,061	31,864
Research and development	29,989	-	33,265	-
Sublease income	(10,602)	(16,987)	(28,035)	(33,762)
Stock-based compensation (Note 10)	604,224	-	683,248	-
Travel	16,407	5,134	18,937	11,253
<b>Loss from operations</b>	<b>908,805</b>	<b>182,489</b>	<b>1,328,249</b>	<b>366,162</b>
<b>Other expense (income)</b>				
Debt financing finder's fees	-	-	-	87,046
Interest and miscellaneous expense (income)	(38)	333	(58)	333
Interest expense – lease (Note 9)	2,785	4,770	6,893	11,739
Interest expense – short-term loan (Note 8)	-	12,435	68,810	24,068
Loss on foreign exchange	1,374	162	2,702	243
Unrealized (gain) loss marketable securities	1,622	(392)	2,384	11,798
Write-off debt	(65,845)	-	(65,845)	-
<b>Total other expense (income)</b>	<b>(60,102)</b>	<b>17,308</b>	<b>14,886</b>	<b>135,227</b>
<b>Net loss for the period</b>	<b>848,703</b>	<b>199,797</b>	<b>1,343,135</b>	<b>501,389</b>
<b>Comprehensive loss for the period</b>	<b>\$ 848,703</b>	<b>199,797</b>	<b>\$ 1,343,135</b>	<b>\$ 501,389</b>
<b>Loss per share</b>				
Basic	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01
<b>Weighted average number of common shares outstanding</b>	<b>87,758,799</b>	<b>70,233,980</b>	<b>81,511,743</b>	<b>70,233,980</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

	For Six Months Ended	
	August 31, 2021	August 31, 2020
<b>Operating Activities:</b>		
Net loss for the period	\$ (1,343,135)	\$ (501,389)
Adjustment for items which do not involve cash:		
Amortization	29,885	29,886
Stock-based compensation	683,248	-
Unrealized loss on marketable securities	2,384	11,798
Write-off of accounts payable	(65,845)	-
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	(45,977)	(8,559)
Prepaid expenses	(211,276)	(12,850)
Short-term loan interest	68,809	12,435
Sales tax and other receivables	(8,098)	4,149
	<b>(890,005)</b>	<b>(464,530)</b>
<b>Financing Activities:</b>		
Share issuances – private placements	2,057,000	-
Proceeds - share subscription	-	50,000
Share issuances - warrants exercised	380,000	-
Share issuances - options exercised	37,000	-
Repayment – share subscription	(25,000)	-
Repayment – short-term loan principal and interest	(1,359,169)	-
Proceeds - short-term loan	-	1,255,144
Principal portion of lease liability repayments	(34,522)	(27,998)
	<b>1,055,309</b>	<b>1,277,146</b>
<b>Net changes in cash and cash equivalents</b>	<b>165,304</b>	<b>812,616</b>
Cash and cash equivalents - beginning of the period	625,876	201,546
<b>Cash and cash equivalents - end of the period</b>	<b>\$ 791,180</b>	<b>\$ 1,014,162</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

## NEO Battery Materials Ltd.

(An Exploration Stage Company)

### Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended August 31, 2021 and August 31, 2020

(Expressed in Canadian Dollars)

		SHARE CAPITAL		SHARES TO BE		ACCUMULATED OTHER COMPREHENSIVE		TOTAL EQUITY
	Notes	SHARES	AMOUNT	ISSUED	RESERVES	LOSS ("AOCL")	DEFICIT	
Balance – February 29, 2020		70,233,980	18,935,514	25,000	5,993,711	(213,523)	(24,658,040)	82,662
Share subscription		-	-	50,000	-	-	-	50,000
Net loss for the period		-	-	-	-	-	(501,389)	(501,389)
Balance – August 31, 2020		70,233,980	18,935,514	75,000	5,993,711	(213,523)	(25,159,429)	(368,727)
Balance - February 28, 2021		70,233,980	18,935,514	25,000	6,733,711	(213,523)	(26,315,235)	(834,533)
Repayment-share subscription		-	-	(25,000)	-	-	-	(25,000)
Stock-based compensation (Note 10 (c))		-	-	-	683,248	-	-	683,248
Share issuance - private placement (Note 10 (a))		17,141,667	57,413	-	1,999,587	-	-	2,057,000
Exercise of stock options (Note 10 (c))		500,000	76,170	-	(39,170)	-	-	37,000
Exercise of warrants (Note 10 (a))		1,500,000	464,500	-	(84,500)	-	-	380,000
Net loss for the period		-	-	-	-	-	(1,343,135)	(1,343,135)
<b>Balance - August 31, 2021</b>		<b>89,375,647</b>	<b>19,533,597</b>	<b>-</b>	<b>9,292,876</b>	<b>(213,523)</b>	<b>(27,658,371)</b>	<b>954,579</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# NEO Battery Materials Ltd.

*(An Exploration Stage Company)*

## Notes to Condensed Consolidated Interim Financial Statements For the Six Months Ended August 31, 2021 and 2020

*(Expressed in Canadian Dollars)*

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### 1. Nature of Operations and Going Concern

NEO Battery Materials Ltd. (the "Company" or "NEO Battery") is Vancouver-based junior resource company focused on battery metals exploration in North America. NEO Battery focuses on exploring and producing silicon, an important mineral added to anode materials in the production of lithium-ion batteries, provides improvements in capacity and efficiency over lithium-ion batteries using graphite in the anode materials. NEO Battery is a publicly listed company incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. On March 1, 2006, the Company changed its name to BCGold Corp, and on March 16, 2017 to Pan Andean Minerals Ltd, and again on March 2, 2021, to NEO Battery Materials Ltd. The Company is listed on the TSX Venture Exchange ("TSX.V") under the symbol "NBM". On September 3, 2021, the Company started trading on OTCQB under symbol "NBMFF". The head office, principal address and records office of the Company are located at Suite 520 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to continue operations. These material uncertainties may cast a significant doubt on the validity of this assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at August 31, 2021, the Company has an accumulated deficit of \$27,658,371 (February 28, 2021 - \$26,315,235), a net loss for the period ended August 31, 2021 of \$1,343,135 (August 31, 2020 - \$501,389) and has working capital of \$900,791 (February 28, 2021 – \$906,040 working capital deficiency).

If the going concern assumption is not appropriate for these condensed consolidated financial statements, adjustments could be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

### 2. Basis of Preparation

#### *Statement of Compliance*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28, 2021.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 28, 2021.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Basis of Preparation - continued

These condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled (directly or indirectly) by the Company (its subsidiaries) including Circum-Pacific Holdings Ltd., Canada, Minera Chanape SAC, Peru and Cima De Oro SAC, Peru. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

#### *Critical Accounting Estimates*

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs.
- ii) The incremental rate of borrowing used in the measurement of the lease liability was based on estimated interest rate the Company would borrow at from arm's-length third parties as at the dates of adopting IFRS 16 and entering into its current long-term office lease.
- iii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- iv) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value-based measurement on the date the shares are issued for the transaction.
- v) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

#### *Recent accounting pronouncements*

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 3. Marketable Securities

	August 31, 2021	February 28, 2021
	\$	\$
Marketable securities – fair value	10,040	12,424
Marketable securities – cost	22,200	22,200

The securities owned by the Company represent minor ownership in all of the public companies in the above.

### 4. Sales Tax and other Receivables

	August 31, 2021	February 28, 2021
	\$	\$
Sales tax (GST)	\$ 15,219	\$ 8,356
Other receivables	1,250	15
<b>Total</b>	<b>16,469</b>	<b>8,371</b>

### 5. Exploration and Evaluation Assets and Expenditures

Details of the Company's exploration and evaluation acquisition costs are as follows:

	Minto/ Carmacks (Yukon)	Rainbow Property (BC)	Golden Property (BC)	Chanape & Cima (Peru)	Total
	\$	\$	\$	\$	\$
Balance - February 29, 2020	-	-	-	1	1
Staking	-	-	1,343	-	1,343
Balance - February 28, 2021	-	-	1,343	1	1,344
<b>Balance - August 31, 2021</b>	<b>-</b>	<b>-</b>	<b>1,343</b>	<b>1</b>	<b>1,344</b>

#### (a) Minto/Carmacks Copper-Gold Properties, Yukon

On April 9, 2019, the Company sold its 100% interest in the Yukon (the "Minto Property") to Pembridge and received \$182,537 cash and 100,000 Pembridge ordinary shares initially valued at \$22,200 (Note 3).

#### (b) Rainbow Property - BC

On July 10, 2015, the Company sold its 100%-owned 926-hectare Rainbow Property, situated three kilometres south of the Mt. Milligan copper-gold mine, to Terrane Metals Corp. ('TMC') for \$35,000. On February 28, 2019, the Company decided to write-off the remaining value of the property but retains a 2.5% NSR, which may be purchased by TMC at any time for \$250,000.

#### (c) Golden Property - BC

In January 2021, the Company has staked new mining claims in Golden, BC, along a strike with a quartzite bed, targeting silica in the quartzites for a total of 467 hectares. In July 2021, the first phase of geological mapping program was conducted. The samples were taken to the lab to analyze the purity of the silica.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 5. Exploration and Evaluation Assets and Expenditures - *continued*

#### (d) Chanape and Pucacorrall, Peru

On August 2, 2016, the Company announced that it had completed agreements to acquire a 100% interest in the Chanape and Pucacorrall properties located in Peru. One of the Peruvian subsidiaries, Cima de Oro S.A.C. ("Cima"), has an option agreement (the "Tres Agreement") to purchase all the issued and outstanding shares of another private Peruvian company, SMRL Cerro de Oro Tres ("Tres"). On February 28, 2019, the Company decided to write-down the value of the property to \$1 as the Company no longer intends to pursue exploration of the properties under the Tres Agreement but retains its earned interest to date.

### 6. Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding.

#### **Foreign exchange risk**

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at August 31, 2021 and 2020, the Company had negligible financial assets or liabilities denominated in a foreign currency.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

#### **Capital management**

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements.

## NEO Battery Materials Ltd.

(An Exploration Stage Company)

### Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

#### 6. Financial Risk and Capital Management – continued

The Company's financial instruments consist of cash, accounts payable, accrued liabilities and short-term loan. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2** – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- **Level 3** – Inputs that are not based on observable market data. Cash is measured at fair value using Level 1 inputs.

#### Fair value measurement

Cash and marketable securities are measured at fair value using Level 1 inputs.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

August 31, 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash	791,180	-	-	791,180
Marketable securities	10,040	-	-	10,040
<b>Total</b>	<b>801,220</b>	<b>-</b>	<b>-</b>	<b>801,220</b>

  

February 28, 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash	625,876	-	-	625,876
Marketable securities	12,424	-	-	12,424
<b>Total</b>	<b>638,300</b>	<b>-</b>	<b>-</b>	<b>638,300</b>

#### 7. Accounts Payable and Accrued Liabilities

	August 31, 2021 \$	February 28, 2021 \$
Trade payables (Note 11)	82,456	189,279
Accrued liabilities	10,000	15,000
<b>Total</b>	<b>92,456</b>	<b>204,279</b>

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 8. Short-term Loan

On March 9, 2020, the Company received a \$100,000 unsecured loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 6, 2021. The Company paid \$7,000 in cash finder's fee pursuant to this loan financing.

On March 24, 2020, the Company received a \$1,143,511 (1 billion South Korean Won) unsecured loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 31, 2021. The Company paid \$80,046 in cash finder's fees pursuant to this loan financing.

For the six months ended August 31, 2021, \$68,810 (2021 - \$24,068) of interest expense was accrued on these loans. In May 2021, \$1,359,170 of loan principal and interest were repaid. As at August 31, 2021, \$Nil (February 28, 2021 - \$1,290,359) of loan principal and interest were payable.

### 9. Right-Of-Use Assets & Lease Liabilities

As at March 1, 2019, the Company had a remaining lease commitment of \$6,296 of basic rent per month plus operating costs for two months pursuant to a lease agreement expiring April 30, 2019.

The Company extended its lease agreement for office space effective May 1, 2019 until April 30, 2022. Minimum annual commitments for basic rent, excluding additional operating costs, at May 1, 2019 were as follows:

Year	Amount
2020	\$ 64,362
2021	80,032
2022	83,390
2023	13,992
	<u>\$ 241,776</u>

#### a) Right-of-use assets

As at August 31, 2021, the right-of-use asset recorded for the Company's office premises was as follows:

	August 31, 2021	February 28, 2021
	\$	\$
Opening balance	69,733	129,504
Amortization	(29,885)	(59,771)
Ending balance	<u>39,847</u>	<u>69,733</u>

## NEO Battery Materials Ltd.

(An Exploration Stage Company)

### Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

#### 9. Right-Of-Use Assets & Lease Liabilities - *continued*

##### b) Lease liabilities

Minimum lease payments in respect of lease liabilities and the effect of discounting as at August 31, 2021 are as follows:

	August 31, 2021	February 28, 2021
	\$	\$
Undiscounted minimum lease payments:		
Less than one year	55,967	83,390
More than one year	-	13,992
Total undiscounted minimum lease payments	55,967	97,382
Effect of discounting	(7,396)	(14,289)
Present value of minimum lease payments	48,571	83,093
Less: current portion	(48,571)	(70,926)
Long-term portion	-	12,167

##### c) Lease liabilities continuity

The net change in the Company's lease liability during the period ended August 31, 2021 was as follows:

	August 31, 2021	February 28, 2021
	\$	\$
Beginning balance	83,093	141,848
Principal payments	(34,522)	(58,755)
Ending balance	48,571	83,093

The Company incurred interest expense of \$6,893 on its lease liabilities for the six months ended August 31, 2021 (2020 – \$6,969) and received sublease income of \$28,035 (2020 - \$33,762) as a result of subleasing a portion of its office space.

#### 10. Share Capital

##### (a) Share Capital

The Company's authorized share capital consists of an unlimited number of common voting shares without par value.

##### Share issuances - private Placements

*Year Ended February 28, 2021*

There were no common shares issued during year ended February 28, 2021.

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 10. Share Capital – continued

#### (a) Share Capital - continued

Six Months Ended August 31, 2021

On May 4, 2021, the Company closed a non-brokered private placement of 17,141,667 units at a price of \$0.12 per unit for gross proceeds of \$2,057,000. Each unit consists of one common share and one common share warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.16 per common share within 36 months of the closing of the private placement. The fair market value of these warrants was calculated at \$1,999,587 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.52% risk free interest rate, expected life of 3 years, 219.22% annualized volatility and 0% dividend rate.

#### Share issuance - warrants exercise

During the six months ended August 31, 2021, 1,000,000 warrants were exercised at a price of \$0.30 per share and 500,000 were exercised at a price of \$0.16 per share, for total proceeds of \$380,000.

#### Share issuance - stock options exercise

Six Months Ended August 31, 2021

During the six months ended August 31, 2021, 450,000 stock options were exercised at a price of \$0.06 per share and 50,000 were exercised at a price of \$0.20 per share, for total proceeds of \$37,000.

#### (b) Share Purchase Warrants

On May 4, 2021, 17,141,667 warrants were issued at a price of \$0.16 from private placement (Note 10 (a)).

As at August 31, 2021, warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
			\$
<b>Balance, February 28, 2021</b>	4,500,000	0.30	0.48
Issued	17,141,667	0.16	2.68
Exercised	(1,500,000)	0.25	
Expired	(3,000,000)	0.30	
<b>Balance, August 31, 2021</b>	<b>16,641,667</b>	<b>0.16</b>	<b>2.68</b>

As at August 31, 2021, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Remaining Years
May 4, 2024	\$0.16	16,641,667	2.68
<b>Total warrants outstanding</b>		<b>16,641,667</b>	

(Note 13)

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 10. Share Capital – continued

#### (c) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12-month period and no more than 2% of the optioned shares may be issued to any one individual in any 12-month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the Company for reasons other than death. In the case of death, the expiry becomes one year after the death of an optionee. Pursuant to the policies of the TSX.V, options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

The Board has previously established a rolling Stock Option Plan which reserves for issuance up to 10% of the Company's outstanding common shares. The policies of the TSX Venture exchange require such stock option plans to be approved annually by the Company's shareholders by way of an ordinary resolution. Shareholder approval shall be sought at the next AGM for the Stock Option Plan, as such, any options issued prior to such approval shall not be exercisable until such approval is granted by shareholders.

#### *Year Ended February 28, 2021*

On February 10, 2021, the Company granted 2,930,000 stock options to its directors, officers and consultants at an exercise price of \$0.20 per option. The options are exercisable on and before February 10, 2026. The fair value of these options was calculated at \$740,000 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.50% risk free interest rate, expected life of 5 years, 190.48% annualized volatility and 0% dividend rate.

#### *Six Months Ended August 31, 2021*

On May 13, 2021, the Company granted 390,000 options to its consultant at an exercise price of \$0.20 per option. The options are exercisable on and before May 13, 2026. The fair value of these options was calculated at \$73,915 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.94% risk free interest rate, expected life of 5 years, 157.50% annualized volatility and 0% dividend rate.

On May 25, 2021, the Company granted 30,000 options to a consultant at an exercise price of \$0.20 per option. The options are exercisable on and before May 25, 2026. The fair value of these options was calculated at \$5,109 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.87% risk free interest rate, expected life of 5 years, 157.58% annualized volatility and 0% dividend rate.

## NEO Battery Materials Ltd.

(An Exploration Stage Company)

### Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

#### 10. Share Capital – continued

##### (c) Stock Options - continued

On June 1, 2021, the Company granted 100,000 options to a consultant at an exercise price of \$0.20 per option. The options are exercisable on and before June 1, 2026. The fair value of these options was calculated at \$18,949 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.92% risk free interest rate, expected life of 5 years, 157.43% annualized volatility and 0% dividend rate.

On June 8, 2021, the Company granted 80,000 options to its consultants at an exercise price of \$0.33 per option. The options are exercisable on and before June 8, 2026. The fair value of these options was calculated at \$24,334 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.86% risk free interest rate, expected life of 5 years, 159.81% annualized volatility and 0% dividend rate.

On July 29, 2021, the Company granted 750,000 options to its consultants at an exercise price of \$1.00 per option. The options are exercisable on and before July 29, 2026. The fair value of these options was calculated at \$560,941 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 0.83% risk free interest rate, expected life of 5 years, 161.79% annualized volatility and 0% dividend rate.

In July 2021, 90,000 options were cancelled due to certain optionees ceasing to work with the Company under the terms of the Company's Stock Option Plan.

As at August 31, 2021, stock options transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Life Remaining (Years)
		\$	
<b>Balance, February 28, 2021</b>	6,505,000	0.12	3.68
Granted	1,350,000	0.65	2.68
Correction (cancelled by error)	150,000	0.06	3.68
Exercised	(500,000)	0.08	
Cancelled	(90,000)	0.20	
<b>Balance, August 31, 2021</b>	<b>7,415,000</b>	<b>0.22</b>	<b>3.52</b>

At August 31, 2021, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Years	Number of Options Exercisable
March 20, 2023	\$0.06	1,250,000	1.55	1,250,000
February 28, 2024	\$0.06	2,025,000	2.50	2,025,000
February 10, 2026	\$0.20	2,840,000	4.45	2,840,000
May 13, 2026	\$0.20	340,000	4.70	340,000
May 25, 2026	\$0.20	30,000	4.73	30,000
June 1, 2026	\$0.20	100,000	4.75	100,000
June 9, 2026	\$0.33	80,000	4.78	80,000
July 31, 2021	\$1.00	750,000	4.92	750,000

# NEO Battery Materials Ltd.

(An Exploration Stage Company)

## Notes to Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

### 10. Share Capital – continued

#### (d) Shares Subscribed

In February and June 2020, the Company received an aggregate amount of \$75,000 pursuant to the subscription for 937,500 units at \$0.08 per unit, with each unit consisting of one Company common share and one-half of one share purchase warrant, where a full share purchase warrant is exercisable at \$0.30 per share for 24 months after closing, subject to accelerated expiry with 30 days' notice if the Company's common shares close at a market price of \$0.50 or greater for ten consecutive trading days. In February 2021, the Company returned \$50,000 to one subscriber. In March 2021, the Company returned \$25,000 to another subscriber. As of August 31, 2021, there were no funds held in trust.

### 11. Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consist of the Company's Board of Directors and corporate officers, and/or companies controlled by its key management personnel.

The following amounts due to related parties are included in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of payments. All related party amounts are to key management personnel.

	August 31, 2021	February 28, 2021
Due to related parties	\$ -	\$ -

The remuneration of directors and other members of key management personnel during the period ended August 31, 2021 and August 31, 2020 were as follows:

	August 31, 2021	August 31, 2020
Management fees	\$ 96,200	\$ 160,500
Professional fees	27,952	27,952
	\$ 124,152	\$ 188,452

All amounts paid to related parties have been recorded at fair value for the services received by the Company.

### 12. Contingency

On July 13, 2020, a former director of the Company filed a small claims action against the Company for an aggregate amount of \$35,176. On March 31, 2021, the claim was settled for a cash payment of \$5,000.

### 13. Subsequent Event

On October 27, 2021, 725,000 warrants were exercised at a price of \$0.16, for proceeds of \$116,000.