

NEO BATTERY MATERIALS LTD.

AMENDED AND RESTATED FILING STATEMENT

**IN RESPECT OF A CHANGE OF BUSINESS
PURSUANT TO POLICY 5.2 OF THE TSX VENTURE EXCHANGE**

*Neither the TSX Venture Exchange Inc. (the "**Exchange**") nor any securities regulatory authority has in any way passed upon the merits of the Change of Business described in this Filing Statement.*

December 27, 2023

Table of Contents

LIST OF SCHEDULES	3
GLOSSARY	4
SUMMARY OF FILING STATEMENT	6
RISK FACTORS	13
PART I: INFORMATION CONCERNING THE ISSUER	16
CORPORATE STRUCTURE	16
GENERAL DEVELOPMENT OF THE BUSINESS	16
SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MD&A	18
DESCRIPTION OF THE SECURITIES	18
STOCK OPTION PLAN	19
PRIOR SALES	19
STOCK EXCHANGE PRICE	20
EXECUTIVE COMPENSATION	20
NON-ARM'S LENGTH TRANSACTIONS / ARM'S LENGTH TRANSACTIONS	24
LEGAL PROCEEDINGS	25
AUDITOR, TRANSFER AGENT AND REGISTRAR	25
MATERIAL CONTRACTS	25
PART II: INFORMATION CONCERNING THE RESULTING ISSUER	26
CORPORATE STRUCTURE	26
NARRATIVE DESCRIPTION OF THE BUSINESS	26
DESCRIPTION OF THE SECURITIES	28
PRO-FORMA CONSOLIDATED CAPITALIZATION	28
AVAILABLE FUNDS AND PRINCIPAL PURPOSES	29
PRINCIPAL SECURITYHOLDERS	31
DIRECTORS, OFFICERS, AND PROMOTERS	31
EXECUTIVE COMPENSATION	40
INDEBTEDNESS OF DIRECTORS AND OFFICERS	40
INVESTOR RELATIONS ARRANGEMENTS	40
OPTIONS TO PURCHASE SECURITIES	41
ESCROWED SECURITIES	42
AUDITOR, TRANSFER AGENT AND REGISTRAR	42
PART III: GENERAL MATTERS	43
SPONSORSHIP AND AGENT RELATIONSHIP	43
EXPERTS	43
OTHER MATERIAL FACTS	43
BOARD APPROVAL	43
CERTIFICATE OF NEO BATTERY MATERIALS LTD.	44
ACKNOWLEDGEMENT – PERSONAL INFORMATION	45

LIST OF SCHEDULES

- Schedule A Interim Financial Statements for the Six Months Ended August 31, 2023**
- Schedule B Management's Discussion and Analysis for the Six Months Ended August 31, 2023**
- Schedule C Consolidated Financial Statements for the Year Ended February 28, 2023**
- Schedule D Management's Discussion and Analysis for the Year Ended February 28, 2023**
- Schedule E Consolidated Financial Statements for the Year Ended February 28, 2022**
- Schedule F Management's Discussion and Analysis for the Year Ended February 28, 2022**
- Schedule G Consolidated Financial Statements for the Year Ended February 28, 2021**
- Schedule H Management's Discussion and Analysis for the Year Ended February 28, 2021**

GLOSSARY

"**Arm's Length Transaction**" means a transaction which is not a Related Party Transaction;

"**Audit Committee**" means the audit committee of the Board;

"**Board**" means the board of directors of the Company and, upon the effect of the Transaction, the board of directors of the Resulting Issuer;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**Change of Business**" or "**Transaction**" means a transaction or series of transactions which will redirect an Issuer's resources, and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer's market value, assets or operations, or which becomes the principal enterprise of the issuer;

"**Closing**" means the closing the Change of Business Transaction by NEO Battery Materials;

"**Common Shares**", "**NEO Shares**", or "**Shares**" means the common shares in the capital of NEO Battery Materials;

"**COO**" means Chief Operating Officer;

"**CSO**" means Chief Science Officer;

"**CTO**" means Chief Technology Officer;

"**NEO Battery Materials**", "**NEO**", or the "**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"**Completion Date**" means the date of the Final Exchange Bulletin;

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange Inc.;

"**Final Exchange Bulletin**" means the bulletin issued by the Exchange following closing of the Change of Business and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the Change of Business;

"**Financing**" means the private placement of Units completed by the Company on November 24, 2023, at a price of \$0.32 per Unit for aggregate gross proceeds of \$3,643,795.20;

"**IFRS**" means International Financial Reporting Standards;

"**Insider**" if used in relation to an issuer, means: (a) a director or senior officer of the issuer; (b) a director or senior officer of the company that is an insider of subsidiary of the issuer; (c) a Person that beneficially owns

or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of an issuer; or (d) an issuer itself if it holds any of its own securities;

“**MD&A**” means management’s discussion and analysis;

“**NBMK**” means NEO Battery Materials Korea Co., Ltd., the Company’s privately owned South Korean subsidiary;

“**NEO Shareholders**” means the holders of Common Shares;

“**Person**” means a Company or individual;

“**Post-Approval Documents**” mean the documents prescribed as such in Policy 5.2 – Changes of Business and Reverse Takeovers;

“**Resulting Issuer**” means NEO Battery Materials, after completion of its Change of Business as described herein;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Stock Option Plan**” or “**SOP**” means the incentive stock option plan of NEO, as approved by the NEO Shareholders as its most recent annual general meeting, which will continue to be used as the stock option plan for the Resulting Issuer;

“**Transfer Agent**” means Odyssey Trust Company;

“**Units**” means the units sold by the Company in the Financing, with each Unit consisting of one common share of the Company and one common share purchase warrant, with each warrant exercisable at a price of \$0.75 for one additional common share of the Company for a period of 24 months from closing of the Financing; and

“**Warrants**” means the warrants to purchase Common Shares issued pursuant to the Financing.

SUMMARY OF FILING STATEMENT

As at December 27, 2023 except as otherwise indicated

The following is a summary of information relating to NEO Battery Materials Ltd. (the “Company”), (assuming completion of the Change of Business) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement (the “Filing Statement”). The Filing Statement has been prepared in accordance with TSXV Policy 5.2 – Changes of Business and Reverse Takeovers and TSXV Form 3D2 – Information Required in a Filing Statement for a Reverse Takeover or Change of Business.

In this Filing Statement, references to “**the Company**”, “**we**” and “**our**” refer to NEO Battery Materials Ltd. “**Common Shares**” means common shares without par value in the capital of the Company and “**Shareholders**” means the holders of Common Shares.

Transaction: Change of Business to a Tier 2 Industrial, Technology, and Life Sciences Issuer

NEO Battery Materials Ltd. is focused on developing and commercializing high-performance and cost-effective silicon anode active materials, named NBMSiDE[®], for high energy-capacity and ultra-fast charging lithium-ion batteries for electric vehicle (EV) and energy storage solution (ESS) applications. The Company has developed and is optimizing a single-step process technology that allows for 70% cost-effective manufacturing of silicon anode materials. NEO’s proprietary solution has a substantial opportunity in the silicon anode industry as the Company’s unparalleled manufacturing technology will enable a greater than 20% increased EV driving range, lowered cost, and ultra-fast charging capabilities for commercial lithium-ion batteries.

NEO Battery’s primary business objective is to optimize the electrochemical performance and cost-effectiveness of NBMSiDE[®] materials and manufacturing process for commercial validation in pre-A sample to A-sample lithium-ion battery cells. The Company is currently undertaking numerous material evaluation testing with global battery cell manufacturers and automotive original equipment manufacturers (OEM) to secure advanced agreements such as joint development, collaboration, and/or offtake agreements: advanced agreements are deemed integral for progression into pre-commercial-level battery cell testing and validation. Moreover, to match the needs and specifications of each individual downstream customer, the Company is advancing its efforts to expand the NBMSiDE[®] silicon anode product pipeline with multiple robust nanocoating layers that functionalize the silicon anode within the lithium-ion battery for long-term cycle life and ultra-fast charging. As the long-term objective, NEO Battery Materials intends to mass produce its materials to supply to battery cell manufacturers and automotive OEMs that plan to pursue vertically integrated battery manufacturing capabilities.

Through the South Korea subsidiary, NEO Battery Materials Korea Co., Ltd. (“NBMK”), NEO has established an R&D Scale-Up Center at Yonsei Engineering Research Park to develop, optimize, and manufacture NBMSiDE[®] materials for global battery supply chain parties. NBMK intends to relocate to an expansion R&D facility at Gyeonggi Technopark in Ansan Science Valley to accommodate upsized downstream demand for silicon anode prototypes and increase optimization productivity for commercialization efforts. NBMK operates under the management of NEO. To date, the Company has been issued and/or is pending eight intellectual property rights including patents and trademarks for its proprietary silicon anode technology.

	Name of Patent/Trademark	Patent No./ Registration No.	Registration/Application Date	Expiry Date
1	Negative electrode active material for lithium secondary battery, method of preparing the same, and lithium secondary battery comprising the same	KR 10-2014579/KR 10-2016-0004294	02/08/2021	01/13/2036
2	Three-phase Titanium dioxide nanoparticles and method of manufacturing the same	KR 10-2085756/KR 10-2018-0095980	02/08/2021	08/17/2038
3	Silicon/polymer composite nanoparticles, anode for lithium secondary battery comprising the same, and method for manufacturing the silicon/polymer composite nanoparticles	KR 10-2334001/KR 10-2020-0153827	02/08/2021	11/17/2040
4	Silicon composite for lithium secondary battery and manufacturing method thereof	KR 10-2021-0092783	07/20/2021	
5	Composite nanoparticle comprising non-carbon nanoparticle and carbonaceous layer thereon, and process of preparing the same	KR 10-2021-0135113	10/12/2021	
6	Silicon-based anode active material for lithium secondary battery and manufacturing method thereof I	KR 10-2023-0073776	06/08/2023	
7	Silicon-based anode active material for lithium secondary battery and manufacturing method thereof II	KR 10-2023-0073777	06/08/2023	
8	NBMSiDE®	KR 40-2061575	08/02/2023	

The Company's plan to advance the above venture will constitute a Change of Business under TSXV Policy 5.2. Upon completion of the Change of Business, the Resulting Issuer will be engaged solely in the business of battery materials technology and development and will be classified as a Tier 2 Industrial, Technology, and Life Sciences Issuer under the policies of the TSXV under the same name and trading symbol, "NBM".

Concurrent Financing

In connection with the COB, on November 24, 2023, the Company completed a concurrent financing by way of a non-brokered private placement pursuant to the listed issuer financing exemption under Part 5A.2 of National Instruments 45-106 – Prospectus Exemptions of 11,386,860 Units at a price of \$0.32 per Unit for

gross proceeds of \$3,643,795.20. Each Unit sold by the Company consisted of one common share of the Company and one Common Share purchase warrant, with each Warrant exercisable at a price of \$0.75 for one additional Common Share for a period of 24 months from the close of the Financing.

During the period of 24 months after the Closing Date, in the event that the daily volume-weighted average trading price (or closing bid price on days when there are no trades) of the Common Shares on the TSXV is at least \$1.00 per Common Share for a minimum of 15 consecutive trading days, the Company may issue a written notice or press release to holders of the Warrants requiring each holder to exercise the Warrants within 30 days following the date of delivery of this Warrant acceleration notice. In connection with the Offering, the Company paid to the finders: (i) an aggregate cash commission of \$9,352 CAD, and (ii) 29,225 non-transferable Warrants of the Company exercisable at any time until November 24, 2025, at an exercise price of \$0.75 CAD.

For more information, refer to “Part I: Information Concerning the Issuer – *General Development of the Business: Financing*”.

Interests of Insiders

Insiders of NEO will be treated in the same manner as all other NEO Shareholders in connection with the Change of Business. The following table summarizes the interests of insiders in NEO before and after giving effect to the Change of Business:

Pre-Transaction

Name	Relationship to the Company	Common Shares Owned or Controlled (#)	Options ⁽¹⁾ (#)	Percentage Ownership, Control, or Direction	
				Undiluted ⁽²⁾ (%)	Fully Diluted ⁽³⁾ (%)
Spencer Sung Bum Huh	Director, President and Chief Executive Officer	8,163,333	1,650,000	8.03%	8.74%
Sung Rock Hwang	Director, Chief Operating Officer, and Senior Vice President	300,000	250,000	0.29%	0.49%
Jae Ha Woo	Chief Science Officer	Nil	Nil	Nil	Nil
Nancy Xiao Nan Zhao	Chief Financial Officer and Corporate Secretary	900,000	50,000	0.88%	0.85%
Larry Okada	Independent Director	Nil	220,000	Nil	0.20%
Christopher Chung	Director, Vice President of Corporate Finance	300,000	70,000	0.29%	0.33%

Name	Relationship to the Company	Common Shares Owned or Controlled (#)	Options ⁽¹⁾ (#)	Percentage Ownership, Control, or Direction	
				Undiluted ⁽²⁾ (%)	Fully Diluted ⁽³⁾ (%)
John Kowalchuk	Independent Director	200,000	150,000	0.20%	0.31%
Roberto Fia	Independent Director	416,750	350,000	0.41%	0.68%

Notes:

- (1) Each stock option is exercisable to purchase one Common Shares. Refer to “Part I: Information Concerning the Issuer – *Stock Option Plan*” and “Part II: Information Concerning the Resulting Issuer – *Options to Purchase Securities*.”
- (2) Based on 101,720,646 Common Shares issued and outstanding as at prior to the completion of the concurrent financing.
- (3) Based on 112,232,314 Common Shares issued and outstanding on a fully diluted basis, including 101,720,646 Common Shares issued and outstanding as at prior to the completion of the concurrent financing, plus 3,720,000 Stock Options and 6,791,668 outstanding Warrants as at prior to the completion of the concurrent financing.

Post-Transaction

Name	Relationship to the Company	Common Shares Owned or Controlled (#)	Options ⁽¹⁾ (#)	Percentage Ownership, Control, or Direction	
				Undiluted ⁽²⁾ (%)	Fully Diluted ⁽³⁾ (%)
Spencer Sung Bum Huh	Director, President and Chief Executive Officer	8,163,333	1,650,000	7.22%	7.27%
Sung Rock Hwang	Director, Chief Operating Officer, and Senior Vice President	300,000	250,000	0.27%	0.41%
Jae Ha Woo	Chief Science Officer	Nil	Nil	Nil	Nil
Nancy Xiao Nan Zhao	Chief Financial Officer and Corporate Secretary	900,000	50,000	0.80%	0.70%
Larry Okada	Independent Director	Nil	220,000	Nil	0.16%

Name	Relationship to the Company	Common Shares Owned or Controlled (#)	Options ⁽¹⁾ (#)	Percentage Ownership, Control, or Direction	
				Undiluted ⁽²⁾ (%)	Fully Diluted ⁽³⁾ (%)
Christopher Chung	Director, Vice President of Corporate Finance	300,000	70,000	0.27%	0.27%
John Kowalchuk	Independent Director	200,000	150,000	0.18%	0.26%
Roberto Fia	Independent Director	416,750	350,000	0.37%	0.57%

Notes:

- (1) Each stock option is exercisable to purchase one Common Shares. Refer to “Part I: Information Concerning the Issuer – *Stock Option Plan*” and “Part II: Information Concerning the Resulting Issuer – *Options to Purchase Securities*.”
- (2) Based on 113,107,506 Common Shares issued and outstanding as at date hereof.
- (3) Based on 135,035,259 Common Shares issued and outstanding on a fully diluted basis, including 113,107,506 Common Shares issued and outstanding as at the date hereof, plus 3,720,000 Stock Options and 18,207,753 outstanding Warrants.

Arm’s Length Transaction

The Change of Business Transaction is an Arm’s Length Transaction under the policies of the TSXV.

Available Funds and Principal Purposes

The Resulting Issuer will have approximately \$3,160,146 in total funds available, which includes the net proceeds from the Financing of \$3,601,210 and the estimated consolidated working capital as at the most recent month end prior to the date of the Filing Statement.

The following table sets forth the relevant information:

Source of Funds	Available Funds Assuming Minimum Offering
Net Proceeds from Financing ⁽¹⁾	\$3,601,210
Estimated Working Capital as at Most Recent Month End	\$(441,064)
Total Available Funds	\$3,160,146

Notes:

- (1) Includes selling commissions, fees, and offering costs related to legal, accounting, and audit matters. For more information, refer to “Part I: Information Concerning the Issuer – *General Development of the Business – Financing*”.

In the twelve (12) months following the completion of the Transaction, the Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives. Use of funds will prioritize the research and development of NEO’s silicon anode materials by purchasing high-capacity manufacturing and testing equipment and by increasing the headcount of research engineers to expand overall productivity towards striking advanced agreements with global electric vehicle battery supply chain companies. The Company intends to spend the proceeds of the Financing as stated herein; however, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be deemed prudent or necessary. For more information, refer to “Part II: Information Concerning the Resulting Issuer – *Available Funds and Principal Purposes*”.

The table below sets forth the following information:

Use of Funds	Available Funds
Advancement and Development of Silicon Anode Materials for Use in Commercial Lithium-ion Batteries	\$1,128,000
General and Administrative Expenses over the Next 12 Months	\$1,897,000
Unallocated Working Capital	\$135,146
Total Available Funds	\$3,160,146

Selected Pro-Forma Financial Information

The following table contains certain pro-forma financial information regarding NEO Battery Materials Ltd. The following information should be read in conjunction with the Company’s financial statements and notes thereon included in this Filing Statement, being the audited financial statements of NEO for the years ended February 28, 2023, 2022, and 2021, which are attached as Schedules C, E, and G. All amounts are in Canadian dollars.

Balance Sheet as at February 23, 2023

Total Assets	\$ 3,127,852
Total Liabilities	\$ 179,236

Share Capital	\$ 22,838,207
Reserves	\$ 7,605,731
Accumulated Other Comprehensive Loss	\$ (213,523)
Accumulated Deficit	\$ (28,339,456)
Non-Controlling Interest	\$ 1,057,657
Total Shareholders' Equity & Liabilities	\$ 3,127,852

TSXV Listing and Trading Price

The Common Shares are listed and posted for trading on the TSXV under the symbol “NBM” and on the OTCQB Venture Market under the symbol “NBMFF”. The trading of NEO Shares was halted on September 26, 2023, in connection with the Change of Business. The closing trading price of the Common Shares on the TSXV on September 25, 2023, the date immediately preceding the trading halt, was \$0.355. The closing trading price of the Common Shares on the TSXV at the time of the trading halt was \$0.37.

Sponsorship and Agent Relationships

No Sponsor has been retained in connection with the Change of Business. The Exchange has granted an exemption from the sponsorship requirements contained in TSXV Policy 2.2. NEO Battery Materials Ltd. does not have any agent relationship at this time.

Conflicts of Interest

Certain directors and officers of NEO are also directors or officers of other companies or have significant shareholdings in other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer, and all such conflicts will be disclosed by such directors or officers in accordance with applicable laws and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Resulting Issuer are not aware of any such conflicts of interests.

For more information, refer to “Part II: Information Concerning the Resulting Issuer – *Directors, Officers, and Promoters: Conflicts of Interest*”.

Interests of Experts

The auditor of NEO Battery Materials Ltd. is DeVisser Gray LLP, located at Suite 401, 905 West Pender Street, Vancouver, BC V6C 1L6. The named expert has advised the Company that they beneficially own, directly or indirectly, less than 1% of the outstanding shares of the Company, and as a group they own less than one (1%) percent of the issued shares of the Company. Moreover, none of the foregoing experts or any of

their respective directors, officers, or employees is, or expects to be, elected, appointed, or employed as a director, officer, or employee of the Resulting Issuer or its Associates or Affiliates.

Summary of Risk Factors

There are risks associated with the completion of the Change of Business. These risks include: (i) that market reaction to the Change of Business and the future trading prices of the Common Shares cannot be predicted; (ii) uncertainty as to whether the Change of Business will have a positive impact on the business or share price of the Company; and (iii) that there is no assurance that required approvals will be received. For a comprehensive discussion of the risk factors relating to NEO Battery Materials Ltd., shareholders should carefully review the risk factors set forth under “Part I: Information Concerning the Issuer - *Risk Factors*”.

Conditional Approval of the TSXV

The Exchange has conditionally accepted the Change of Business subject to the Company fulfilling all the requirements of the Exchange.

RISK FACTORS

Shareholders should carefully consider the following risk factors in evaluating whether to approve the Change of Business. These risk factors should be considered in conjunction with the other information included in this Filing Statement.

Risks Relating to the Change of Business

There are risks associated with the Change of Business including: (i) that market reaction to the Change of Business and the future trading prices of the Shares cannot be predicted, (ii) that the Change of Business may give rise to significant adverse tax consequences to Shareholders (each Shareholder is urged to consult his or her own tax advisor), (iii) uncertainty as to whether the Change of Business will have a positive impact on the entities involved in the Change of Business, and (iv) that there is no assurance that required approvals will be received.

The completion of the Change of Business is subject to a number of conditions precedent, certain of which are outside the control of the Company. There can be no certainty, and the Company cannot provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Change of Business is not completed, the market price of the Common Shares may decline to the extent that the market price reflects the assumption that the Change of Business will be completed. If the Change of Business is not completed, and the Board decides to seek another Change of Business, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total amount invested by the Company in advancing the Change of Business.

Possible Failure to Realize Anticipated Benefits of the Change of Business

The success of the Company upon completion of the Change of Business will depend in large part on successfully commercializing the Patents and developing and expanding operations, projects, procedures and personnel in a timely and efficient manner, as well as its ability to realize the anticipated growth opportunities from the business and operations of the battery material business. The inability to achieve such growth could result in the failure of the Company to realize the anticipated benefits of the Change of Business and could impair the results of operations, profitability and financial results of the Company.

Risks Relating to the Company

Whether or not the Change of Business is completed, the Company will continue to face many risk factors that it currently faces with respect to its business and affairs. Certain of these risk factors are described under the risks sections in its management's discussions and analysis for the year ended February 28, 2023.

Inability to complete future research and development and engineering projects in a timely manner could have a material adverse effect of our results of operations, financial condition and cash flows.

If research and development projects are not completed in a timely fashion, the Company could experience:

- substantial additional cost to obtain a marketable product; and
- additional competition resulting from competitors in the surveillance and facial recognition market.

The Company could face intense competition, which could result in lower revenues and higher research and development expenditures and could adversely affect the results of operations.

Unless the Company keeps pace with changing technologies, the Company could lose existing customers and fail to win new customers. In order to compete effectively in providing battery technology solutions, the Company must continually design, develop and market new and enhanced technologies. The future success of the Company will depend, in part, upon its ability to address the changing and sophisticated needs of the marketplace.

For the market for the battery technology innovations the Company is developing, if the industry adopts test criteria that are different from internal test criteria of the Company, our competitive position would be negatively affected. Our plan to pursue sales in international markets may be limited by risks related to conditions in such markets.

If the Company is not able to adequately protect the intellectual property, then the Company may not be able to compete effectively and may not be profitable.

Commercial success may depend, in part, on obtaining and maintaining patent protection, trade secret protection and regulatory protection of our technologies and product candidates as well as successfully defending third-party challenges to such technologies and candidates. The Company will be able to protect our technologies and product candidates from use by third parties only to the extent that valid and enforceable patents, trade secrets or regulatory protection cover them and we have exclusive rights to use them. The ability of licensors, collaborators and suppliers of the Company to maintain their patent rights against third-party challenges to their validity, scope or enforceability will also play an important role in determining our future.

The copyright and patent positions of software and technology related companies can be highly uncertain and involve complex legal and factual questions that include unresolved principles and issues. No consistent policy regarding the breadth of claims allowed regarding such companies' patents has emerged to date in Korea, and the patent situation outside Korea is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in Canada, Korea or other countries may diminish the value of the Patents. Accordingly, the Company cannot predict with any certainty the range of claims that may be allowed or enforced concerning patents of the Company.

The Company may also rely on trade secrets to protect our technologies, especially where the Company does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. While the Company seeks to protect confidential information, in part, through confidentiality agreements with our consultants and scientific and other advisors, they may unintentionally or willfully disclose our information to competitors. Enforcing a claim against a third party related to the illegal acquisition and use of trade secrets

can be expensive and time consuming, and the outcome is often unpredictable. If we are not able to maintain patent or trade secret protection on our technologies and product candidates, then we may not be able to exclude competitors from developing or marketing competing products, and we may not be able to operate profitably.

If the Company is the subject of an intellectual property infringement claim, the cost of participating in any litigation could cause the Company to go out of business.

There has been, and the Company believes that there will continue to be, significant litigation and demands in the battery technology industry regarding patent and other intellectual property rights. Although the Company anticipates having a valid defense to any allegation that the Patents infringe the valid and enforceable intellectual property rights of any third parties, the Company cannot be certain that a third party will not challenge the position of the Company in the future. Other parties may own patent rights that the Company might infringe with the Patents or other activities, and our competitors or other patent holders may assert that our products and the methods that the Company employs are covered by their patents. These parties could bring claims against the Company that would cause the Company to incur substantial litigation expenses and, if successful, may require the Company to pay substantial damages. Some of the potential competitors may be better able to sustain the costs of complex patent litigation, and depending on the circumstances, the Company could be forced to stop or delay research, development, manufacturing or sales activities. Any of these costs could cause the Company to go out of business.

The Patents may become obsolete and unmarketable if the Company is unable to respond adequately to rapidly changing technology and customer demands.

The battery technology industry is characterized by rapid changes in technology and customer demands. As a result, products and software of the Company may quickly become obsolete and unmarketable. The Company's future success will depend on the ability to adapt to technological advances, anticipate customer demands, develop new products and enhance current products on a timely and cost-effective basis. Further, products and software of the Company must remain competitive with those of other companies with substantially greater resources. The Company may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products and software or enhanced versions of existing products. Also, the Company may not be able to adapt new or enhanced services to emerging industry standards, and new products and software of the Company may not be favorably received.

PART I: INFORMATION CONCERNING THE ISSUER

CORPORATE STRUCTURE

Name and Incorporation

NEO Battery Materials Ltd. (the "Company", the "Resulting Issuer", or "NEO") was incorporated pursuant to the Business Corporations Act (British Columbia). In March 2023, the Company continued into Ontario under the Business Corporations Act (R.S.O 1990, c. B.16) ("OBCA"). The head and registered office of the Company is located at 10th Floor, 4711 Yonge Street, Toronto, Ontario, Canada M2N 6K8. NEO Battery Materials is a reporting issuer in the Provinces of Ontario, British Columbia, and Alberta.

GENERAL DEVELOPMENT OF THE BUSINESS

History

NEO Battery Materials is a Toronto-based junior resource company. On February 10, 2006, NEO was incorporated under the Business Corporations Act of British Columbia 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 Exchange under the symbol "NBM". On September 3, 2021, the Company started trading on OTCQB under the symbol "NBMFF". Trading of NEO Shares was halted on September 26, 2023, in connection with the Change of Business.

As a junior resource company, the Company has had an interest in and operated the following property interests:

- (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.
- (b) *Rainbow Property, BC* - On July 10, 2015, the Company sold its 100%-owned 926-hectare Rainbow Property, situated three kilometers 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) *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.
- (d) *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.

Following the silica property stake in Golden, BC, the Company initiated strategic plans to vertically integrate into the electric vehicle ("EV") battery supply chain. Silica can be processed into silicon anodes that provide improvements in capacity, charging rate, and efficiency over current lithium-ion batteries using graphite as the anode material.

On March 8 and July 22, 2021, the Company entered into the first and second licensing agreement, respectively, with the Yonsei University-Industry Foundation (“YUIF”) for exclusive, worldwide rights to four patents related to silicon anode technology. Through internal research and development (“R&D”), NEO Battery Materials launched its first three silicon anode prototype products called NBMSiDE[®] on December 6, 2021. Manufactured through NEO’s proprietary, low-cost manufacturing technology, NBMSiDE achieved a high specific capacity of >2,500 mAh/g with a high initial coulombic efficiency (ICE) of >86%.

On January 6, 2022, to increase development pace and internalize testing capabilities, the Company established its R&D Scale-Up Centre at Yonsei Engineering Research Park (“YERP”) through NEO Battery Materials Korea Co., Ltd. (“NBMK”), NEO’s private South Korean subsidiary. On January 26, 2022, the Province of Gyeonggi approved the final site lease at the Oseong Foreign Investment Zone for land with an area of 2.5 acres for the initial phase of the NBMSiDE Commercial Plant Facility. To capitalize on commercialization and R&D efforts, NBMK received a strategic investment of ₩3 billion KRW from Automobile & PCB Inc. (“A&P”) on June 30, 2022.

In connection with the COB initiated on April 13, 2022, to pivot as a technology issuer and focus all resources on silicon anode technology R&D, the Company impaired its remaining exploration and evaluation assets during the six months ended August 31, 2022.

On April 18, 2023, NEO Battery Materials achieved a significant technological breakthrough of enabling uniform nanocoating for its silicon anode materials. This milestone extended battery capacity retention by controlling silicon’s volume expansion problem, demonstrating over a 70% improvement in cycle life. Consequently, NBMSiDE faced increased demand from global battery cell manufacturers, EV Original Equipment Manufacturers (“OEM”), and high-profile chemical material companies, leading to the first purchase order of 400 kilograms on September 5, 2023. On July 19, 2023, the Company announced to upsize the manufacturing, testing and personnel capacity by relocating to Gyeonggi Technopark (“GTP”) located in Ansan Science Valley (“ASV”).

Concurrent Financing

In connection with the COB, on November 24, 2023, the Company completed a concurrent financing by way of a non-brokered private placement pursuant to the listed issuer financing exemption under Part 5A.2 of National Instruments 45-106 – *Prospectus Exemptions* of 11,386,860 Units at a price of \$0.32 per Unit for gross proceeds of \$3,643,795.20. Each Unit sold by the Company consisted of one common share of the Company and one Common Share purchase warrant, with each Warrant exercisable at a price of \$0.75 for one additional Common Share for a period of 24 months from the close of the Financing.

During the period of 24 months after the Closing Date, in the event that the daily volume-weighted average trading price (or closing bid price on days when there are no trades) of the Common Shares on the TSXV is at least \$1.00 per Common Share for a minimum of 15 consecutive trading days, the Company may issue a written notice or press release to holders of the Warrants requiring each holder to exercise the Warrants within 30 days following the date of delivery of this Warrant acceleration notice.

In connection with the Offering, the Company paid to the finders: (i) an aggregate cash commission of \$9,352 CAD, and (ii) 29,225 non-transferable Warrants of the Company exercisable at any time until November 24, 2025, at an exercise price of \$0.75 CAD. The Company will use the proceeds of this Offering to expand the manufacturing capacity for NEO’s silicon anodes at Gyeonggi Technopark in Ansan Science Valley. The funds allocated will also be utilized to increase the headcount of research engineers to expand overall productivity toward striking advanced agreements with global EV battery supply chain parties.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Selected Information

The selected financial information has been obtained from NEO Battery Materials' audited consolidated financial statements for the fiscal years ended February 28, 2023, 2022, and 2021, and its unaudited interim financial statements for the six months ended August 31, 2023. The following information should be read in conjunction with the Company's financial statements and notes thereto, including reports on the financial statements attached to this Filing Statement at Schedules A, C, E, and G. The financial results are not indicative of the anticipated results for any other periods. The Company's audited and unaudited interim financial statements are presented in Canadian dollars and have been prepared in accordance with IFRS.

The following table sets forth the selected information of the Company for the aforementioned periods:

	Six Months Ended August 31, 2023	Year Ended February 28, 2023 (Audited)	Year Ended February 28, 2022 (Audited)	Year Ended February 28, 2021 (Audited)
Total Expenses	\$ 1,271,497	\$ 1,962,916	\$ 2,051,788	\$ 1,491,635
Amounts Deferred in Connection with the Transaction	N/A	N/A	N/A	N/A

Management's Discussion and Analysis

The MD&A in respect of the audited consolidated financial statements for the fiscal years ended February 28, 2023, 2022, and 2021, and the unaudited internal financial statements for the six months ended August 31, 2023 of the Company are attached to this Filing Statement at Schedules B, D, F, and H and should be read in conjunction with the relevant financial statements. Such financial statements have been prepared in accordance with IFRS, and all amounts included in the MD&A are expressed in Canadian dollars, unless otherwise specified.

DESCRIPTION OF THE SECURITIES

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. As at the Filing Statement Date, 113,107,506 NEO Shares were issued and outstanding as fully paid and non-assessable.

The Company has only one class of common shares, without any special rights or restrictions. All of its common shares rank equally as to voting rights, participation in the distribution of our assets on liquidation, dissolution or winding-up and the entitlement to dividends. There are no cumulative voting rights, in consequence of which a simple majority of votes at the annual meeting can elect all of the directors. The shareholders are entitled to receive notice of all meetings of shareholders and to attend and vote their common shares at such meetings. Each common share carries with it the right to one vote.

In the event of liquidation, dissolution or winding-up or other distribution of the Company's assets, the shareholders will be entitled to receive, on a pro rata basis, all of the assets remaining after the Company has

paid its liabilities. There are no sinking fund provisions. There is no set dividend rate or dividend schedule for the common shares. The Board will decide if and when dividends should be declared and paid.

The Company's common shares are not subject to any future call or assessment and there are no provisions for exchange, conversion, exercise, redemption, or retraction.

STOCK OPTION PLAN

The Company has established a stock option plan (the "**Stock Option 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 Stock Option 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 Stock Option 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 Stock Option Plan. The shares so reserved by the Board under the Stock Option Plan shall be authorized but unissued shares. Also, as at the date hereof, there are 2,695,000 outstanding Stock Options issued to directors, officers, consultants, and employees of the Company.

The exercise price of each option is set by the Board at the time of grant but cannot be less than the Discounted Market Price, as calculated pursuant to the policies of the Exchange, or such other minimum price as may be required by the Exchange. The options granted under the Stock Option Plan shall be exercisable for a maximum period of five years from the date of granting. 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 Exchange, options granted pursuant to the Stock Option 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 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.

PRIOR SALES

In the last 12 months before the date of this Filing Statement, the Company has sold the following securities:

Date	Security Description	Number of Securities Issued	Issuance or Exercise Price
February 10, 2023	Stock Options	1,300,000	\$0.40
November 24, 2023	Common Shares	11,386,860	\$0.32
November 24, 2023	Warrants	11,386,860	\$0.75

STOCK EXCHANGE PRICE

The Common Shares are listed and posted for trading on the TSXV under the symbol “NBM”, and the trading of NEO Shares was halted on September 26, 2023, in connection with the Change of Business. The following is the price range and volume traded on a monthly basis for each month of the current quarter and the immediately preceding quarter and on a quarterly basis for the preceding seven quarters on the Exchange:

Period	High Price	Low Price	Volume Traded
September 1 to September 26, 2023	0.42	0.34	6,045,614
August 1 to August 31, 2023	0.375	0.335	4,680,238
July 1 to July 31, 2023	0.40	0.33	4,414,161
June 1 to June 30, 2023	0.455	0.30	12,810,907
March 1 to May 31, 2023	0.35	0.205	10,486,059
December 1, 2022 to February 28, 2023	0.465	0.15	20,015,382
September 1 to November 30, 2022	0.22	0.12	8,144,607
June 1 to August 31, 2022	0.335	0.16	16,463,052
March 1 to May 31, 2022	0.46	0.295	29,815,565
December 1, 2021 to February 28, 2022	0.425	0.28	33,643,889
September 1 to November 30, 2021	0.93	0.35	78,608,382
June 1 to August 31, 2021	1.31	0.20	178,862,932

EXECUTIVE COMPENSATION

NEO’s Statement of Executive Compensation, in accordance with the requirements of Form 51-102F6 – *Statement of Executive Compensation* (“**Form 51-102F6**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* and Exchange Form 3D2 – *Information Required in a Filing Statement for a Reverse Takeover or Change of Business*, is set forth below, which contains information about the compensation paid to, or earned by, NEO’s Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), and each of

the other three most highly compensated executive officers of the Company regardless of the anticipated amount of their compensation (collectively, the “**Named Executive Officers**”), along with the members of the Board, during NEO’s two most recently completed financial years.

Compensation Policy

The compensation program is administered by the Board through discussion, and the Board reviews and considers compensation policies, overall compensation philosophy, total compensation packages, and bonus and stock options. The Company’s objectives regarding the compensation program are:

- (i) to ensure the compensation provided will attract and retain qualified, experienced executives;
- (ii) to align the compensation level of each executive to that executive’s level of responsibility; and
- (iii) to ensure compensation is aligned with the Company’s short-term and long-term business objectives and shareholders’ interest.

The Company’s Named Executive Officers are paid a base salary and may be paid discretionary bonuses for achieving certain corporate goals and objectives, and the Board may also, at its discretion, grant options to executives in accordance with the Stock Option Plan and the policies of the Exchange.

- The objectives of base salary are to recognize market pay and acknowledge the day-to-day duties and responsibilities. The Board recurrently considers and reviews each Named Executive Officers’ base salary with regards to the competencies, qualifications, experience, length of service, and past contributions.
- The objectives of discretionary incentive bonuses in the form of cash payments are designed to add a variable component of compensation based on corporate and individual performances. The determination of any such bonuses is based on the significance of the Company's goals or objectives for its success.
- The objectives of the stock option are to reward achievement of long-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Company.

The Company has no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm’s length services providers.

Pension Plan Benefits

The Company does not have any pension plans that provide for payments of benefits at, following or in connection with retirement or provide for retirement or deferred compensation plans for the Named Executive Officers or directors.

Summary Compensation Table for Named Executive Officers

The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, for the fiscal years ended February 28, 2023, February 28, 2022, and February 28, 2021, to the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total compensation (\$)
Spencer Sung Bum Huh <i>Director, CEO and President</i>	2023	273,826	-	-	273,826
	2022	150,000	-	-	150,000
	2021	144,000	252,560	-	396,560
Nancy Xiao Nan Zhao <i>CFO and Corporate Secretary</i>	2023	93,810	-	-	93,810
	2022	62,405	-	-	62,405
	2021	54,952	12,628	-	67,580
Sung Rock Hwang <i>Director, COO & SVP</i>	2023	38,400	-	-	38,400
	2022	35,400	-	-	35,400
	2021	24,200	63,150	-	87,350

Incentive Plan Awards for Named Executive Officers

Outstanding Option-Based Awards

The following table sets forth the options granted to the Named Executive Officers to purchase or acquire securities of the Company that remained outstanding at the end of the fiscal year ended February 28, 2023:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽¹⁾ (\$)
Spencer Sung Bum Huh	650,000	0.06	February 28, 2024	169,000
	1,000,000	0.20	February 10, 2026	120,000
Nancy Xiao Nan Zhao	50,000	0.20	February 10, 2026	6,000

Sung Rock Hwang	300,000	0.06	February 28, 2024	78,000
	250,000	0.20	February 10, 2026	30,000

Note:

(1) The closing price of the Common Shares on the Exchange on February 28, 2023 was \$0.32.

Value Vested During the Year

All option-based awards compensation paid to the Named Executive Officers have vested immediately on the date of grant during the fiscal year ended February 28, 2023.

Termination and Change of Control Benefits

The Company has an agreement with Spencer Sung Bum Huh, Director, President, and CEO. Pursuant to this agreement, in the case of termination by the Company other than for just cause, disability, or death, Spencer Sung Bum Huh is entitled to twenty-four (24) months' base salary. In the case of resignation after a Change of Control or for good reason, Mr. Huh is entitled to twenty-four (24) months' base salary. The Company may terminate the agreement without notice and without paying severance, other than the fraction of the annual salary earned by or payable to Mr. Huh by the Company during the then current fiscal year of the Company for the period to and including the date of termination, in the event of just cause. He would not be entitled to further bonus payments after termination.

Director Compensation

The following table sets forth the value of all compensation provided to the directors of the Company other than the Named Executive Officers during the fiscal year ended February 28, 2023:

Name	Fees Earned (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total compensation (\$)
Christopher Chung <i>Director</i>	-	-	-	-
Larry Okada <i>Director</i>	1,500	-	-	1,500
John Kowalchuk <i>Director</i>	1,500	-	-	1,500
Roberto Fia <i>Director</i>	-	-	-	-

Outstanding Option-Based Awards

The following table sets forth the Stock Options granted to the directors of the Company other than the Named Executive Officers to purchase or acquire securities of the Company and which remained outstanding at the end of the fiscal year ended February 28, 2023:

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options ⁽¹⁾ (\$)
John Kowalchuk	150,000	0.20	February 10, 2026	18,000
Larry Okada	150,000	0.06	February 28, 2024	39,000
	70,000	0.20	February 10, 2026	8,400
Christopher Chung	25,000	0.20	February 10, 2026	3,000
Roberto Fia	350,000	0.20	February 10, 2026	42,000

Value Vested During the Year

All option-based awards compensation paid to the directors of the Company other than the Named Executive Officers have vested immediately on the date of grant during the fiscal year ended February 28, 2023.

Management Contracts

As of the Filing Statement Date, there are no management functions of the Company or any of its subsidiaries which are to any substantial degree performed by a person or company other than the directors or senior officers of the Company or any of its subsidiaries.

NON-ARM'S LENGTH TRANSACTIONS / ARM'S LENGTH TRANSACTIONS

Non-Arm's Length Transactions

The Company has not acquired any assets or services or provision of assets or services from any Non-Arm's Length Parties within the last 24 months before the date of the Filing Statement.

Arm's Length Transactions

The proposed Transaction is an Arm's Length Transaction.

LEGAL PROCEEDINGS

The Company is unaware of pending legal proceedings to which the Company is or is likely to be a party or of which any of its assets are, or to the best of knowledge of management of Company is likely to be subject.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Auditor

The auditor of NEO Battery Materials is DeVisser Gray LLP, having an address at its Vancouver office, located at Suite 401, 905 West Pender Street, Vancouver, BC V6C 1L6.

Transfer Agent and Registrar

The Company's registrar and transfer agent is Odyssey Trust Company with offices at Suite 350 – 409 Granville Street, Vancouver, BC V6C 1T2.

MATERIAL CONTRACTS

The Company has entered into the following material contracts in regard to the proposed Change of Business:

- (1) Collaborative Development Agreement with Yonsei University
 - Dated: May 10, 2021
- (2) Two (2) Exclusive Licence Agreements with Yonsei University
 - 1st Agreement Dated: February 8, 2021
 - 2nd Agreement Dated: July 22, 2021

PART II: INFORMATION CONCERNING THE RESULTING ISSUER

CORPORATE STRUCTURE

Name and Incorporation

The Resulting Issuer, a corporation incorporated under the OBCA, will continue to operate in the name of “NEO Battery Materials Ltd.”. Upon Closing and subject to the approval of the Exchange, the Resulting Issuer will be classified as a Tier 2 Industrial, Technology, and Life Sciences Issuer for purposes of the policies of the Exchange.

The registered and head office will be located at 10th Floor, 4711 Yonge Street, Toronto, Ontario M2N 6K8.

Intercompany Relationships

The Company has one subsidiary, NBM Korea Co., Ltd. (“NBMK”), with 60% ownership, a company incorporated in the Republic of Korea.

NARRATIVE DESCRIPTION OF THE BUSINESS

Stated Business Objectives

NEO Battery Materials Ltd. is focused on developing and commercializing high-performance and cost-effective silicon anode active materials, named NBMSiDE[®], for high energy-capacity and ultra-fast charging lithium-ion batteries for electric vehicle (EV) and energy storage solution (ESS) applications. The Company has developed and is optimizing a single-step process technology that allows for 70% cost-effective manufacturing of silicon anode materials. NEO’s proprietary solution has a substantial opportunity in the silicon anode industry as the Company’s unparalleled manufacturing technology will enable a greater than 20% increased EV driving range, lowered cost, and ultra-fast charging capabilities for commercial lithium-ion batteries.

NEO Battery’s primary business objective is to optimize the electrochemical performance and cost-effectiveness of NBMSiDE[®] materials and manufacturing process for commercial validation in pre-A sample to A-sample lithium-ion battery cells. The Company is currently undertaking numerous material evaluation testing with global battery cell manufacturers and automotive original equipment manufacturers (OEM) to secure advanced agreements such as joint development, collaboration, and/or offtake agreements: advanced agreements are deemed integral for progression into pre-commercial-level battery cell testing and validation. Moreover, to match the needs and specifications of each individual downstream customer, the Company is advancing its efforts to expand the NBMSiDE[®] silicon anode product pipeline with multiple robust nanocoating layers that functionalize the silicon anode within the lithium-ion battery for long-term cycle life and ultra-fast charging.

Previously, the Company had planned to break-ground and construct Building 1 of the first NBMSiDE[®] commercial plant in South Korea as the primary business objective. After strategic consideration and evaluation of commercialization planning and risk-mitigative, capital-efficient operations, the Company has decided to hold off on commercial plant construction activities. Prioritizing NBMSiDE[®] material optimization and striking advanced agreements with global testing parties will instead accelerate commercialization timelines with lowered capital requirements and operational risk. However, as the long-term objective, NEO Battery Materials intends to mass produce its materials to supply battery cell manufacturers and automotive OEMs that plan to pursue vertically integrated battery manufacturing capabilities, intending to become one of the global top ten suppliers of silicon anode materials for the lithium-ion battery industry.

Silicon Anode Active Materials Background

Silicon has received significant attention as it stands as the sole viable alternative to graphitic carbon as the negative electrode in lithium-ion batteries in the short- to medium-term. Elemental silicon can theoretically store a capacity of >3500 mAh/g, nearly an order of magnitude higher than graphite's 372 mAh/g. Furthermore, the benefit of ultra-fast charging can combine to accelerate the adoption of electric vehicles into the mass market. However, silicon's substantial volume expansion of >300% upon lithiation or charging translates into silicon particle fracture, pulverization, and electrode delamination issues, leading to performance deterioration in the battery.

Despite the challenges, silicon anodes are recognized as an essential, mandatory innovation to accelerate the electric vehicle adoption: this material enables longer EV driving ranges and ultra-fast charging compared to existing battery technologies that use graphite as the anode material. As silicon is the only viable substitute to graphite, the global market faces a steep growth path, expanding at a compound annual growth rate of 54% to reach approximately \$30 billion USD by 2032 from a market size of \$400 million USD in 2022.

To effectively resolve silicon's volume expansion issue, the Company has implemented a nanometre-thick elastic polymer coating on to the surface of the silicon particles. The elasticity of polymer coating limits the expansion within the matrix, enabling the particle to maintain its structure for optimal battery performance. Along with the polymer coating layer, the Company retains additional nanocoating material pipelines - carbon nanotubes (CNT) and carbon coatings - to manufacture its silicon anode active materials. In December 2021, NEO Battery Materials released three products, NBMSiDE[®]-P100, NBMSiDE[®]-P200, and NBMSiDE[®]-C100, that retain different nanocoating materials and coating thickness to resolve the volume expansion problem of silicon during charging.

NBMSiDE[®] Manufacturing & Competitive Advantage

Responding to the industry demand of implementing cost-effective silicon, NEO Battery Materials is in the strategic direction towards developing silicon anode active materials through a green manufacturing process with low-cost input precursors.

NEO Battery Materials implements a simplified, single-step manufacturing process that contributes to significant cost-savings in production and overhead. Competitors currently utilize energy-intensive and high-cost engineering methods to manufacture silicon anode materials, relying on high-heat, multi-step proceeds. Consequently, these manufacturing methods preclude these companies from achieving scalability to lower downstream selling costs and transitioning into a continuous process from a batch process. By employing a room temperature and pressure system, NEO enables a 60% cost reduction on average, enabling silicon anodes to be potentially used for the mass market by battery cell manufacturers and automotive OEMs.

NEO recognizes functionalizing silicon microparticles into the anode material through inexpensive processes will be of essence and the top value proposition in the lithium-ion battery industry. As the industry keenly scopes for new options for silicon anode technology, NEO Battery Materials is aiming towards delivering the solution that provides synergy between both improving the performance of silicon in the battery and reducing the cost of the manufacturing process and silicon input feedstock.

Milestones

The milestones required to achieve the Company's primary business objective and their estimated timeframes and costs are set forth below in the table:

Milestone	Estimated Costs for Completion	Estimated Timeframe for Completion
Relocation to Gyeonggi Technopark & Expansion Equipment Installation	\$150,000	January 2024
NBMSiDE [®] Manufacturing Equipment Capital Expenditures	\$498,000	January – December 2024
Pre-A Sample Full Cell Testing Capability Expansion + Continued Product Testing & Validation	\$380,000	January – December 2024
Hiring & Compensation of Key Engineering Personnel	\$697,000	January – December 2024
New Product Development & Patent Application	\$100,000	January – December 2024
Total	\$1,825,000	

DESCRIPTION OF THE SECURITIES

The Resulting Issuer is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There are no other special rights, privileges, restrictions, and conditions attached to the Resulting Issuer Shares. For more information, refer to “Part I: Information Concerning the Issuer – *Description of the Securities*”.

PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the pro forma consolidated capitalization of the Resulting Issuer, assuming the closing of the Financing and after giving effect to the Transaction:

Designation of Security	Amount Authorized or To Be Authorized	Amount Outstanding as of the Date of this Filing Statement
Common Shares	Unlimited	113,107,506 ⁽¹⁾
Options	10% of Outstanding Common Shares	3,720,000
Warrants	Unlimited	18,207,753 ⁽²⁾

Notes:

- (1) In connection with the Change of Business, NEO completed the Financing. Each Unit consists of one Common Share at \$0.32 and one Warrant at \$0.75 with a 24-month expiry from the close of the Financing. The Company has issued 11,386,860 Common Shares for gross proceeds of \$3,643,795.20. For more information, refer to “Part I: Information Concerning the Issuer – *Financing*”.
- (2) In connection with the completion of the Financing, the Company has issued 11,386,860 Warrants plus 29,225 Finders’ Warrants.
- (3) The pro-forma accumulated deficit as at August 31, 2023 is \$29,250,641.

Fully Diluted Share Capital

The following table states the fully diluted share capital of the Resulting Issuer after giving effect to the Transaction:

Description of Security	Number of Resulting Issuer Shares	Percentage of Fully Diluted Resulting Issuer Share Capital ⁽¹⁾
Resulting Issuer Shares Prior to Financing	101,720,646	75.33%
Resulting Issuer Shares Issued Pursuant to Financing	11,386,860	8.43%
Options ⁽²⁾⁽³⁾	3,720,000	2.75%
Warrants ⁽⁴⁾	18,207,753	13.48%
Total	135,035,259	100%

Notes:

- (1) All percentages based on Total Number of Securities (Fully Diluted) figure.
- (2) For full details concerning all Stock Options for the Resulting Issuer upon completion of the Change of Business, refer to “Part II: Information Concerning the Resulting Issuer – *Options to Purchase Securities*”.
- (3) Pursuant to the Stock Option Plan, the Resulting Issuer will have reserved up to 10% of the number of Common Shares issued and outstanding for Stock Options. The terms of any future Stock Options grants are currently unknown.
- (4) Each Warrant can be exercised into one Common Shares. For more information, refer to “Part I: Information Concerning the Issuer – *Financing*”.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Funds Available

The Resulting Issuer will have approximately \$3,160,146 in total funds available, which includes the net proceeds from the Financing and the estimated consolidated working capital as at the most recent month end prior to the date of the Filing Statement.

The following table sets forth the relevant information:

Source of Funds	Available Funds Assuming Minimum Offering
Net Proceeds from Financing ⁽¹⁾	\$3,601,210
Estimated Working Capital as at Most Recent Month End	\$(441,064)
Total Available Funds	\$3,160,146

Note:

- (1) Includes selling commissions, fees, and offering costs related to legal, accounting, and audit matters. For more information, refer to “Part I: Information Concerning the Issuer – *General Development of the Business – Financing*”.

Principal Purposes of Funds

In the twelve (12) months following the completion of the Transaction, the Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives. Use of funds will prioritize the research and development of NEO’s silicon anode materials by purchasing high-capacity manufacturing and testing equipment and by increasing the headcount of research engineers to expand overall productivity towards striking advanced agreements with global electric vehicle battery supply chain companies. The Company intends to spend the proceeds of the Financing as stated herein; however, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be deemed prudent or necessary.

The table below sets forth the following information:

Use of Funds	Available Funds
Advancement and Development of Silicon Anode Materials for Use in Commercial Lithium-ion Batteries	\$1,128,000
General and Administrative Expenses over the Next 12 Months	\$1,897,000
Unallocated Working Capital	\$135,146
Total Available Funds	\$3,160,146

Dividends

It is not expected that the Resulting Issuer will declare any dividends for the foreseeable future. The Resulting Issuer will have no restrictions on paying dividends, but if the Resulting Issuer generates earnings in the

foreseeable future, it is expected that such earnings will be retained to finance growth, if any. The Board of the Resulting Issuer will determine if and when dividends should be declared and paid in the future based upon the Resulting Issuer's financial position at the relevant time. Holders of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid on the Resulting Issuer Shares.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and executive officers of the Company, as of the date of this Filing Statement and giving effect to the Financing, there will be no persons or company that beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, 10% or more of the issued and outstanding common shares of the Resulting Issuer.

DIRECTORS, OFFICERS, AND PROMOTERS

The following are the names and municipalities of residence of the individuals who will hold office as directors and officers of the Resulting Issuer upon Closing, their proposed positions and offices with the Resulting Issuer, the number and percentage of Resulting Issuer Shares that the proposed director or officer, and the Associates and Affiliates of such proposed director or officer, will own, or over which control or direction will be exercised following the Closing, the period served as a director or officer of NEO Battery Materials, and their principal occupations during the last five years.

Name of Nominee and Residence & Current Position	Principal Occupation for Previous Five Year	Director of the Company Since ⁽³⁾	Number and Percentage of Securities Beneficially Owned or Controlled
Spencer Sung Bum Huh ⁽¹⁾ Ontario, Canada <i>Director, President and Chief Executive Officer</i>	Director, President & CEO of the Company (2018 – present)	January 2018	8,163,333 Common Shares (7.22%)
Sung Rock Hwang ⁽¹⁾⁽²⁾ Seoul, South Korea <i>Director, Chief Operating Officer, and Senior Vice President</i>	President at ENP Co., Ltd. (2018 – present) COO and Senior Vice President of the Company (2021 – present)	December 2018	300,000 Common Shares (0.27%)
Jae Ha Woo ⁽¹⁾ Seoul, South Korea <i>Chief Science Officer</i>	Lead Research Engineer at Gwangju Institute of Green Car Advancement (2020 – 2022)	N/A	Nil

Name of Nominee and Residence & Current Position	Principal Occupation for Previous Five Year	Director of the Company Since ⁽³⁾	Number and Percentage of Securities Beneficially Owned or Controlled
Nancy Xiao Nan Zhao ⁽¹⁾ British Columbia, Canada <i>Chief Financial Officer and Corporate Secretary</i>	CFO of the Company (2018 – present) CFO at First Hydrogen Corp. (2021 – present) CFO at Ashanti Sankofa Inc. (2017 – 2021) CFO at Blox Inc. (2015 – 2019)	N/A	900,000 Common Shares (0.80%)
Larry Okada ⁽¹⁾⁽²⁾ British Columbia, Canada <i>Independent Director</i>	Director at EMX Royalty Corp. (2013 – present) Director at Santacruz Silver Mining Ltd. (2015 – present) Director at Forum Energy Metals Corp. (2009 – present)	March 2021	Nil
Christopher Chung ⁽¹⁾ British Columbia, Canada <i>Director, Vice President of Corporate Finance</i>	Vice President, Corporate Finance of the Company (2018 – present) Director, President, CEO & Promoter at CNJ Capital Investments Inc. (2021 – present)	September 2018	300,000 Common Shares (0.27%)
John Kowalchuk ⁽¹⁾⁽²⁾ British Columbia, Canada <i>Independent Director</i>	Senior Geologist & Consultant at Mako Mining Corp. (2009 - present) Vice President, Exploration at Fabled Copper Corp. (2017 - 2020) Director, Firestone Ventures Inc. (2005 – 2020)	May 2013	200,000 Common Shares (0.18%)

Name of Nominee and Residence & Current Position	Principal Occupation for Previous Five Year	Director of the Company Since ⁽³⁾	Number and Percentage of Securities Beneficially Owned or Controlled
Roberto Fia ⁽¹⁾ Ontario, Canada <i>Independent Director</i>	CEO and Director at Therma Bright Inc. (2009 – present) CEO and Director at City View Green Holdings Inc. (2019 – present) Co-Head Corporate Finance at Kingsdale Capital (2004 – 2019)	February 2021	416,750 Common Shares (0.37%)

Notes:

- (1) The information as to Shares beneficially owned, not being within the knowledge of the Company, has been obtained from SEDI or furnished by the proposed directors individually. Does not include Shares issuable upon exercise of options or warrants.
- (2) Member of the Audit Committee.
- (3) The term of office of each director of the Resulting Issuer will expire at the next annual general meeting of the shareholders of the Resulting Issuer.

Biographies of Management, Officers, and Directors

In addition to each member’s general business experience, the following describes the education and experience of each member that is relevant to the performance of their responsibilities:

Spencer Sung Bum Huh
Director, President and Chief Executive Officer
Age 57

Mr. Spencer Sung Bum Huh is and will remain as the Director, President, and Chief Executive Officer of NEO as a full-time consultant. Mr. Huh graduated from Korea University with a B.Ec. He is an experienced and proven financial professional with more than 25 years of financial and operational experience in Canada and South Korea. Mr. Huh began his career in 1993 as an investment advisor with Hanwha Securities in Korea and has served for 13 years as an investment advisor with BMO Nesbitt Burns and TD Canada Trust. Since 2012, Mr. Huh worked with numerous private and publicly listed companies in Korea and Canada, including mining, medical device, and high-tech companies. He has played an integral role in the establishment, acquisitions, and financing for these companies. Mr. Huh has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

Sung Rock Hwang
Director, Chief Operating Officer, and Senior Vice President
Age 61

Mr. Sung Rock Hwang is and will remain as the Director, Chief Operating Officer, and Senior Vice President of NEO. Mr. Hwang has over 30 years’ experience working for Samsung SDI, serving as the Executive Director and Chief of Purchasing, senior manager, and advisor until 2018. His responsibilities included managing the supply chain, procurement planning, and advanced business development. During his time with Samsung SDI, Mr. Hwang accumulated a vast network and information pipeline within the lithium-ion battery

industry. He has a deep understanding of business development and trade capabilities, as well a specialized knowledge in raw materials, such as cobalt, nickel, and aluminum. Mr. Hwang is currently the President of ENP Co., Ltd., a private industrial procurement company. As a consultant, Mr. Hwang will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer, and his responsibilities will involve strategic planning, business development expansion, and external affairs. Mr. Hwang has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

Jae Ha Woo, Ph.D.
Chief Science Officer
Age 44

Dr. Jae Ha Woo is and will continue to be employed as the Chief Science Officer of NEO on a full-time basis. Dr. Woo has received his Ph.D. in Mechanical Engineering from the University of Colorado Boulder and has worked as a Scientific Research Engineer at General Motors Global R&D Centre, participating in research projects on nanostructured silicon anode materials with artificial solid electrolyte interphase, lithium-ion battery performance optimization, and electrode material synthesis. Previously, Dr. Woo worked as the Lead Research Engineer at the Gwangju Institute of Green-Car Advancement. Dr. Woo is responsible for the research and development efforts of NEO's silicon anode materials to accelerate optimization and commercialization timeframes. Dr. Woo has entered into a non-competition or non-disclosure agreement with the Company.

Nancy Xiao Nan Zhao, CPA
Chief Financial Officer
Age 53

Ms. Nancy Xiao Nan Zhao is and will continue to be employed as the Chief Financial Officer of NEO. Ms. Zhao is a Chartered Professional Accountant with over 10 years' experience working with both public and private companies. Ms. Zhao has experience in accounting and finance for various industries including mining, real estate development, property management, sports entertainment, marketing, and agriculture. She is currently a Director at First Hydrogen Corp. (TSXV: FHYD), a green hydrogen production and distribution company, and was previously the Chief Financial Officer at Ashanti Sankofa Inc., a previously-traded junior resource company, and Blox Inc., a previously-traded green mining and energy company. Ms. Zhao is responsible for preparing financial statements and maintaining corporate records and will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer. Ms. Zhao has not entered into a non-competition or non-disclosure agreement with the Company, although she is subject to standard confidentiality obligations.

Larry Okada, CA
Independent Director
Age 73

Mr. Larry Okada is and will remain as a Director of NEO. Mr. Okada has been involved with several public mining companies for 36 years. He is a Chartered Accountant and has been in public practice since 1974 with extensive public finance and accounting experience with Deloitte Touche Tohmatsu LLC, Staley Okada and Partners and PricewaterhouseCoopers LLP. Mr. Okada is currently the director of EMX Royalty Corp. (TSXV: EMX), Santacruz Silver Mining Ltd. (TSXV: SCZ), and Forum Energy Metals Corp. (TSXV: FMC). Mr. Okada's role with the Resulting Issuer will be as a member of the Board of Directors, and he will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer. Mr. Okada has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

Christopher Chung
Director, VP Corporate Finance
Age 40

Mr. Christopher Chung is and will remain as the Director and Vice President of Corporate Finance of NEO. Mr. Chung received his Honors Bachelor's in Statistics and Economics at the University of Toronto and is a registrant with Canadian Securities Commissions. Mr. Chung has over 12 years of banking and wealth management experience specializing in both the private and public equities sector. Mr. Chung is currently the Director, President, CEO & Promoter at CNJ Capital Investments Inc. (TSXV: CNJ.P), a capital pool company. As a consultant, Mr. Chung will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer, and his responsibilities will involve general corporate finance and capital market affairs. Mr. Chung has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

John Kowalchuk, P.Geo.
Independent Director
Age 76

Mr. John Kowalchuk is and will remain as a Director of NEO. Mr. Kowalchuk is a professional geoscientist with the Association of Engineers and Geoscientists of British Columbia. He has over 43 years of experience developing and managing exploration projects with both senior and junior mining companies and has worked in Canada, the United States, Russia, Mexico, Chile, and Nicaragua. Mr. Kowalchuk is currently a Senior Geologist & Consultant at Mako Mining Corp. (TSXV: MKO), a junior gold exploration company, and was previously the Vice President of Exploration at Fabled Copper Corp. (TSXV: FABL), a junior copper exploration company, and the Director at Firestone Ventures Inc. (TSXV: FV.H), a previous junior mining company. Mr. Kowalchuk's role with the Resulting Issuer will be as a member of the Board of Directors, and he will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer. Mr. Kowalchuk has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

Roberto Fia, CFA
Independent Director
Age 52

Mr. Roberto Fia, CFA, is and will remain as a Director of NEO. Mr. Fia is a former investment banker who has developed a career of working with early-stage technology, medical device, mining, and oil & gas companies and with advising corporate executives on corporate finance and strategy, business development, concept creation, and corporate governance. He received his B.Comm. (Honours) degree from the I.H. Asper School of Business at the University of Manitoba and holds the Chartered Financial Analyst designation. Mr. Fia currently acts as CEO & Director of Therma Bright Inc. (TSXV: THRM), a diagnostic and medical device technologies company, and City View Green Holdings Inc. (CSE: CVGR), a cannabis-infused food company. Mr. Fia was formerly Co-Head of Corporate Finance at Kingsdale Capital Markets. Mr. Fia's role with the Resulting Issuer will be as a member of the Board of Directors, and he will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer. Mr. Fia has not entered into a non-competition or non-disclosure agreement with the Company, although he is subject to standard confidentiality obligations.

Promoter Consideration

The Resulting Issuer does not expect to have any promoters other than its directors and officers, nor has the Resulting Issuer had a promoter other than such persons within the two years immediately preceding the date of this Filing Statement. No one should be considered a promoter outside of the Board and Management of the Resulting Issuer.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth herein, no directors, officers, or promoter of the Resulting Issuer, or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, at the date of this Filing Statement, or has been, within ten years before the date of this Filing Statement, a director, officer, or promoter of any other company (including the Resulting Issuer) that:

- (a) was subject of a cease trade or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets.

Roberto Fia served as a director of Therma Bright Inc. (“THRM”) when in December 2009, cease trade orders were issued by the BCSC, the ASC and the OSC against THRM for the failure to file its financial statements and management’s discussion and analysis for the financial year ended July 31, 2010. These cease trade orders were subsequently revoked in January 2014. On December 4, 2023, a cease trade order has been issued by the OSC for not filing its financial statements and management’s discussion and analysis for the financial year end July 31, 2023, and certification of the foregoing filings. THRM will file the respective documents and request an application to revoke the cease trade order.

Penalties or Sanctions

No director, officer, or promoter of the Resulting Issuer, or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making a decision about the Transaction.

Personal Bankruptcies

No director, officer, or promoter of the Resulting Issuer, or any shareholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or any personal holding companies of the foregoing has been, within ten years before the date of this Filing Statement, a director, officer, or promoter of any other company (including the Resulting Issuer) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts of Interest

The Resulting Issuer’s directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Resulting Issuer may participate, the directors of the Resulting Issuer may have a

conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. The directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

The directors and officers of the Resulting Issuer are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest, and the Resulting Issuer will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Resulting Issuer are not aware of any such conflicts of interests.

Corporate Governance of the Resulting Issuer

The Resulting Issuer and the Board acknowledge the significance of corporate governance in efficiently managing the company and safeguarding the interests of its employees and shareholders. The Resulting Issuer's stance on crucial corporate governance matters is strategically crafted to ensure the efficient management of the company, ultimately leading to the enhancement of shareholder value. The Board carries out its responsibilities both directly and by means of its committees, convening regular meetings or scheduling meetings as needed. To facilitate the directors of the Company functioning independent of management, where appropriate, during regularly scheduled meetings, non-independent directors and members of management are excluded from certain discussions.

The Canadian Securities Administrators have adopted National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"), which provides guidance on corporate governance practices for issuers such as the Company and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by the Company of its corporate governance practices.

The Resulting Issuer Board

Upon the completion of the Transaction and the receipt of final approvals from applicable regulatory authorities including the Exchange, there will be seven directors of the Resulting Issuer. NP 58-201 states that the board of directors of every corporation should have a majority of independent directors.

Three directors of the Company are independent: Roberto Fia, Larry Okada and John Kowalchuk are considered to be independent directors since they are independent of management and free from any material relationship with the Company. The remaining directors – Spencer Sung Bum Huh, Sung Rock Hwang, and Christopher Chung – are not considered to be "independent" as a result of their current or previous position as executive officers and officers. There is one vacancy in the Resulting Issuer Board, and to comply with NP 58-201, the Company will promptly appoint an independent director following the completion of the Change of Business.

Orientation and Continuing Education

The Board has not adopted a formal policy on the orientation and continuing education of new and current directors. When a new director is appointed, the Board delegates individual directors the responsibility for providing an orientation and education program for any new director. This may be delivered through informal meetings between the new directors and the Board and senior management, complemented by presentations on the main areas of the Resulting Issuer's business. When required the Board may arrange for topical seminars to be provided to members of the Board or committees of the Board. Such seminars may be provided by one or more members of the Board and management or by external professionals.

Nomination of Directors

The Board performs the functions of a nominating committee with respect to appointment of directors. The Board believes that this is a practical approach at this stage of the Resulting Issuer's development. While there are not specific criteria for board membership, the Resulting Issuer attempts to attract and maintain directors with business knowledge, which assists in guiding management of the Resulting Issuer.

Compensation Committee

The Resulting Issuer does not have a compensation committee. The Board reviews compensation to directors and officers with respect to industry comparable and with regards to the particular circumstances of the Resulting Issuer.

Audit Committee

The Audit Committee is responsible for the Resulting Issuer's financial reporting process and the quality of its financial reporting. The Audit Committee is charged with the mandate of providing independent review and oversight of the Resulting Issuer's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Resulting Issuer's external auditors. The Audit Committee also assists the Board in fulfilling its responsibilities in reviewing the Resulting Issuer's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Audit Committee maintains effective working relationships with the Board, management, and the external auditors and monitors the independence of those auditors. The Audit Committee is also responsible for reviewing the Resulting Issuer's financial strategies, its financing plans and its use of the equity and debt markets.

Audit Committee Oversight

At no time since the commencement of the Resulting Issuer's most recently completed financial period was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

The Resulting Issuer is relying on the exemption provided in section 6.1 of MI 52-110 as the Resulting Issuer is a "venture issuer" and is exempt from the requirements of Part 5 (*Reporting Obligations*) of MI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee charter provides for the Audit Committee to establish the auditors' fees. Such fees have been based upon the complexity of the matters in question and the time incurred by the auditors. Management of the Resulting Issuer believes that the fees negotiated in the past with the auditors of the Resulting Issuer were reasonable in the circumstances and would be comparable to fees charged by other auditors providing similar services.

Other Board Committees

The only standing committee of the Board is the Audit Committee. The Board does not have any other committees. Given the size of the Resulting Issuer and the nature of its activities, the Board does not see fit at this time to create other committees.

Assessments

The Board does not have any formal policies to evaluate the effectiveness of the Board, the Audit Committee, and the individual directors. The Board may appoint a special committee of directors to evaluate the Board, its committees and assess the contribution of its individual directors and to recommend any modifications to the functioning and governance of the Board and its committees. To date, the Board has not appointed any such special committees of directors to perform such an analysis.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers, and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers, or promoters of other reporting issuers.

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	Term
Spencer Sung Bum Huh	Therma Bright Inc.	TSXV	Director	June 2018 – Present
Roberto Fia	Therma Bright Inc.	TSXV	Director & CEO	November 2009 – Present
	City View Green Holdings Inc.	CSE	Director & CEO	March 2019 – Present
Larry Okada	EMX Royalty Corp.	TSXV	Director	June 2013 – Present
	Santacruz Silver Mining Ltd.	TSXV	Director	May 2015 – Present
	Forum Energy Metals Corp.	TSXV	Director	October 2009 – Present
Christopher Chung	CNJ Capital Investments Inc.	TSXV	Director, President, CEO & Promoter	September 2021 – Present
John Kowalchuk	Firestone Ventures Inc.	TSXV	Director	September 2005 – August 2020
Nancy Xiao Nan Zhao	First Hydrogen Corp.	TSXV	Director	June 2021 - Present
	Ashanti Sankofa Inc.	TSXV	CFO	August 2017 – July 2021
	Blox Inc.	OTCQB	CFO	September 2015 – February 2019

EXECUTIVE COMPENSATION

The Resulting Issuer’s compensation practices for its Named Executive Officers are not expected to change following completion of the Transaction, although the salaries for certain Named Executive Officers may be increased to reflect increased workload and responsibilities. For more information, refer to “Part I: Information Concerning the Issuer – *Executive Compensation*”.

The following table sets forth the anticipated annual compensation of the Named Executive Officers for services in all capacities to the Resulting Issuer and its Subsidiaries for the 12-month period after giving effect to the Transaction:

Name and Principal Position	Year	Salary (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total compensation (\$)
Spencer Sung Bum Huh <i>Director, CEO & President</i>	2024	280,000	-	-	280,000
Sung Rock Hwang <i>Director, COO & SVP</i>	2024	38,400	-	-	38,400
Jae Ha Woo <i>CSO</i>	2024	75,000	-	-	75,000
Nancy Xiao Nan Zhao <i>CFO and Corporate Secretary</i>	2024	90,000	-	-	90,000

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Resulting Issuer, and no associate of any such director or officer is: (a) indebted to the Resulting Issuer or any of its subsidiaries; or (b) is indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit, or other similar arrangement of understanding provided by the Resulting Issuer or any of its subsidiaries.

INVESTOR RELATIONS ARRANGEMENTS

Generation IACP Inc.

On July 28, 2023, NEO Battery Materials Inc. and Generation IACP Inc. (“GIACP”), a body corporate having an office and carrying business at 22 St. Clair Avenue East, 18th Floor, Toronto, Ontario M4T 2S3, entered into a market-making agreement (the “GIACP Agreement”), pursuant to which GIACP shall provide to NEO market-making services, including assisting in maintaining active and orderly trading of the Common Shares, in compliance with the laws, regulations, requirements, and policies of the regulatory authorities in each province and territory of Canada as well as the policies and rules of the Exchange. In consideration for the services under the GIACP Agreement, NEO shall pay GIACP a cash fee of \$7,500 per month for an initial term of six months. GIACP and NEO are unrelated and unaffiliated entities with no relationships other than pursuant to the GIACP Agreement. GIACP is not expected to have any interest, directly or indirectly, in the Resulting Issuer; will not receive Common Shares or Stock Options as compensation; and does not have any

present intention to acquire any securities of the Resulting Issuer aside from as is necessary to perform its obligations under the GIACP Agreement. The capital used for market-making will be provided by GIACP.

Aside from the GIACP Agreement, the Resulting Issuer has not entered into any other written or oral agreement or understanding with any person or company to provide any promotional or investor relations services for the Resulting Issuer or its securities or to engage in activities for the purpose of stabilizing the market. Any such agreement or understanding that may be entered into following the Transaction will be at the determination of the Board of the Resulting Issuer.

OPTION TO PURCHASE SECURITIES

There will be no change to the total number of Stock Options to purchase securities of the Resulting Issuer after giving effect to the Transaction other than as previously indicated. For more information, refer to “Part I: Information Concerning the Issuer – *Stock Option Plan*”.

The following table sets forth the 3,720,000 outstanding Stock Options as at the date hereof, which will remain outstanding as Stock Options to purchase securities of the Resulting Issuer upon completion of the Transaction.

Position	Number of Holders of Stock Options	Number of Stock Options ⁽⁵⁾
Directors who are not also Officers	4 ⁽¹⁾	745,000
Officers	3 ⁽²⁾	1,950,000
Employees	3 ⁽³⁾	650,000
Consultants	7 ⁽⁴⁾	375,000
Others	Nil	Nil
Total	17	3,720,000

Notes:

- (1) John Kowalchuk holds 150,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026. Larry Okada holds 150,000 Stock Options with an exercise price of \$0.06 per Common Share and an expiry date of February 28, 2024, and holds 70,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026. Christopher Chung holds 25,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026. Roberto Fia holds 350,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026.
- (2) Spencer Sung Bum Huh holds 650,000 Stock Options with an exercise price of \$0.06 per Common Share and an expiry date of February 28, 2024, and holds 1,000,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026. Sung Rock Hwang holds 250,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026. Nancy Xiao Nan Zhao holds 50,000 Stock Options with an exercise price of \$0.20 per Common Share and an expiry date of February 10, 2026.
- (3) Stock Options issued to employees have exercise prices ranging from \$0.20 to \$0.40 per Common Share.

- (4) Stock Options issued to consultants have an exercise price of \$0.20 per Common Share.
(5) Each Stock Options is exercisable into one Common Share.

Stock Option Plan

Upon the effect of the Transaction, the Stock Option Plan as disclosed under “Part I: Information Concerning the Issuer – *Stock Option Plan*” will remain in effect. The shareholders of the Resulting Issuer may approve a resolution at a meeting of the shareholders of the Resulting Issuer adopting a new Stock Option Plan or amending the existing Stock Option Plan.

ESCROWED SECURITIES

Pursuant to the policies of the TSXV, the Common Shares held by “Principals” (as defined under TSXV Policy) will be subject to a Pooling Agreement for the satisfaction of requirements for TSXV Policy 5.2. It is anticipated that such Principals will include Spencer Huh and Roberto Fia in their capacities as directors and officers of the Resulting Issuer. Upon receipt of the final acceptance of the TSXV for the Change of Business, the Pooling Agreement shall terminate, and all Common Shares shall be released from the pooling arrangement created by this agreement.

Name and Municipality of Residence of Securityholders	Designation of Class	Prior to Giving Effect to the Transaction		After to Giving Effect to the Transaction	
		Number of Securities Held in Escrow	Percentage of Class	Number of Securities Held in Escrow	Percentage of Class
Spencer Sung Bum Huh	Common Shares	8,163,333	8.03%	8,163,333	7.22%
Nancy Xiao Nan Zhao	Common Shares	900,000	0.88%	900,000	0.80%
Roberto Fia	Common Shares	416,750	0.41%	416,750	0.37%

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Resulting Issuer will continue to be De Visser Gray LLP, having an address at its Vancouver office, located at Suite 401, 905 West Pender Street, Vancouver, BC V6C 1L6.

The transfer agent and registrar of the Resulting Issuer will continue to be Odyssey Trust Company with offices at Suite 350 – 409 Granville Street, Vancouver, BC V6C 1T2.

PART III: GENERAL MATTERS

SPONSORSHIP AND AGENT RELATIONSHIP

Sponsorship

No Sponsor has been retained in connection with the Change of Business. The Exchange has granted an exemption from the sponsorship requirements contained in the Sponsorship Policy.

Agent Relationships

NEO Battery Materials Ltd. does not have any agent relationship at this time.

EXPERTS

Opinions

The audited financial statements of the Company as at February 28, 2023, referred to in this Filing Statement have been so included in reliance upon the report of DeVisser Gray LLP and upon the authority of such firm as experts in accounting and auditing. DeVisser Gray LLP is independent within the meaning of the applicable rules of professional conduct in Canada.

Interest of Experts

Each of the above-named experts has advised the Company that they beneficially own, directly or indirectly, less than 1% of the outstanding shares of the Company, and as a group they own less than one (1%) percent of the issued shares of the Company. Moreover, none of the foregoing experts or any of their respective directors, officers, or employees is, or expects to be, elected, appointed, or employed as a director, officer, or employee of the Resulting Issuer or its Associates or Affiliates.

Expertised Reports

There were no independent valuations, fairness opinions, appraisals, or other expertised reports prepared to support any recommendation(s) of the Board of Directors of NEO Battery Materials Ltd. in respect of the Transaction.

OTHER MATERIAL FACTS

There are no materials facts about the Resulting Issuer or the Transaction that are not disclosed within this Filing Statement and which are necessary in order for this Filing Statement to contain full, true, and plain disclosures of all material facts relating to the Resulting Issuer assuming completion of the Transaction.

BOARD APPROVAL

The Board of Directors of NEO Battery Materials Ltd. has approved the contents of this Filing Statement.

CERTIFICATE OF NEO BATTERY MATERIALS LTD.

Dated: December 27, 2023

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of NEO Battery Materials Ltd. assuming completion of the Change of Business.

(signed) "Spencer Sung Bum Huh"

Name: Spencer Sung Bum Huh
Title: Director, President and Chief
Executive Officer

(signed) "Nancy Xiao Nan Zhao"

Name: Nancy Xiao Nan Zhao
Title: Chief Financial Officer and
Corporate Secretary

On behalf of the board of directors of NEO Battery Materials Ltd.

(signed) "Sung Rock Hwang"

Name: Sung Rock Hwang
Title: Director, Chief Operating Officer,
and Senior Vice President

(signed) "Larry Okada"

Name: Larry Okada
Title: Director

ACKNOWLEDGEMENT – PERSONAL INFORMATION

“**Personal Information**” means any information about an identifiable individual, and includes information contained in any Items in the attached filing statement that are analogous to Items 4.2, 11, 13.1, 16, 18.2, 19.2, 24, 25, 27, 32.3, 33, 34, 35, 36, 37, 38, 39, 41 and 42 of TSXV Form 3D2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to Exchange Form 3D2; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: December 27, 2023

(signed) “Spencer Sung Bum Huh”

Spencer Sung Bum Huh
Director, President and Chief
Executive Officer

SCHEDULE A
TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.

Interim Financial Statements for the Six Months Ended August 31, 2023



Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NEO Battery Materials Ltd.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in *Canadian Dollars*)

Assets	August 31, 2023	February 28, 2023
Current Assets:		
Cash and cash equivalents	\$ 504,661	\$ 1,626,408
Marketable securities (Note 4)	392	2,975
Prepaid expenses (Note 5)	87,670	99,617
Sales tax and other receivables (Note 6)	21,942	22,718
	614,665	1,751,718
Non-Current Assets:		
Tangible assets (Note 7)	633,347	554,443
Intangible assets (Note 8)	55,923	55,364
Prepaid expenses – long term (Note 5)	764,012	766,327
Right-of-use assets (Note 9)	46,021	-
Total Assets	\$ 2,113,968	\$ 3,127,852
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 360,065	\$ 179,236
Lease liabilities – current (Note 9)	23,468	-
	383,533	179,236
Lease liabilities – long term (Note 9)	22,414	-
Total Liabilities	405,947	179,236
Shareholders' Equity:		
Share capital (Note 13)	22,900,480	22,838,207
Reserves (Note 13)	7,585,458	7,605,731
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(29,250,641)	(28,339,456)
	1,021,774	1,890,959
Non-controlling interest ("NCI") (Note 3)	686,247	1,057,657
Total Shareholders' Equity	1,708,021	2,948,616
Total Liabilities and Equity	\$ 2,113,968	\$ 3,127,852

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Notes 13 and 17)

Approved by the Board of Directors on December 27, 2023:

"Spencer Sung Bum Huh", Director

"Larry Okada", Director

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

NEO Battery Materials Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the Three Months Ended August 31		For the Six Months Ended August 31,	
	2023	2022	2023	2022
Expenses				
Amortization (Notes 7, 8 & 9)	\$ 41,477	\$ 23,898	\$ 77,145	\$ 47,588
Advertising and marketing	652	5,815	14,340	29,479
Consulting and management fees (Note 14)	194,226	194,253	314,661	283,899
Corporate listing and filing fees	53,793	10,831	59,083	25,963
Investor relations	21,660	8,669	32,862	22,341
Office and general	6,327	11,560	29,229	24,683
Payroll expenses	203,435	122,371	409,564	209,803
Professional fees (Note 14)	45,310	52,085	116,352	100,328
Rent (non-lease portion)	22,480	21,974	43,254	65,357
Research and development	25,342	70,309	86,963	151,626
Sublease income	-	-	-	(5,925)
Travel	46,885	11,373	88,044	21,304
Loss from operations	(661,587)	(533,138)	(1,271,497)	(976,446)
Other income (expenses)				
Interest and miscellaneous income	270	-	753	-
Interest expense – lease (Note 9)	(599)	-	(599)	(1,857)
Impairment of E&E assets	-	(1,344)	-	(1,344)
Loss on foreign exchange	(1,086)	(33,217)	(11,249)	(52,777)
Unrealized gain (loss) on marketable securities	10	(2,176)	(2,583)	(2,833)
Write-off of debt	517	-	2,580	-
Total other income (expenses)	(888)	(36,737)	(11,098)	(58,811)
Comprehensive loss for the period	\$ (662,475)	\$ (569,875)	\$ (1,282,595)	\$ (1,035,257)
Net loss attributable to				
Controlling equity holders of the Company	(468,371)	(455,103)	(911,185)	(920,485)
Non-controlling interest (Note 3)	(194,104)	(114,772)	(371,410)	(114,772)
	(662,475)	(569,875)	(1,282,595)	(1,035,257)
Loss per share:				
Basic & Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	101,135,863	97,878,979	101,037,856	97,623,388

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

NEO Battery Materials Ltd.
Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the Six Months Ended	
	August 31, 2023	August 31, 2022
Operating Activities:		
Net loss for the period	\$ (1,282,595)	\$ (1,035,257)
Adjustment for items which do not involve cash:		
Amortization	77,145	47,588
Interest expense – lease	599	-
Impairment of E&E assets	-	1,344
Unrealized loss on marketable securities	2,583	2,833
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	180,829	(12,524)
Deposit account	-	12,597
Prepaid expenses	14,262	73,302
Sales tax and other receivables	776	(7,873)
	(1,006,401)	(917,990)
Investing Activities:		
Intangible assets	(2,461)	-
Tangible assets	(152,064)	(326,969)
Prepaid expenses - commercial plant design fees	-	(670,388)
	(154,525)	(997,357)
Financing Activities:		
Exercise of warrants	32,000	53,333
Exercise of options	10,000	4,000
Proceeds from issuance of shares of Korean subsidiary	-	2,978,822
Principal portion of lease liability	(2,821)	(12,167)
	39,179	3,023,988
Net changes in cash and cash equivalents	(1,121,747)	1,108,641
Cash and cash equivalents - beginning of the period	1,626,408	1,247,750
Cash and cash equivalents - end of the period	\$ 504,661	\$ 2,356,391

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

NEO Battery Materials Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER	ACCUMULATED	TOTAL FOR	NON- CONTROLLING	TOTAL EQUITY
	SHARES	AMOUNT		LOSS ("AOCL")	DEFICIT	OWNER	INTEREST	
		\$	\$	\$	\$	\$	\$	\$
Balance - February 28, 2022	97,525,647	22,311,985	7,792,453	(213,523)	(28,345,399)	1,545,516	-	1,545,516
Exercise of stock options	20,000	7,800	(3,800)	-	-	4,000	-	4,000
Exercise of warrants	333,332	70,566	(17,233)	-	-	53,333	-	53,333
Issuance of shares in Korea Co	-	-	-	-	1,615,500	1,615,500	1,363,322	2,978,822
Net loss for the period	-	-	-	-	(920,485)	(920,485)	(114,772)	(1,035,257)
Balance - August 31, 2022	97,878,979	22,390,351	7,771,420	(213,523)	(27,650,384)	2,297,864	1,248,550	3,546,414
Balance – February 28, 2023	100,803,979	22,838,207	7,605,731	(213,523)	(28,339,456)	1,890,959	1,057,657	2,948,616
Exercise of stock options	166,667	19,933	(9,933)	-	-	10,000	-	10,000
Exercise of warrants	200,000	42,340	(10,340)	-	-	32,000	-	32,000
Net loss for the period	-	-	-	-	(911,185)	(911,185)	(371,410)	(1,282,595)
Balance - August 31, 2023	101,170,646	22,900,480	7,585,458	(213,523)	(29,250,641)	1,021,774	686,247	1,708,021

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

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

NEO Battery Materials Ltd. (the “Company” or “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” or the “Exchange”) under the symbol “NBM”. The Company focuses on developing silicon anode materials for lithium-ion batteries in electric vehicles, electronics, and energy storage systems.

In the most recent Annual and Special Meeting dated on February 21, 2023, the Company’s shareholder approved the Continuation out of the Company from British Columbia to Ontario. The head office, principal address of the Company is located at 10th Floor - 4711 Yonge Street, Toronto, Ontario, Canada, M2N 6K8. The Company’s registered address is TD North, 77 King St W tower suite 700, Toronto, ON M5K 1G8.

On April 13, 2022, the Company commenced a “Change of Business” (the “COB”) application with the Exchange. In the past, the Company was a Vancouver-based junior resource company with exploration in North America. The Company deems that a classification to a Tier 2 Technology issuer on the Exchange instead of a junior Mineral Exploration and Mining issuer will better reflect the Company’s long-term goal and serve its shareholders’ best interests. This transition is in process and subject to Exchange acceptance as of the date of these financial statements. On November 21, 2022, the Company received conditional approval from Exchange for the proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer. On April 28, 2023, the Company was granted an extension, up to June 19, 2023, to complete the COB upon a minimum financing for gross proceeds of \$3,900,000 and the continued control of at least 51% of NBM Korea. Effective September 26, 2023, trading in shares of the Company remained halted, pending receipt and review of acceptable documentation of the COB pursuant to Policy 5.2.

The Company’s ability to continue as a going concern on the is highly dependent upon its ability to obtain the financing necessary to continue operations. The key risk to the Company’s sustainability is securing the funding for its commercial plant’s construction in the near term. The Company’s operation is highly influenced by the capital market environment, supply chain, inflation, geographic stability, and global business environment in general.

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. As at August 31, 2023, the Company had an accumulated deficit of \$29,250,641 (February 28, 2023 - \$28,339,456), a net loss for the period ended August 31, 2023 of \$1,282,595 (August 31, 2022 - \$1,035,257) and a working capital of \$231,132 (February 28, 2023 – \$1,572,482).

If the going concern assumption is not appropriate for these 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.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

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, 2023.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 25, 2023.

Basis of Presentation and Consolidation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Control is based on whether an investor has power over the investee and the ability to use its power over the investee to affect the amount of the returns.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date that the Company's interest dropped below 100% and the non-controlling interests' share of changes in equity since that date.

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 Neo Battery Material Korea Co, NEO Battery Materials America LLC, USA, Circum-Pacific Holdings Ltd., Canada, Minera Chanape SAC, Peru and Cima De Oro SAC, Peru. All significant intercompany transactions and balances have been eliminated for consolidation purpose.

The current non-controlling interest represents a 40% interest in Neo Battery Material Korea Co.

Critical Accounting Estimates

The preparation of these condensed consolidated interim 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 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.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

2. Basis of Preparation - continued

Critical Accounting Estimates - continued

- ii) The inputs used in accounting for stock-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- iii) 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.
- iv) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the period ended August 31, 2023, and have not been early adopted in preparing these condensed consolidated interim financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's condensed consolidated interim financial statements.

3. Non-controlling Interest

On July 1, 2022, Neo Battery Materials Korea Co ("Korea Co"), a wholly-owned subsidiary of the Company, entered into an Investment Agreement with Automobile & PCB Inc. ("A&P"). Under the terms of Investment Agreement, Korea Co issued 517,657 common shares to A&P at a price of \$5,796 South Korea Won ("KRW") per common share for aggregate gross proceeds of \$2,999,820,383 KRW (equivalent to CAD \$2,978,822). Upon closing of the Investment Agreement, A&P acquired 40% of the issued and outstanding common shares of Korea Co, leaving the Company with a 60% ownership interest in Korea Co on an issued and outstanding basis.

The Company controls and therefore includes the accounts of NEO Korea Co in these consolidated financial statements. A non-controlling interest ("NCI") of \$1,363,322 was recognized as being equal to 40% of the net assets of NEO Korea Co immediately after completion of the Investment Agreement. As funds are expended by NEO Korea Co, it is anticipated that losses will arise in that entity, which will reduce the collective NCI amount, recorded within equity, by its pro-rata share of such losses. The Company's share of such losses would be included within its expenses on a consolidated basis. Likewise on a consolidated basis the losses of NEO Korea Co attributable to the NCI would reduce the Company's reported loss.

As at August 31, 2023, the details of the NCI are as follows:

February 28, 2022	\$	-
Non-controlling interest in net asset given up		1,363,322
Net loss of NEO Korea Co attributable to the non-controlling interest		(305,665)
February 28, 2023		1,057,657
Net loss of NEO Korea Co attributable to the non-controlling interest		(371,410)
August 31, 2023	\$	686,247

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

4. Marketable Securities

As at August 31, 2023, marketable securities include 100,000 common shares of a publicly traded company, Pembridge Resources PLC, valued at \$392 (February 28, 2023 - \$2,975).

	August 31, 2023 (\$)	February 28, 2023 (\$)
Marketable securities – fair value	392	2,975
Marketable securities – cost	22,200	22,200

5. Prepaid Expenses

	August 31, 2023 (\$)	February 28, 2023 (\$)
Prepaid Expenses - current		
Insurance	4,489	4,516
Rent (a)	83,181	42,030
Travel	-	8,933
Vendors	-	44,138
Short-term prepaid	87,670	99,617
Prepaid Expenses – long term		
Insurance – long term (b)	24,523	26,838
Vendors (c)	739,489	739,489
Long-term prepaid	764,012	766,327
Total	851,682	865,944

(a) Includes payments made to rent a site to build the Company's commercial plant in South Korea for the period from September 1, 2023 to December 31, 2023.

(b) Includes an insurance payment made to guarantee the deposit held for building the Company's commercial plant in South Korea for the period from September 1, 2023 to February 28, 2023.

(c) Includes payments made to building and process design fees for the Company's commercial plant in South Korea, such cost will be reclassified to buildings upon the completion of the facility.

6. Sales Tax Receivables

	August 31, 2023 (\$)	February 28, 2023 (\$)
Sales tax (GST & VAT)	21,942	22,718

7. Tangible Assets – Equipment, Furniture and Vehicle

	Equipment	Furniture	Vehicle	Total
Cost:				
February 28, 2021	\$ -	\$ -	\$ -	\$ -
Additions	192,761	-	-	192,761
February 28, 2022	192,761	-	-	192,761
Additions	470,056	3,134	-	473,190
February 28, 2023	662,817	3,134	-	665,951
Additions	132,485	-	19,579	152,064
August 31, 2023	\$ 795,302	\$ 3,134	\$ 19,579	\$ 818,015

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

7. Tangible Assets – Equipment, Furniture and Vehicle - continued

Accumulated Amortization:						
February 28, 2021	\$	-	\$	-	\$	-
Additions		(12,232)		-		(12,232)
February 28, 2022		(12,232)		-		(12,232)
Additions		(98,649)		(627)		(99,276)
February 28, 2023		(110,881)		(627)		(111,508)
Additions		(71,868)		(313)		(73,160)
August 31, 2023	\$	(182,749)	\$	(940)	\$	(184,668)
Net Book Value:						
February 28, 2022	\$	180,529	\$	-	\$	-
February 28, 2023		551,936		2,507		554,443
August 31, 2023	\$	612,553	\$	2,194	\$	633,347

8. Intangible Assets

As at August 31, 2023, the Company has been issued or has pending eight intellectual property rights including patents and trademarks. For the purpose of calculating amortization, the intangible assets are being amortized over periods ranging from 15 to 17 years.

		Patents		Trademark		Total
Cost:						
February 28, 2021	\$	35,030	\$	-	\$	35,030
Additions		17,119		-		17,119
February 28, 2022		52,149		-		52,149
Additions		7,946		1,472		9,418
February 28, 2023		60,095		1,472		61,567
Additions		1,407		1,054		2,461
August 31, 2023	\$	61,502	\$	2,526	\$	64,028
Accumulated Amortization:						
February 28, 2021	\$	(515)	\$	-	\$	(515)
Additions		(2,424)		-		(2,424)
February 28, 2022		(2,939)		-		(2,939)
Additions		(3,214)		(50)		(3,264)
February 28, 2023		(6,153)		(50)		(6,203)
Additions		(1,836)		(66)		(1,902)
August 31, 2023	\$	(7,989)	\$	(116)	\$	(8,105)
Net Book Value:						
February 28, 2022	\$	49,210	\$	-	\$	49,210
February 28, 2023		53,942		1,422		55,364
August 31, 2023	\$	53,513	\$	2,410	\$	55,923

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

9. Right-of-Use Assets and Lease Liabilities

During the period ended August 31, 2023, the Company entered into an office space lease agreement, with a term of 23 months, expiring June 30, 2025. When recognizing the lease liability and corresponding right-of-use asset, the Company used an interest rate of 15% to discount the future lease payments.

Right-of-Use Assets	Office		Total
Cost			
February 28, 2023	\$	-	\$ -
Additions		48,104	48,104
August 31, 2023	\$	48,104	\$ 48,104
Accumulated Amortization			
February 28, 2023	\$	-	\$ -
Additions		(2,083)	(2,083)
August 31, 2023	\$	(2,083)	\$ (2,083)
Net Book Value			
February 28, 2023	\$	-	\$ -
August 31, 2023	\$	46,021	\$ 46,021
Lease Liabilities			
February 28, 2023	\$	-	\$ -
Addition		48,104	48,104
Lease payment made		(2,821)	(2,821)
Finance cost		599	599
August 31, 2023	\$	45,882	\$ 45,882
Current Portion	\$	23,468	\$ 23,468
Non-current Portion	\$	22,414	\$ 22,414

The Company's minimum lease payments are summarized as follows:

	As at August 31, 2023	
Less than 12 months	\$	28,780
12-23 months		23,983
Minimum lease payments		52,763
Amount representing finance charge		(6,881)
Present value of lease payments	\$	45,882

10. 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:

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

10. Financial Risk and Capital Management - continued

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, 2023, 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.

11. Financial Instruments

The three levels of the fair value hierarchy are as follows:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities in active markets;
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active market; quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- **Level 3** – Unobservable inputs which are supported by little or no market activity.

As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Cash and marketable securities are measured at fair value using Level 1 inputs. The Company's marketable securities are valued based on the closing trading price of the shares on the public stock exchange at the year-end date.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

12. Accounts Payable and Accrued Liabilities

	August 31, 2023 (\$)	February 28, 2023 (\$)
Trade payables	202,496	130,247
Accrued liabilities	157,569	48,989
Total	360,065	179,236

13. Share Capital

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

Share Issuance - Private Placements

Six Months Ended August 31, 2023

The Company did not complete any private placements during six months ended August 31, 2023.

Year Ended February 28, 2023

The Company did not complete any private placements during the year ended February 28, 2023

Share Issuance - Exercise of Warrants

Six Months Ended August 31, 2023

During the six months ended August 31, 2023, 200,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$32,000. Upon the exercise of the warrants, \$10,340 of the fair value of warrants recorded was transferred from reserves to share capital.

Year Ended February 28, 2023

During the year ended February 28, 2023, 1,399,999 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$224,000. Upon the exercise of the warrants, \$72,368 of the fair value of the warrants recorded was transferred from reserves to share capital.

Share Issuance - Exercise of Options

Six Months Ended August 31, 2023

During the six months ended August 31, 2023, 166,667 stock options were exercised at a price of \$0.06 per share for total proceeds of \$10,000. Upon the exercise of the options, \$9,933 of the fair value of the options recorded was transferred from reserves to share capital.

Year Ended February 28, 2023

During the year ended February 28, 2023, 1,858,333 and 20,000 stock options were exercised at a price of \$0.06 and \$0.20 per share, respectively, for total proceeds of \$115,500. Upon the exercise of the options, \$114,354 of the fair value of the options recorded was transferred from reserves to share capital.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

13. Share Capital – continued

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 28, 2022	8,641,667	0.16
Exercised	(1,399,999)	0.16
Balance, February 28, 2023	7,241,668	0.16
Exercised	(200,000)	0.16
Balance, August 31, 2023	7,041,668	0.16

As at August 31, 2023, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
May 4, 2024	0.16	7,041,668	0.68

(See Note 17)

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.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

13. Share Capital – continued

Stock Options - continued

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, February 28, 2022	7,265,000	0.22
Granted	1,300,000	0.40
Cancelled	(290,000)	0.49
Exercised	(1,878,333)	0.06
Balance, February 28, 2023	6,396,667	0.30
Cancelled	(600,000)	0.40
Exercised	(166,667)	0.06
Balance, August 31, 2023	5,630,000	0.30

As at August 31, 2023, outstanding stock options are as follows:

Expiry Date	Weighted Average Exercise Price (\$)	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
February 28, 2024	0.06	1,100,000	1,100,000	0.50
February 10, 2026*	0.20	2,840,000	2,840,000	2.45
May 13, 2026*	0.20	170,000	170,000	2.70
May 25, 2026	0.20	30,000	30,000	2.73
June 1, 2026	0.20	100,000	100,000	2.75
June 9, 2026*	0.33	40,000	40,000	2.78
July 30, 2026*	1.00	650,000	650,000	2.92
February 10, 2028*	0.40	700,000	-	4.45
	0.30	5,630,000	4,930,000	2.39

* Subsequent to August 31, 2023, the Company canceled the following stock options: 750,000 options set to expire on February 10, 2026; 20,000 options set to expire on May 13, 2026; 40,000 options set to expire on June 9, 2026; 600,000 options set to expire on July 30, 2026; and 200,000 options set to expire on February 10, 2028.

(See Note 17)

14. Related Party Transactions

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers, family members of officers and the entities controlled by the key management personnel.

As at August 31, 2023, there was \$112,400 (February 28, 2023 - \$Nil) due to related parties.

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2023 and August 31, 2022

(Expressed in Canadian Dollars)

14. Related Party Transactions – continued

For the six months ended August 31, 2023 and 2022, the Company paid/accrued the following amount to the officers, family members of officers and directors of the Company:

	August 31, 2023	August 31, 2022
Management fees	\$ 177,517	\$ 159,277
Professional fees	45,000	48,810
	\$ 222,517	\$ 208,087

15. Segmented Information

The Company currently operates in two geographic segments: Canada and South Korea.

	Canada (\$)	Korea (\$)	Total (\$)
Total assets	81,757	2,032,211	2,113,968
Total liabilities	322,640	83,307	405,947

16. Contingency

The Company is from time to time, involved in legal proceedings arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of the operations of the Company.

17. Subsequent Events

Subsequent to August 31, 2023:

- 250,000 warrants were exercised at a price of \$0.16 for total proceeds of \$40,000.
- 300,000 stock options were exercised at a price of \$0.06 for total proceeds of \$18,000.
- The Company completed a non-brokered private placement of 11,386,860 units at a price of \$0.32 per unit for gross proceeds of \$3,643,795. Each unit consisted of one common share and one common share warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.75 per common share for 24 months from the closing date of the private placement. In connection with the private placement, the Company paid cash commissions of \$9,352 and issued 29,225 finder's warrants entitling the holder to purchase one common share at a price of \$0.75 per common share until November 24, 2025.

SCHEDULE B
TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.

Management's Discussion and Analysis for the Six Months Ended August 31, 2023



**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Six Months Ended August 31, 2023

As at December 27, 2023

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

INTRODUCTION

The following management's discussion and analysis (MD&A) of the Company has been prepared as of December 27, 2023. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of NEO Battery Materials Ltd. ("NEO" or the "Company") and the notes thereto for the six months ended August 31, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally in the MD&A is complete and reliable. Additional information of the Company is available on SEDAR at www.sedarplus.ca and on its website at www.neobatterymaterials.com. Readers of the MD&A should be cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in the MD&A that are not historical based facts are forward-looking statements which are made subject to cautionary language on pages 13-14 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers should be cautioned not to put undue reliance on forward looking statements.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the six months ended August 31, 2023, and up to the date of the MD&A:

Corporate Updates

- On March 13, 2023, the Company incorporated its first subsidiary in US, NEO Battery Materials America, LLC, in compliance with the provisions and requirement in the State of Delaware, as part of for its US business expansion.
- From March 17-19, 2023, the Company actively participated InterBattery 2023, where it engaged in multiple meetings with local and international battery-related manufacturing and materials companies.
- On March 17, 2023, the Company made an announcement regarding the participation at its CEO, Spencer Huh, and Corporate Development Manager, Danny Huh, in the Electric Vehicle & Auto Tech Virtual Conference. The conference, presented by Maxim Group and hosted by M-Vest, was scheduled to take place on March 30, 2023.
- On April 11, 2023, the Company announced the successful completion of Request for Quote process for construction of its commercial plant.
- On May 11, 2023, the Company announced its plans to conduct additional optimized evaluations with global battery manufacturers and EV automakers.
- On May 19, 2023, the Company designated a preferred contractor for its commercial plant located in South Korea. The completion of plant is expected in the first half of 2024.
- On July 4, 2023, the Company entered Generation IACP Inc to provide market-making services. According to the term of agreement, Generation will receive \$7,500 per month, plus applicable taxes. The initial term of the agreement is 6-month, and it will be automatically renewed for subsequent 6-month period.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

- On July 5, 2023, the Company has entered into a binding agreement with a preferred contractor for the construction of its commercial plant in South Korea. The construction is expected to commence in August 2023.
- On July 13, 2023, the Company appointed Dr. Luc C. Duchesne, Ph. D., as VP of Government Relations to initiate Canada expansion strategy funded by Federal and Provincial grant and non-dilutive financing programs.
- On July 17, 2023, the Company announced it will upsize the R&D Scale-up Centre in Yonsei Engineering Research Park to accommodate the increased material evaluation pipeline with global battery cell manufacturers and EV automakers; and has hired five Ph.D. engineering professionals with expertise in lithium-ion batteries manufacturing and materials industry. The Company has applied to Gyeonggi Technopark for additional R&D manufacturing space.
- On July 24, 2023, the Company announced it has initially applied for a federal-level grant focused on EV Battery Technology for funding of CAD1.5 million for Canada expansion strategy in Canada.
- On July 27, 2023, NBM Korea Co has been selected as a recipient of the Intellectual Property Support Program administered by the Korea Invention Promotion Association. Selected among 10 IP-based companies, NBM Korea Co will receive a grant and pro-bono technology consulting to strengthen market competitiveness by implementing new R&D directions and securing indisputable patents.
- On August 16, 2023, the Company has registered the trademark NBMSiDE at Korean Intellectual Property Office under the classes of active negative polar substances for secondary cell batteries.
- On August 21, 2023, Dr. Chitral Angamma, CEO of NanoRial, was appointed to Scientific Advisory Board. The Company and NanoRial have been collaboratively developing carbon nanotube silicon anodes for EV lithium-ion batteries.
- On September 5, 2023, the Company received the 1st purchase order for 0.4 metric tons/400 kg of proprietary silicon anodes, NBMSiDE, by an Asian Chemical Materials Company. The Company plans to supply over one-year timeline, delivering gradually optimized samples.
- On September 13, 2023, the Company announced that several EV industry players including battery & automotive companies have requested NBMSiDE to conduct evaluations, and the Company is filling orders in 2-kg batches.
- On September 26, 2023, the Company announced that it has negotiated with three EV supply chain companies regarding bulk orders for NBMSiDE. Due to the demand upsurge, the Company retains sizeable orders to fill as the R&D Centre is operating at full capacity.
- On September 26, 2023, the Company announced that it is underway to form a trilateral research collaboration with a government-funded research institute and a prominent engineering university. The project will focus on a) expanding NBMSiDE performance; b) developing new silicon anode products complementary to existing portfolio, and c) securing non-dilutive financing in Korea and Canada.
- On November 3, 2023, the Company appointed Danny Huh as Senior Vice president of Strategy and Operations, Dr. Jae Ha Woo as new Chief Science Officer, and Peter Kim as a Senior Vice President of Corporate Development. And the Company accepted Dr. Jong Hyeok Park's resignation as a director of the Company.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

Change of Business (the "COB")

- On March 16, 2023, the Company was granted an extension till April 20, 2023 on the basis of a minimum financing for gross proceeds of \$3,900,000.
- On April 27, 2023, the Company was granted an extension till June 19, 2023 on the condition that the Company must continue to control NBM Korea posting-financing with a minimum of 51% interest.
- On June 30, 2023, the Company announced its intention to raise a minimum of \$3.9 million in financing in connection with COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer. The specific terms, nature and price of each unit of the financing are yet to be finalized. The net proceeds of the financing will primarily be allocated towards groundwork for the South Korean silicon anode commercial plant, material and equipment, expansion of North American R&D efforts, and general working capital purpose.
- Effective at September 26, 2023, trading in shares of the Company remains halted, pending receipt and review of acceptable documentation of COB pursuant to Policy 5.2.
- On October 10, 2023, the Company announced a non-broker private placement to issue a minimum of 12,187,500 units for gross proceeds of \$3,900,000 up to a maximum of \$5,000,000. One unit consists of one common share of the Company and one non-transferable common share warrant, with an exercise price of \$0.75 per share for a period of 24 months after the closing date of financing. The offering is expected to be completed by the end of October and will satisfy the COB minimum financing requirement by TSX Venture Exchange.

Financings during fiscal 2024

- 466,667 stock options were exercised at a price of \$0.06 per option for total proceeds of \$28,000.
- 450,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$72,000.
- The Company completed a non-brokered private placement of 11,386,860 units at a price of \$0.32 per unit for gross proceeds of \$3,643,795. Each unit consisted of one common share and one common share warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.75 per common share for 24 months from the closing date of the private placement. In connection with the private placement, the Company paid cash commissions of \$9,352 and issued 29,225 finder's warrants entitling the holder to purchase one common share at a price of \$0.75 per common share until November 24, 2025.

DESCRIPTION OF THE BUSINESS

The Company is a Canadian battery materials technology company focused on developing silicon anode materials for lithium-ion batteries in electric vehicles, electronics, and energy storage systems. With a patent-protected, low-cost manufacturing process, the Company enables longer-running and ultra-fast charging batteries compared to existing state-of-the-art technologies. To build the first commercial plant in South Korea, the Company aims to be a globally leading producer of silicon anode materials for the electric vehicle and energy storage industries. For more information, please visit the Company's website at: <https://www.neobatterymaterials.com/>.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

CHANGE OF BUSINESS APPLICATION (“COB”)

On April 13, 2022, the Company initiated a change of business application with TSX Venture Exchange (the “Exchange”). In the past, the Company operated as a junior resources company based in Vancouver, BC, Canada. Recognizing its long-term goals and the best interests of its shareholders, the Company seeks a classification as a Tier 2 Technology issuer on the Exchange, moving away from its previous junior Mineral Exploration and Mining issuer. As the date of the MD&A, the transition is still in progress and contingent upon the Exchange’s acceptance. The change of business application is presently under review by the Exchange. On November 21, 2022, the Company received conditional approval from Exchange for its proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer. Subsequently, on April 28, 2023, the Company obtained an extension until June 19, 2023, to complete the COB. The extension required the Company to secure a minimum financing of \$3,900,000 and maintain a controlling interest of at least 51% in NBM Korea. On June 30, 2023, the Company announced its intention to raise a minimum of \$3.9 million in financing as part of COB into Tier 2 Issuer. The specific terms, nature and price of each financing unit are yet to be determined. Effective at September 26, 2023, trading in shares of the Company remains halted, pending receipt and review of acceptable documentation of COB.

NBMSiDE PRODUCTS AND PURCHASE ORDER

On December 6, 2021, the Company launched its product called NBMSiDE. This product is developed using the Company’s proprietary nanocoating technology, which involves a single-step, one-pot nanocoating process. The application of this technology allows the Company to economically manufacture silicon anode active materials that are crucial in the production of electric vehicles.

The primary objective of NBMSiDE is to enhance the flexibility and specific capacity of the anode active materials, ultimately leading to increased energy density and life span of Lithium-ion battery (“LiBs”) in electric vehicles, consumer electronics, and energy storage applications. The Company has employed lean and efficient process steps in the development of this unique product, ensuring cost-effectiveness and scalability in production.

In September 2023, the Company received the 1st purchase order for 0.4 metric tons/400 kg of proprietary silicon anodes, NBMSiDE, by an Asian Chemical Materials Company. The Company plans to supply over a one-year timeline, delivering gradually optimized samples.

NBMSiDE™ SAMPLE EVALUATION PROGRESS

The Company is continuously undertaking NBMSiDE™ sample evaluation and product optimization with global battery cell manufacturers under NDAs. As different nanocoating materials, performance requirements, and silicon loadings are required, the silicon anode products are being finetuned with specifications requested from each cell manufacturer, creating lead times between delivery and performance testing. NEO Korea Co is progressing through sending optimized products for evaluation. Most recently, an initial coin cell test was completed with a non-Asia-based cell manufacturer that NEO has been engaged with for over 9 months since the NDA. Both companies have mutually agreed to advance to pouch cell testing, which is larger in capacity and format, and NEO will accordingly provide optimized silicon anode products to the manufacturer for further evaluation. Several EV industry players including battery & automotive companies have requested NBMSiDE to conduct evaluations, and the Company is filling orders in 2-kg batches.

SITE FOR COMMERCIAL PLANT – OSEONG FOREIGN INVESTMENTS ZONE

On January 26, 2022, through its Korean subsidiary, the Company received an approval from Gyeonggi-do, the largest Economic Province in South Korea, to build its commercial plant on a 10-year lease term. The site is located in Oseong Foreign Investment Zone in Gyeonggi-do and is approximately 106,700 square feet (or 2.5 acres). The Company is currently looking for a reliable partner to jointly build its commercial plant on the site to produce silicon anode of 240 metric tons per year.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

The Production Building and the Research Office Building are in the late stages of architectural design, and the associated permits will be submitted accordingly to the relevant city in December 2022. The use of the Production Building will entail the installation of future NBMSiDE™ mass production lines and utility facilities, and the Research Office Building will house the current equipment, testing facilities, and personnel of the NBM Korea Scale-Up Centre located at Yonsei University. In September 2023, the Company relocated its R&D Center to Gyeonggi Technopark.

COMMERCIAL PLANT – CONSTRUCTION PERMIT

The Company has submitted the plant's construction permit application to the City of Pyeongtaek through its South Korean subsidiary, NBM Korea. In late 2022, NEO's management and commercialization engineering team had discussed with the city's construction and relevant departments and performing the necessary due diligence and regulatory work to gain permit approval. Upon the approval of the construction permit, the initial construction process from site clearance to basic civil engineering work will be carried out sequentially.

On January 17, 2023, the Company received approval of a construction permit for Silicon Anode Commercial Plant in Oseong Foreign Investment Zone, Pyeongtaek City. In early 2023, the Company were in discussion with three contractors for request for quotation process for South Korean Commercial Plant and will select contractors based on critical procurement factors. In April 2023, the Company announced completion of Request for Quote process for its commercial plant construction. On May 19, 2023, the Company designated preferred contractor for its commercial plant located in South Korea. The plant is expected the completion by the first half of 2024. On July 5, 2023, the Company has entered into a binding agreement with a preferred contractor and expects the construction of commercial plant located in South Korea to initiate starting in August 2023.

NEO BATTERY MATERIALS KOREA CO - SHARE ISSUANCE TO AUTOMOBILE & PCB INC ("A&P")

On July 1, 2022, NBM Korea, a wholly owned subsidiary of the Company entered the Investment Agreement with A&P. Pursuant to the terms of the agreement, NBM Korea issued 517,657 common shares at a price of KRW5,796 per common share to A&P for gross proceeds of 2,999,820,383 KRW (equivalent to CAD2,978,822). As a result, A&P represents 40% of the issued and outstanding shares of NBM Korea.

According to the agreement, the proceeds shall be used for operations of NBM Korea and shall not be lent to a third party or shall not be used to purchase shares of any third party. A&P may conduct due diligence over the use of the proceeds by NBM Korea and the proceeds shall be deposited into and managed from a separate bank account of NBM Korea. Further, NBM Korea cannot transfer or collateralize any of these funds without the consent by A&P. NBM Korea cannot acquire an interest in another entity and cannot increase or decrease its capital or grant stock options to other parties. A&P is required to be consulted on the appointment or dismissal of the NBM Korea CEO.

RESULTS OF OPERATIONS

For the three-month ended August 31, 2023

Significant items that contributed to the net loss and comprehensive loss for the periods ended August 31, 2023 and August 31, 2022 were as follows:

- Advertising and marketing of \$652 (August 31, 2022- \$5,815)
- Consulting and management fees of \$194,226 (August 31, 2022- \$194,253)
- Corporate listing and filing fees \$53,793 (August 31, 2022 - \$10,831)
- Investor relation of \$21,660 (August 31, 2022- \$8,669)
- Office and general \$6,327 (August 31, 2022 - \$11,560)
- Professional fees of \$45,310 (August 31, 2022- \$52,085)
- Payroll expenses of \$203,435 (August 31, 2022- \$122,371)

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

- Research and development costs of \$25,342 (August 31, 2022- \$70,309)
- Rent \$22,480 (August 31, 2022 - \$21,974)
- Travel \$46,885 (August 31, 2022 - \$11,373)

During the three-month period ended August 31, 2023, the Company reported a net loss of \$662,475, compared to a net loss of \$569,875 for the same period in 2022. The rise in operating expenses went up to \$661,587 from \$533,138 in the previous year's quarter.

The operating expenses increased mainly due to higher payroll expenses, which increased by \$81,064. Additionally, the increase in corporate listing and filing fee by \$42,962, resulting from multiple filings related to closing the COB application. The Company incurred more in travel expenses by \$35,512 in the current quarter due to increased financing activities towards the final stage of closing the COB. Those increased costs were partially offset by the reduction in research and development expenses, which decreased by \$44,967 in the current quarter.

For the six-month ended August 31, 2023

Significant items that contributed to the net loss and comprehensive loss for the periods ended August 31, 2023, and August 31, 2022 were as follows:

- Advertising and marketing of \$14,340 (August 31, 2022- \$29,479)
- Consulting and management fees of \$314,661 (August 31, 2022- \$283,899)
- Corporate listing and filing fees \$59,083 (August 31, 2022 - \$25,963)
- Investor relation of \$32,862 (August 31, 2022- \$22,341)
- Office and general \$29,229 (August 31, 2022 - \$24,683)
- Professional fees of \$116,352 (August 31, 2022- \$100,328)
- Payroll expenses of \$409,564 (August 31, 2022- \$209,803)
- Research and development costs of \$86,963 (August 31, 2022- \$151,626)
- Rent \$43,254 (August 31, 2022 - \$65,357)
- Travel \$88,044 (August 31, 2022 - \$21,304)

During the six-month period ended August 31, 2023, the Company incurred a net loss of \$1,282,595, compared to a net loss of \$1,035,257 for the same period in 2022. The operating expenses went up to \$1,271,497 from \$976,446 in the previous period in 2022.

The rise in operating expenses is primarily attributed to elevated payroll costs, which increased by \$199,761. Additionally, consulting and management fees increased by \$30,762. These increases in costs were mainly driven by an increase in the number of employees hired and inflation-related increase in labor cost. The Company incurred higher expenses during the current period in corporate listing and filing fee of \$33,120, resulting from multiple filings related to closing the COB application. The \$66,740 increase in travel expenses was due to increased activities in the final stage of closing the COB.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2023, the Company's cash balance was \$504,661 (February 28, 2023 - \$1,626,408).

As at August 31, 2023, the Company had a working capital of \$231,132 (February 28, 2023 - \$1,572,482).

Management believes that its ability to continue as a going concern is highly dependent upon its capacity to secure equity financing. The Company's operations are significantly influenced by factors such as capital market environment, supply chain, inflation, geographic stability, and overall global business environment. Due to volatile nature of equity markets, ongoing global economic uncertainty, cost pressures and competitive international business landscape, management continually

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

evaluates emerging technologies and equity markets to maintain sufficient liquidity for supporting the company's growth strategy.

Liquidity Outlook

At present, the Company does not have any sources of generating revenues and its financial success is primarily contingent on management's capacity to advance its new nanocoating technology and secure capital through equity financing.

Several factors impact the Company's fund-raising capabilities, encompassing the overall financial market's condition, the Company's historical performance, and the experience and competence of its management team. The actual funding needs might deviate from the initial plans, primarily due to potential variations in application of the nanocoating technology. Management maintains confidence in its ability to secure the necessary equity capital and/or debt over the long term, through it acknowledges the existence of uncontrollable risks in this endeavor.

Going Concern

The condensed consolidated interim financial statements for the six months ended August 31, 2023 have been prepared based on the going-concern assumption, which means 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, has no sources of generating income, and there is no assurance that sufficient funding will be available to continue its operations. These material uncertainties may cast a significant doubt on the validity of the going concern assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain capital through the equity market. As at August 31, 2023, the Company had an accumulated deficit of \$29,250,641 (February 28, 2023 - \$28,339,456) and had a net loss of \$1,282,595 (August 31, 2022 - \$1,035,257).

If the going concern assumption was not appropriate, then financial statement adjustments would 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.

Strategy and Risk Management

The continuity of the Company's operations hinges on securing its necessary financing for research and development, as well as construction of its 1st commercial plant for 2024 and beyond. Management remains confident in its ability to secure additional capital for funding both its R&D and its administrative expenses. Although the management has successfully raised capital in the past, there is no guarantee of continued success in the future.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the previous eight quarters in Canadian dollars:

	31-Aug -23	31-May -23	28-Feb-23	30-Nov-22	31-Aug-22	31-May-22	28-Feb-22	30-Nov-21
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and Comprehensive loss	662,475	620,120	558,789	321,176	569,875	465,382	393,329	342,910
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	2,113,968	2,571,797	3,127,852	3,380,676	3,700,169	1,310,710	1,674,592	2,038,750
Equity	1,708,021	2,338,496	2,948,616	3,268,738	3,546,414	1,088,257	1,496,306	1,900,669

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

RISKS FACTORS

The Company specializes in the research and development of silicon anode active materials and nanocoating technology. The Company's products (NBMSiDE) have not been sold in large quantity and is no assurance of significant commercialization success. The timing and success of product sales and production are subject to various risks and uncertainties that can impact on the Company's profitability. Therefore, any forward-looking information is subject to both known and unknown risks and uncertainties, including, but not limited to:

- Strong competition from other companies with more extensive financial, technical, and other resources.
- Uncertainty regarding the Company's ability to obtain the necessary funding, permits, and approvals for its product commercialization, as well as potential future tax or legislative changes that could cause delays or additional expenses.
- Uncertainty regarding the Company's ability to protect its patents, technology, and other important information for the development of its business.
- Risk of its product NBMSiDE, nanocoating technology and patents becoming obsolete or unmarketable if the Company fails to adapt to changing technology and customer demands.
- Risk of confidentiality breaches despite confidentiality agreements signed with third parties, which could harm the Company's competitive position.
- Potential instability and unpredictability of world silicon prices and economic conditions, which could significantly impact the Company's operations.
- Risk of high price due to the inflation and volume volatility in Canadian and global securities markets.
- Risk of changes in accounting policies and methods affecting the Company's financial reporting.
- Risk of inadequate internal controls or failure to implement new or improved controls, which could harm the Company's results of operations or cause it to fail to meet its reporting obligations.
- Dependence on talented professionals, the ability to attract and retain key personnel, manage growth effectively, and integrate newly developed businesses or technologies.
- Dependency on the services of several key individuals, the loss of whom could significantly affect operations.
- Potential for conflicts of interest among officers and directors of the Company.
- Failure of obtaining the final approval from Exchange in Change of Business application.

RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers, family members of officers and the entities controlled by the key management personnel.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

As at August 31, 2023, there was \$112,400 (February 28, 2023 - \$Nil) due to related parties.

For the six months ended August 31, 2023 and 2022, the Company paid/accrued the following amount to the officers, family members of officers and directors of the Company:

	August 31, 2023	August 31, 2022
Management fees	\$ 177,517	\$ 159,277
Professional fees	45,000	48,810
	\$ 222,517	\$ 208,087

All amounts paid to related parties for their services have been recorded at fair value.

OUTSTANDING SHARE DATA

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

As at the date of the MD&A, there are:

- 113,107,506 common shares issued and outstanding;
- 3,720,000 stock options outstanding, of which 3,220,000 of these stock options are exercisable;
- 18,178,528 warrants outstanding and exercisable; and
- 29,225 finder's warrants outstanding and exercisable.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements for six months ended August 31, 2023.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

PRONCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

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.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, other receivables, and the short-term debt NEO deposits its cash and cash equivalents

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations. As of August 31, 2023, the Company had a working capital of \$231,132 (February 28, 2023 - working capital of \$1,572,482). Further information relating to liquidity risk is disclosed in Note 10 of the Company's condensed consolidated interim financial statements for the six months ended August 31, 2023.

Interest Rate Risk

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

MANAGEMENT OF CAPITAL

In the management of capital, the Company considers cash, working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of silicon anode materials for lithium-ion batteries. The Board of Directors has not established quantitative capital structure and criteria management but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.
- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.
- There were no changes in the Company's approach to capital management for the six months ended August 31, 2023 compared to the year ended February 28, 2023. The Company is not subject to externally imposed capital requirements.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the information provided in the MD&A and the condensed consolidated interim financial statements for the six months ended August 31, 2023.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's reporting standards.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Neo Battery's general and administrative expenses and research and development costs is provided in the Company's six months ended August 31, 2023, statement of operations contained in its condensed consolidated interim financial statements for the six months ended August 31, 2023. These statements are available on its SEDAR Page Site accessed through www.sedarplus.ca.

DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that require to be disclosed.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the condensed consolidated interim financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This MD&A includes "forward-looking information" or "forward-looking statements" as defined by applicable securities laws. The purpose of including forward-looking statements is to provide information about the current expectations and plans of management, enabling investors and others to gain a better understanding of the Company's business plans, financial performance, and condition.

All statements in this MD&A, except for statements of historical fact, pertaining to the Company's strategy, future operations, financial position, prospects, plans, and management's objectives, are considered forward-looking statements. These statements are typically identified by words such as "plan," "expect," "estimate," "intend," "anticipate," "target", "believe," or variations thereof, as well as statements indicating that certain actions, events, or results "may," "could," "would," "might," or "will" be taken, occur, or be achieved. Specifically, this MD&A contains forward-looking statements related to the Company's intentions concerning its business and operations, its expectations regarding capital raising and business growth, its growth strategy and opportunities, anticipated industry trends and challenges, the perceived value and potential of the Company's patents, trademark, permit, preliminary feasibility studies and other development study results, budgets, strategic plans, market price for silicon anode materials, permitting and other timelines, as well as government regulations and relations.

Forward-looking information is based on certain assumptions and other important factors that, if untrue, could significantly impact the Company's actual results, performance, or achievements in comparison to future results, performance, or achievements expressed or implied by such information or statements. There is no guarantee that such information or statements will prove to be accurate. Key assumptions underlying the Company's forward-looking information include its ability to raise additional financing when needed and on reasonable terms, achieve current development, and other objectives regarding its nanocoating technology, and demand for NBMSiDE and other products, obtain necessary licenses and governmental approvals, attract and retain key personnel, as well as general business and economic conditions, including competitive conditions in the Company's market.

Readers are cautioned that the above list does not cover all factors and assumptions that may have been utilized. Additionally, forward-looking statements are subject to various risks and uncertainties that could have a significant adverse effect on the Company's business, financial condition, results of operations, and growth prospects. Some of the risks and uncertainties that could cause actual results to differ materially from the expressed forward-looking statements include revenue generation and future capital requirements, short or medium-term profitability, risks related to nano coating technology development, construction of plant, and operating costs, the Company's dependence on the success of the anode commercial plant in South Korea, challenges in funding and construction the plant, obtaining resources from governmental authorities, compliance with environmental and safety regulations, access to equipment, maintenance, reliance on key personnel and business relationships, growth strategy, obtaining insurance, occupational health and safety risks, adverse publicity, third-party risks, disruptions to business operations, reliance on technology and information systems, litigation risks, tax risks, unforeseen expenses, public health crises, climate change, general economic conditions, commodity prices and exchange rate risks, lithium demand, share price volatility, public company obligations, competition risk, dividend policy, policies and legislation, force majeure, and technological changes.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Six Months Ended August 31, 2023

While the Company believes that its expectations are based on reasonable assumptions and has made efforts to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that result in actions, events, or results not meeting the anticipated, estimated, or intended outcomes. Therefore, these risks should be carefully considered, although they are not exhaustive. If any of these risks or uncertainties materialize, actual results may vary materially from those anticipated in the forward-looking statements provided herein. Due to the inherent risks, uncertainties, and assumptions associated with forward-looking statements, readers should exercise caution and avoid undue reliance on them.

The forward-looking statements in this document are presented to assist investors in understanding the Company's expected financial and operational performance and results as of the periods covered in the Company's plans and objectives. They may not be suitable for other purposes. The assumptions mentioned above and described in greater detail in the "Risk Factors" section of this MD&A should be carefully considered by readers.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law. The Company qualifies all of its forward-looking statements with these cautionary statements.

ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDARPLUS at www.sedarplus.ca or by contacting the Company at 10th Floor - 4711 Yonge Street, Vancouver, Toronto, Ontario, Canada, M2N 6K8, Tel: (647) 809-9378.

SCHEDULE C

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Consolidated Financial Statements for the Year Ended February 28, 2023



Audited Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NEO Battery Materials Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NEO Battery Material Ltd. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company continues to incur operating losses with no source of operating cash flow and is dependent upon equity financing to continue its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis" but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is James Roxburgh.

The image shows a handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Vancouver, BC, Canada
June 26, 2023

NEO Battery Materials Ltd.
Consolidated Statements of Financial Position
(Expressed in *Canadian Dollars*)

Assets	February 28, 2023	February 28, 2022
		<i>(Note 4)</i>
Current Assets:		
Cash	\$ 1,626,408	\$ 1,247,750
Marketable securities (Note 6)	2,975	7,910
Prepaid expenses (Note 7)	99,617	161,865
Sales tax and other receivables (Note 8)	22,718	21,423
	1,751,718	1,438,948
Non-Current Assets:		
Deposits	-	12,597
Equipment and furniture (Note 10)	554,443	180,529
Exploration and evaluation assets (Note 9)	-	1,344
Intangible assets (Note 11)	55,364	49,210
Prepaid expenses – long term (Note 7)	766,327	31,212
Right-of-use asset (Note 15)	-	9,962
Total Assets	\$ 3,127,852	\$ 1,723,802
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 14)	\$ 179,236	\$ 166,119
Lease liability – current portion (Note 15)	-	12,167
Total Liabilities	179,236	178,286
Shareholders' Equity:		
Share capital (Note 16)	22,838,207	22,311,985
Reserves (Note 16)	7,605,731	7,792,453
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(28,339,456)	(28,345,399)
	1,890,959	1,545,516
Non-controlling interest ("NCI") (Note 5)	1,057,657	-
Total Shareholders' Equity	2,948,616	1,545,516
Total Liabilities and Shareholders' Equity	\$ 3,127,852	\$ 1,723,802

Nature of Operations and Going Concern (Note 1)

Contingency (Note 20)

Subsequent Events (Note 21)

Approved by the Board of Directors on June 26, 2023:

"Spencer Sung Bum Huh" , Director

"Larry Okada" , Director

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

NEO Battery Materials Ltd.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2023	February 28, 2022
Expenses		<i>(Note 4)</i>
Amortization (Note 10 & 11)	\$ 102,540	\$ 14,656
Amortization of ROU asset (Note 15)	9,962	59,771
Advertising and marketing	46,664	127,502
Consulting and management fees (Note 17)	470,177	439,400
Corporate listing and filing fees	50,921	91,227
Exploration and evaluation expenditure	-	12,690
Investor relations	48,602	92,895
Office and general	49,393	48,409
Payroll expenses	489,558	45,563
Professional fees (Note 17)	241,864	180,068
Rent	109,579	118,167
Research and development	304,527	132,713
Stock-based compensation (Note 16)	-	683,248
Sublease income	(5,925)	(49,321)
Travel	45,054	40,105
Loss from operations	1,962,916	2,037,093
Other expenses (income)		
Write-off of debt	-	(65,845)
Impairment of E&E assets (Note 9)	1,344	-
Interest and miscellaneous income	(770)	(80)
Interest expense – lease liability (Notes 15)	1,856	12,464
Interest expense – loan	-	68,810
Loss (gain) on foreign exchange	(55,059)	7,723
Unrealized loss on marketable securities (Note 6)	4,935	4,514
Total other expense (income)	(47,694)	27,586
Net loss and comprehensive loss for the year	\$ 1,915,222	\$ 2,064,679
Net loss contributable to		
Controlling equity holders of the Company	1,609,557	2,064,679
Non-controlling interest (Note 5)	305,665	-
	1,915,222	2,064,679
Loss per share – basic and diluted	\$ 0.02	\$ 0.02
Weighted average number of common shares outstanding	98,324,449	87,949,916

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

NEO Battery Materials Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2023	February 28, 2022
Operating Activities:		<i>(Note 4)</i>
Net loss for the year	\$ (1,915,222)	\$ (2,064,679)
Adjustment for items which do not involve cash:		
Amortization	102,540	14,656
Amortization of ROU asset	9,962	59,771
Impairment of E&E assets	1,344	-
Unrealized loss on marketable securities	4,935	4,514
Write-off of debt	-	(65,845)
Stock-based compensation	-	683,248
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	19,796	9,218
Deposit	12,597	-
Loan interest	-	68,810
Prepaid expenses	(404)	(177,055)
Sales tax and other receivables	(1,295)	(13,052)
	(1,765,747)	(1,480,414)
Investing Activities:		
Additions to equipment and furniture	(479,869)	(177,463)
Additions to intangible assets	(9,418)	(17,119)
Prepaid expenses – commercial plant design fees	(672,463)	-
	(1,161,750)	(194,582)
Financing Activities:		
Exercise of warrants	224,000	1,660,000
Exercise of options	115,500	46,000
Proceeds from issuance of shares of Korean subsidiary	2,978,822	-
Office lease payment	(12,167)	(70,926)
Private placement	-	2,057,000
Private placement – share issue costs	-	(11,035)
Repayment of short-term loans and interest	-	(1,359,169)
Repayment of share subscriptions	-	(25,000)
	3,306,155	2,296,870
Net changes in cash and cash equivalents	378,658	621,874
Cash and cash equivalents - beginning of the year	1,247,750	625,876
Cash and cash equivalents - end of the year	\$ 1,626,408	\$ 1,247,750
Non-cash Activities:		
Equipment in accounts payable and accrued liabilities	\$ 8,619	\$ 15,298

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

NEO Battery Materials Ltd.

Consolidated Statements of Changes in Equity (Deficiency)
For the year ended February 28, 2023 and February 28, 2022
(Expressed in Canadian Dollars)

	SHARE CAPITAL		SHARE		ACCUMULATED		TOTAL FOR	NON-	
	SHARES	AMOUNT	SUBSCRIPTIONS	RESERVES	OTHER	ACCUMULATED	OWNER	CONTROLLING	TOTAL EQUITY
			RECEIVED		LOSS ("AOCL")	DEFICIT		INTEREST	
Balance - February 28, 2021	70,233,980	18,935,514	25,000	6,733,711	(213,523)	(26,315,235)	(834,533)	-	(834,533)
Impact of change in accounting policy (Note 4)	-	-	-	-	-	34,515	34,515	-	34,515
Restated Balance - February 28, 2021	70,233,980	18,935,514	25,000	6,733,711	(213,523)	(26,280,720)	(800,018)	-	(800,018)
Repayment – share subscription	-	-	(25,000)	-	-	-	(25,000)	-	(25,000)
Share issued – private placement	17,141,667	1,159,965	-	886,000	-	-	2,045,965	-	2,045,965
Stock-based compensation	-	-	-	683,248	-	-	683,248	-	683,248
Exercise of stock options	650,000	91,166	-	(45,166)	-	-	46,000	-	46,000
Exercise of warrants	9,500,000	2,125,340	-	(465,340)	-	-	1,660,000	-	1,660,000
Net loss for the year	-	-	-	-	-	(2,064,679)	(2,064,679)	-	(2,064,679)
Balance - February 28, 2022	97,525,647	22,311,985	-	7,792,453	(213,523)	(28,345,399)	1,545,516	-	1,545,516
Balance – February 28, 2022	97,525,647	22,311,985	-	7,792,453	(213,523)	(28,394,609)	1,496,306	-	1,496,306
Impact of change in accounting policy (Note 4)	-	-	-	-	-	49,210	49,210	-	49,210
Restated Balance - February 28, 2022	97,525,647	22,311,985	-	7,792,453	(213,523)	(28,345,399)	1,545,516	-	1,545,516
Exercise of warrants (Note 16)	1,399,999	296,368	-	(72,368)	-	-	224,000	-	224,000
Exercise of stock options (Note 16)	1,878,333	229,854	-	(114,354)	-	-	115,500	-	115,500
Issuance of shares in Korea Co (Note 5)	-	-	-	-	-	1,615,500	1,615,500	1,363,322	2,978,822
Net loss for the year	-	-	-	-	-	(1,609,557)	(1,609,557)	(305,665)	(1,915,222)
Balance - February 28, 2023	100,803,979	22,838,207	-	7,605,731	(213,523)	(28,339,456)	1,890,959	1,057,657	2,948,616

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

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

NEO Battery Materials Ltd. (the “Company” or “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” or the “Exchange”) under the symbol “NBM”. The head office, principal address of the Company is located at 10th Floor – 4711 Yonge Street, Toronto, Ontario, Canada, M2N 6K8. The Company’s registered address is TD North, 77 King St W tower suite 700, Toronto, ON M5K 1G8.

The Company’s shareholder approved the Continuation out of the Company from British Columbia to Ontario in the most recent Annual and Special Meeting dated on February 21, 2023. On April 13, 2022, the Company commenced a “Change of Business” (the “COB”) application with the Exchange. In the past, the Company was a Vancouver-based junior resource company with exploration in North America. The Company deems that a classification to a Tier 2 Technology issuer on the Exchange instead of a junior Mineral Exploration and Mining issuer will better reflect the Company’s long-term goal and serve its shareholders’ best interests. This transition is in process and subject to Exchange acceptance as of the date of these financial statements. On November 21, 2022, the Company received conditional approval from Exchange for proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer. On April 28, 2023, the Company was granted extension until June 19, 2023 to complete the COB upon the minimum financing for gross proceeds of \$3,900,000 and continuing to control at least 51% NBM Korea.

The Company’s ability to continue as a going concern on the is highly dependent upon its ability to obtain the financing necessary to continue operations. The key risk to the Company’s sustainability is securing the funding for its commercial plant’s construction in the near term. The Company’s operation is highly influenced by the capital market environment, supply chain, inflation, geographic stability, and global business environment in general.

These consolidated 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. As at February 28, 2023, the Company had an accumulated deficit of \$28,339,456 (February 28, 2022 - \$28,345,399), a net loss for the year ended February 28, 2023 of \$1,915,222 (February 28, 2022 - \$2,064,679) and a working capital of \$1,572,482 (February 28, 2022 – \$1,260,662).

If the going concern assumption is not appropriate for these 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

2. Basis of Preparation – continued

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Control is based on whether an investor has power over an investee and the ability to use its power over the investee to affect the amounts of the returns.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date that the Company's interest dropped below 100% and the non-controlling interests' share of changes in equity since that date.

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

The current non-controlling interest represents a 40% interest in Neo Battery Material Korea Co (Note 5).

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 stock-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.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are as follows:

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Short-term Investments

The Company classifies all its investments with maturities of less than one year as short-term investments.

Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

As at February 28, 2023, the calculation of any possible asset retirement obligation is not considered material.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Impairment of Non-Current Assets

The Company follows the guidance in IFRS 6 – Exploration for and Evaluation of Mineral Resources to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not lead to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the consolidated financial statements.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and net accumulated impairment losses. The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual depreciation rates are as follows:

Laboratory equipment & furniture	20 %
Right-of-use assets	Over the terms of leases

Intangible Assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values, and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

The patents classified as intangible assets are being amortized over their useful lives, being 16 or 17 years.

The trademark classified as an intangible asset is being amortized over its useful life, being 15 years.

Indefinite life intangible assets are measured at cost less any impairment charges. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that the intangible assets may be impaired.

Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from private placements are allocated between shares and warrants issued according to their relative fair value.

Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

Foreign Currency Translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the Canadian (“Cdn”) Dollar. The transactions of foreign subsidiaries of the Company are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate prevailing at the statement of financial position date;
- non-monetary assets and liabilities at the applicable historical exchange rates; and
- revenues and expenses at the average rate of exchange for the period.

Exchange gains and losses arising from the conversion of foreign currency balances and transactions are reported in profit or loss as they occur.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2023 and February 28, 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Financial Instruments

The following is the Company's accounting policy for financial instruments:

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial instruments are classified and subsequently measured as follows:

<u>Financial assets/liabilities</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

(b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the periods in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in Other Comprehensive Income ("OCI") are reclassified to profit or loss.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2023 and February 28, 2022
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

Financial Instruments – continued

(b) Measurement – continued

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(d) De-recognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are recognized in profit or loss.

IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

IFRS 16 – Leases - *continued*

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has recognized a lease liability related to its lease commitment for its office lease. The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at the date of entry into a lease agreement. The associated right-of-use assets will be measured at the lease liabilities amount.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Research and Development

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended February 28, 2023 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's consolidated financial statements.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

4. Change in Accounting Policy

The Company is applying a change to its accounting policy relating to the treatment of license fees under IAS 38 *Intangible Assets*. The Company had previously expensed as incurred. The Company has adopted the policy, as outlined in Note 3 – Significant Accounting Policies above, to capitalize the license and patents registration fees. The Company had previously expensed these fees on the statement of loss and comprehensive loss.

With the change, the Company aims to improve its financial communication by providing more reliable, clear and relevant information regarding the Company's intangible assets to its peers in the industry. The following summarizes the impact of the change in accounting policy on the financial statement line items impacted in these financial statements:

Consolidated Statement of Financial Position as at February 28, 2022:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Intangible Assets	-	49,210	49,210
Total Assets	1,674,592	49,210	1,723,802
Deficit	(28,394,609)	49,210	(28,345,399)
Shareholders' Equity	1,496,306	49,210	1,545,516
Total Liabilities and Shareholders' Equity	1,674,592	49,210	1,723,802

Consolidated Statement of Loss and Comprehensive Loss for the year ended February 28, 2022:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Amortization	12,232	2,424	14,656
License fees	10,000	(10,000)	-
Professional fees	187,187	(7,119)	180,068

Consolidated Statement of Cash Flow for the year ended February 28, 2022:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Net loss for the year ended February 28, 2022	(2,079,374)	14,695	(2,064,679)
Amortization	12,232	2,424	14,656
Cash used in operating activities	(1,497,533)	17,119	(1,480,414)
Cash used in investing activities	(177,463)	(17,119)	(194,582)

Consolidated Statement of Change in Equity for the year ended February 28, 2022:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Deficit, as at February 28, 2021	(26,315,235)	34,515	(26,280,720)
Total Shareholders' Equity, as at February 28, 2021	(834,533)	34,515	(800,018)
Net Loss for the year ended February 28, 2022	(2,079,374)	14,695	(2,064,679)
Deficit, as at February 28, 2022	(28,394,609)	49,210	(28,345,399)
Total Shareholders' Equity, as at February 28, 2022	1,496,306	49,210	1,545,516

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

5. Non-controlling Interest

On July 1, 2022, Neo Battery Materials Korea Co (“Korea Co”), a wholly-owned subsidiary of the Company, entered into an Investment Agreement with Automobile & PCB Inc. (“A&P”). Under the terms of Investment Agreement, Korea Co issued 517,657 common shares to A&P at a price of \$5,796 South Korea Won (“KRW”) per common share for aggregate gross proceeds of \$2,999,820,383 KRW (equivalent to CAD \$2,978,822). Upon closing of the Investment Agreement, A&P acquired 40% of the issued and outstanding common shares of Korea Co, leaving the Company with a 60% ownership interest in Korea Co on an issued and outstanding basis.

The Company controls and therefore includes the accounts of NEO Korea Co in these consolidated financial statements. A non-controlling interest (“NCI”) of \$1,363,322 was recognized as being equal to 40% of the net assets of NEO Korea Co immediately after completion of the Investment Agreement. As funds are expended by NEO Korea Co, it is anticipated that losses will arise in that entity, which will reduce the collective NCI amount, recorded within equity, by its pro-rata share of such losses. The Company’s share of such losses would be included within its expenses on a consolidated basis. Likewise on a consolidated basis the losses of NEO Korea Co attributable to the NCI would reduce the Company’s reported loss.

As at February 28, 2023, the details of the NCI are as follows:

Non-controlling interest in net asset given up	\$	1,363,322
Net loss of NEO Korea Co attributable to the non-controlling interest		(305,665)
Non-controlling interest as at February 28, 2023	\$	1,057,657

6. Marketable Securities

As at February 28, 2023, marketable securities include 100,000 common shares of a publicly traded company, Pembridge Resources PLC, valued at \$2,975 (2022 - \$7,910).

	February 28, 2023 (\$)	February 28, 2022 (\$)
Marketable securities – fair value	2,975	7,910
Marketable securities – cost	22,200	22,200

7. Prepaid Expenses

	February 28, 2023 (\$)	February 28, 2022 (\$)
Prepaid Expenses - current		
Insurance	4,516	4,579
Rent (a)	42,030	43,736
Travel	8,933	10,550
Vendors	44,138	103,000
Short-term prepaid	99,617	161,865
Prepaid Expenses – long term		
Insurance (b)	26,838	31,212
Vendors (c)	739,489	-
Long-term prepaid	766,327	31,212
Total	865,944	193,077

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

7. Prepaid Expenses – continued

- (a) Includes payments made to rent a site to build the Company's commercial plant in South Korea for the period from March 1, 2023 to December 31, 2023.
- (b) Includes an insurance payment made to guarantee the deposit held for building the Company's commercial plant in South Korea for the period from March 1, 2023 to February 28, 2022.
- (c) Includes payments made to building and process design fees for the Company's commercial plant in South Korea. Such costs will be reclassified to buildings upon the completion of the facility.

8. Sales Tax and Other Receivables

	February 28, 2023 (\$)	February 28, 2022 (\$)
Sales tax (GST & VAT)	22,718	21,423

9. Exploration and Evaluation Assets and Expenditures

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

	February 28, 2023 (\$)	February 28, 2022 (\$)
Beginning of the year	1,344	1,344
Impairment	(1,344)	-
Carrying value – end of the year	-	1,344

In connection with the COB, the Company impaired its remaining exploration and evaluation assets during the year ended February 28, 2023.

10. Equipment and Furniture

	Equipment		Furniture		Total
Cost:					
February 28, 2021	\$	-	\$	-	-
Additions		192,761		-	192,761
February 28, 2022		192,761		-	192,761
Additions		470,056		3,134	473,190
February 28, 2023	\$	662,817	\$	3,134	\$ 665,951
Accumulated Amortization:					
February 28, 2021	\$	-	-	\$	-
Additions		(12,232)		-	(12,232)
February 28, 2022		(12,232)		-	(12,232)
Additions		(98,649)		(627)	(99,276)
February 28, 2023	\$	(110,881)	\$	(627)	\$ (111,508)
Net Book Value:					
February 28, 2022		180,529		-	180,529
February 28, 2023	\$	551,936	\$	2,507	\$ 554,443

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

11. Intangible Assets

Patents

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the “First Agreement”) to obtain exclusive rights to use the three patents owned by Yonsei. Under the terms of the First Agreement, the Company paid an initial license fee of \$35,030 during the year ended February 28, 2021. The remaining license fee of \$267,887 will be due upon the first sale of the product produced based on the use of the patents.

On July 22, 2021, the Company entered into a second Exclusive License Agreement with Yonsei (the “Second Agreement”) to obtain exclusive rights to use a separate patent owned by Yonsei. Under the term of the Second Agreement, the Company paid an initial license fee of \$10,000 during the year ended February 28, 2022. The remaining license fee of \$40,000 will be due upon the first sale of the product produced based on the use of the patent.

The Company incurred \$7,946 of registration fees, documentation fees and other professional fees associated with patent registration during the year ended February 28, 2023 (2022 - \$7,119).

Trademark

During the year ended February 28, 2023, the Company filed a trademark, known as NBMSiDE, with the Korean Intellectual Property Office and incurred an application fee of \$1,472.

As at February 28, 2023, intangible assets include one trademark, three registered patents and two patents pending registration. For the purpose of calculating amortization, all of the patents have an expiry date of February 8, 2038.

The net book value of the Company’s intangible assets is as follows:

		Patents		Trademark		Total
Cost:						
February 28, 2021	\$	35,030	\$	-	\$	35,030
Additions		17,119		-		17,119
February 28, 2022		52,149		-		52,149
Additions		7,946		1,472		9,418
February 28, 2023	\$	60,095	\$	1,472	\$	61,567
Accumulated Amortization:						
February 28, 2021	\$	(515)	\$	-	\$	(515)
Additions		(2,424)		-		(2,424)
February 28, 2022		(2,939)		-		(2,939)
Additions		(3,214)		(50)		(3,264)
February 28, 2023	\$	(6,153)	\$	(50)	\$	(6,203)
Net Book Value:						
February 28, 2022	\$	49,210	\$	-	\$	49,210
February 28, 2023	\$	53,942	\$	1,422	\$	55,364

(see Note 4)

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

12. 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 February 28, 2023, 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.

13. Financial Instruments

The three levels of the fair value hierarchy are as follows:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities in active markets;

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

13. Financial Instruments – continued

- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active market; quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- **Level 3** – Unobservable inputs which are supported by little or no market activity.

As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Cash and marketable securities are measured at fair value using Level 1 inputs. The Company's marketable securities are valued based on the closing trading price of the shares on public stock exchange at the year-end date.

14. Accounts Payable and Accrued Liabilities

	February 28, 2023 (\$)	February 28, 2022 (\$)
Trade payables	130,247	149,639
Accrued liabilities	48,989	16,480
Total	179,236	166,119

15. Right-Of-Use Asset & Lease Liability

The Company had an office lease for the period from May 1, 2019 to April 30, 2022. Minimum annual commitments for basic rent, excluding additional operating costs, were as follows:

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

(a) Right-of-use asset

As at February 28, 2023 and February 28, 2022, the Company recorded a right-of-use asset for its office lease as follows:

	February 28, 2023 (\$)	February 28, 2022 (\$)
Opening balance	9,962	69,733
Amortization	(9,962)	(59,771)
Ending balance	-	9,962

(b) Lease liability

Minimum lease payment in respect of the office lease liability and the effect of discounting as at February 28, 2023 and February 28, 2022 are as follows:

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

15. Right-Of-Use Asset & Lease Liability – continued

	February 28, 2023	February 28, 2022
	\$	\$
Undiscounted minimum lease payment:		
Less than one year	-	13,992
More than one year	-	-
Total undiscounted minimum lease payment	-	13,992
Effect of discounting	-	(1,825)
Present value of minimum lease payment	-	12,167
Less: current portion	-	(12,167)
Long-term portion	-	-

(c) Lease liability continuity

The net changes in the Company's lease liability during the years ended February 28, 2023 and February 28, 2022 are as follows:

	February 28, 2023	February 28, 2022
	(\$)	(\$)
Beginning balance	12,167	83,093
Principal payments	(12,167)	(70,926)
Ending balance	-	12,167

(d) Lease liability interest and sublease income

During the year ended February 28, 2023, the Company recorded \$1,856 (2022 - \$12,464) of interest expense on the lease liability and received \$5,925 (2022 - \$49,321) of sublease income.

16. Share Capital

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

Share Issuance - Private Placements

Year Ended February 28, 2023

The Company did not complete any private placements during the year ended February 28, 2023.

Year Ended February 28, 2022

On May 4, 2021, the Company completed 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 consisted 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 for 36 months from the closing date of the private placement. Under the fair value method, \$886,000 of the proceeds were allocated to the warrants. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 0.49% risk-free interest rate, 3 years of expected life, 218% volatility and 0% dividend rate.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2023 and February 28, 2022
(Expressed in Canadian Dollars)

16. Share Capital - continued

Share Issuance - Exercise of warrants

Year Ended February 28, 2023

During the year ended February 28, 2023, 1,399,999 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$224,000. Upon the exercise of the warrants, \$72,368 of the fair value of the warrants recorded was transferred from reserves to share capital.

Year Ended February 28, 2022

During the year ended February 28, 2022, 1,000,000 and 8,500,000 warrants were exercised at a price of \$0.30 and \$0.16 per warrant, respectively, for total proceeds of \$1,660,000. Upon the exercise of the warrants, \$465,340 of the fair value of the warrants recorded was transferred from reserves to share capital.

Share Issuance - Exercise of options

Year Ended February 28, 2023

During the year ended February 28, 2023, 1,858,333 and 20,000 stock options were exercised at a price of \$0.06 and \$0.20 per share, respectively, for total proceeds of \$115,500. Upon the exercise of the options, \$114,354 of the fair value of the options recorded was transferred from reserves to share capital.

Year Ended February 28, 2022

For the year ended February 28, 2022, 600,000 and 50,000 stock options were exercised at a price of \$0.06 and \$0.20 per share, respectively, for total proceeds of \$46,000. Upon the exercise of the options, \$45,166 of the fair value of the options recorded was transferred from reserves to share capital.

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2021	4,500,000	0.30
Issued	17,141,667	0.16
Exercised	(9,500,000)	0.17
Expired	(3,500,000)	0.30
Balance, February 28, 2022	8,641,667	0.16
Exercised	(1,399,999)	0.16
Balance, February 28, 2023	7,241,668	0.16

As at February 28, 2023, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
May 4, 2024	0.16	7,214,668	1.18

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

16. Share Capital - continued

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.

Stock Options Granted

During the year ended February 28, 2023, the Company granted 1,300,000 stock options to employees in South Korea. The options are exercisable at a price of \$0.40 per option and expire on February 10, 2028. The options vest over a period of five years, with 20% vesting on the first anniversary of the date of grant, and a further 20% vesting on each anniversary thereafter. The Company measured the total fair value of these options at \$372,790 using the Black-Scholes Option Pricing Model based on the assumptions provided in the table below.

During the year ended February 28, 2022, the Company granted 1,350,000 stock options to a director and certain consultants of the Company. The options have a weighted average exercise price of \$0.65 and vested immediately on the date of grant. The Company measured the total fair value of these options at \$683,248 using the Black-Scholes Option Pricing Model based on the assumptions provided in the table below.

	2023	2022
Risk-free interest rate	3.17%	0.83% - 0.94%
Expected life	5 years	5 years
Volatility	135.87%	157.43% - 161.79%
Expected dividend yield	Nil	Nil

During the year ended February 28, 2023, the Company recorded stock-based compensation of \$Nil (2022 - \$683,248).

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

16. Share Capital - continued

Stock Options – continued

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, February 28, 2021	6,505,000	0.12
Granted	1,350,000	0.65
Corrected (cancelled by error)	150,000	0.06
Exercised	(650,000)	0.07
Cancelled	(90,000)	0.20
Balance, February 28, 2022	7,265,000	0.22
Granted	1,300,000	0.40
Cancelled	(290,000)	0.49
Exercised	(1,878,333)	0.06
Balance, February 28, 2023	6,396,667	0.30

As at February 28, 2023, stock options outstanding and exercisable are as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
March 21, 2023	\$0.06	141,667	141,667	0.06
February 28, 2024	\$0.06	1,125,000	1,125,000	1.00
February 10, 2026	\$0.20	2,840,000	2,840,000	2.95
May 13, 2026	\$0.20	170,000	170,000	3.21
May 25, 2026	\$0.20	30,000	30,000	3.24
June 1, 2026	\$0.20	100,000	100,000	3.26
June 9, 2026	\$0.33	40,000	40,000	3.28
July 30, 2026	\$1.00	650,000	650,000	3.42
February 10, 2028	\$0.40	1,300,000	-	4.95
	\$0.30	6,396,667	5,096,667	3.01

17. Related Party Transactions

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers, and the entities controlled by the key management personnel.

As at February 28, 2023 and 2022, there were no balances due to related parties.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

17. Related Party Transactions – continued

During the years ended February 28, 2023 and 2022, the Company paid the following amounts to the officers and directors of the Company:

	February 28, 2023	February 28, 2022
Project related expenditure	\$ -	\$ 12,690
Management fees	315,226	197,900
Professional fees	93,810	62,405
Stock based compensation	-	448,753
	\$ 409,036	\$ 721,748

18. Segmented Information

The Company operates in two geographic segments: Canada and South Korea.

	Canada (\$)	Korea (\$)	Total (\$)
Total assets	234,092	2,893,760	3,127,852
Total liabilities	165,448	13,788	179,236

19. Income Tax

A reconciliation of the provision for income taxes is as follows:

	February 28, 2023	February 28, 2022
Loss before income taxes	\$ (1,915,222)	\$ (2,079,374)
Statutory tax rates	27.00%	27.00%
Expected income tax recovery	(495,213)	(557,949)
Non-deductible expenses and other items	8,277	165,405
Change in deferred tax assets	486,936	392,544
Income tax recovery	\$ -	\$ -

The Company's deferred tax assets and liabilities are as follows:

	February 28, 2023	February 28, 2022
Non-capital loss carry-forwards	\$ 3,808,750	\$ 3,295,138
Financing costs	14,100	18,802
Equipment and other	43,893	62,804
Exploration and evaluation assets	1,139,102	1,142,165
Unrecognized deferred tax asset	(5,005,845)	(4,518,909)
Deferred income tax asset (liability)	\$ -	\$ -

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2023 and February 28, 2022

(Expressed in Canadian Dollars)

19. Income Tax – continued

As at February 28, 2023, the Company has accumulated non-capital losses for Canadian income tax purposes totaling approximately \$12,856,000 (2022 - \$11,976,000). The losses expire in the following periods:

2006	2026	\$	14,000
2007	2027		437,000
2008	2028		1,085,000
2009	2029		744,000
2010	2030		707,000
2011	2031		872,000
2012	2032		972,000
2013	2033		769,000
2014	2034		614,000
2015	2035		250,000
2016	2036		300,000
2017	2037		738,000
2018	2038		492,000
2019	2039		639,000
2020	2040		1,102,000
2021	2041		864,000
2022	2042		1,391,000
2023	2043		866,000
		<u>\$</u>	<u>12,856,000</u>

20. Contingency

The Company is from time to time, involved in legal proceedings arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of the operations of the Company.

21. Subsequent Events

Subsequent to February 28, 2023:

- 166,667 stock options were exercised at a price of \$0.06 per option for total proceeds of \$10,000.
- 200,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$32,000.

SCHEDULE D

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Management's Discussion and Analysis for the Year Ended February 28, 2023



**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Year Ended February 28, 2023

As at June 26, 2023

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

INTRODUCTION

The following management's discussion and analysis (the "MD&A") of NEO Battery Materials Ltd. ("the Company" or "NEO") has been prepared as of June 26, 2023. The MD&A should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the year ended February 28, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally in the MD&A is complete and reliable. Additional information of the Company is available on SEDAR at www.sedar.com and on its website at www.neobatterymaterials.com. Readers of the MD&A should be cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in the MD&A that are not historical based facts are forward looking statements which are made subject to cautionary language on pages 13 and 14 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers should be cautioned not to put undue reliance on forward looking statements.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the year ended February 28, 2023, and up to the date of the MD&A:

Corporate Updates

- On March 8, 2022, the Company completed a contract for its commercial plant's construction, design and permits with architectural firm. Additionally, the Company secured the engineering design contract for the NBMSiDE commercial plant.
- From March 17-19, 2022, the Company attended InterBattery 2022 and held numerous meetings with battery-related manufacturing and materials companies locally and internationally.
- On May 4, 2022, the Company present its electric vehicle silicon anode commercialization plan at the 2022 Annual Japan & Korea Pitch Session.
- On May 30, 2022, NBM Korea Co., ("Korea Co") the Company's subsidiary signed a Memorandum of Understanding ("MOU") with the Province of Gyeonggi. Korea Co will initially invest over the next 5 years, 24 billion KRW or CAD25 million to support the construction and expansion of silicon anode commercial plant located on a 107k sq. ft site in Oseong Foreign Investment Complex, Pyeongtaek City, Gyeonggi-do.
- In June 2022, the Company entered a Collaboration Agreement with ("CA") with Applied Carbon Nano Technology Ltd ("ACN"). The Company and ACN will cooperate in research and development of carbon nanotube coating technology for silicon anode materials.
- In August 2022, the Company has initiated the detailed design of the commercial manufacturing process, and equipment with long lead times are being concurrently procured through the selection of verified manufacturers.
- In August 2022, the Company has filed the key silicon anode technology patent to the World Intellectual Property Organization ("WIPO") to bolster NEO's international patent portfolio.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

- On September 6, 2022, the Company provided the updates that it will retain the capability to product its own coin full cells within the R&D Scale-up Centre; on-going sample evaluation and optimization with battery cell manufacturers, new CNT-based silicon anode material product development, and collaborative agreement with Yonsei University-industry Foundation.
- On October 21, 2022, the Company provided the updates that it has installed equipment for agile optimization of mass production process and products, new and additional materials evaluation for further-optimized silicon anode products, additional product series development with graphite and CNT, late stage of commercial plant design and permit submission timeline and recent corporate development activities.
- On November 30, 2022, the Company through its subsidiary NBM Korea Co, has submitted the construction permit application for Silicon Anode Commercial Plant to Pyeongtaek City, Gyeonggi Province.
- On December 29, 2022, the Company signed a memorandum of understanding (MOU) with an Asia-based producer of high-purity silicon powder through recycling silicon byproduct waste from solar photovoltaic cell and semiconductor manufacturing.
- On January 17, 2023, the Company received approval of construction permit for Silicon Anode Commercial Plant in Oseong Foreign Investment Zone, Pyeongtaek City.
- On February 10, 2023, the Company granted 1,300,000 stock options to the employees in its subsidiary NBM Korea Co at a price of \$0.40 with a 5-year term.
- On February 13, 2023, the Company signed Collaboration Agreement with NanoRial Technologies Ltd., a developer of Well Dispersed Cargon Nanotubes ("CNT") for lithium-ion battery performance improvement.
- On February 21, 2023, the Company held the Annual General and Special Meetings of Shareholders. All proposed agenda items including Change of Business ("COB") and re-domiciliation from British Columbia to Ontario were approved by the shareholders.
- On March 13, 2023, the Company incorporated its first subsidiary in US, NEO Battery Materials America, LLC under the provisions and requirement in the State of Delaware for its US business expansion.
- From March 17-19, 2023, the Company attended InterBattery 2023 and held numerous meetings with battery-related manufacturing and materials companies locally and internationally.
- On March 17, 2023, the Company announced that Spencer Huh, the CEO and Danny Huh, Corporate Development Manager, will participate in the Electric Vehicle & auto Tech Virtual Conference on March 30, 2023, presented by Maxim Group and hosted by M-Vest.
- In the fiscal year 2023, the Company invested approximately \$470,000 in lab equipment and lab furniture for its laboratory located in Yonsei University and prepaid commercial plant design fees of approximately \$672,000.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

Change of Business (the "COB")

- In April 2022, the Company submitted a change of business application to TSX Venture Exchange ("Exchange") to address its focus on becoming a battery materials developer instead of mineral exploration.
- On November 21, 2022, the Company received conditional approval from Exchange for proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer.
- On March 16, 2023, the Company was granted an extension till April 20, 2023 on the basis of a minimum financing for gross proceeds of \$3,900,000.
- On April 27, 2023, the Company was granted an extension till June 19, 2023 on the condition that the Company must continue to control NBM Korea posting-financing with a minimum of 51% interest.

Financing

- In July 2022, NBM Battery Materials Korea Co. (NBM Korea), the subsidiary of the Company, issued 517,657 common shares to Automobile & PCB Inc., which represents 40% of the issued and outstanding common shares of NBM Korea, for total aggregate proceeds of \$2,978,822.
- During fiscal year 2023, 1,858,333 and 20,000 stock options were exercised at a price of \$0.06 and \$0.20 per option, respectively, for total proceeds of \$115,500.
- In March 2023, 166,667 stock options were exercised at a price of \$0.06 per option for total proceeds of \$10,000.
- During fiscal year 2023, 1,399,999 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$224,000.
- In June 2023, 200,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$32,000.

OUTLOOK

On April 13, 2022, the Company commenced a change of business application with TSX Venture Exchange (the "Exchange"). In the past, the Company was a Vancouver-based junior resources company. The Company deems that a classification to a Tier 2 Technology issuer on the Exchange, instead of junior Mineral Exploration and Mining issuer, will reflect the Company's long-term goal and serve its shareholders the best interests. As a result, the transition is still in process and subject to the Exchange acceptance as of the date of the MD&A. The change of business application is currently being reviewed by the Exchange. On November 21, 2022, the Company received conditional approval from Exchange for proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer.

COLLABORATIVE DEVELOPMENT – YONSEI UNIVERSITY

The Company entered into a Collaborative Development Agreement (the "CDA") with Yonsei University ("Yonsei") for a 3-year term, starting May 2021, to conduct its research and development in its laboratory located in Yonsei, South Korea. Under the terms of the CDA, the Company and Yonsei will jointly develop nanocoating technology to enhance performance and durability of silicon anodes materials in lithium-ion batteries (LiBs). The Company is required to spend a total amount of KRW300 million (equivalent to CAD316,500) during the 3-year term (or KRW 100 million per year). Any potential IP rights developed from the collaboration will be wholly owned by the Company. On August 13, 2021, the Company entered an Addendum to the CDA to include an additional budget of KRW47 million (equivalent to CAD50,000).

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

INDUSTRIAL ADVICE AGREEMENT – YONSEI UNIVERSITY

On August 23, 2022, the Company, through NBM Korea, entered the Industrial Advice Agreement (the "Advice Agreement") with Yonsei to replace the CDA entered between the Company and Yonsei on May 10, 2021. The Advice Agreement has a term from August 1, 2022 to May 31, 2023 and under the terms of the agreement, Yonsei will provide technical support (technical guidance, management guidance, and design guidance, etc.) to NBM Korea. In addition, NBM Korea is required to incur research and development costs of approximate \$125,970 (KRW130 million) (completed).

LICENSING AGREEMENTS – YONSEI UNIVERSITY

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the "First Agreement") to obtain exclusive rights to use the three patents owned by Yonsei. The patents include "negative electrode active material for lithium secondary battery, method of preparing the same, and lithium secondary battery comprising the same", three-phase Titanium dioxide nanoparticles and method of manufacturing the same", and "silicon/polymer composite nanoparticles, anode for lithium secondary battery comprising the same, and method for manufacturing the silicon/polymer composite nanoparticles." Under the terms of the First Agreement, the Company has to pay an initial license fee of \$35,030 (paid), and the remaining license fee of \$267,887 will be due upon the first sale of the product produced on use of the patents.

On July 22, 2021, the Company entered into a second Exclusive License Agreement with Yonsei (the "Second Agreement") to obtain exclusive rights to use a separate patent owned by Yonsei. The patent is called "silicon composite for lithium secondary battery and manufacturing method thereof." Under the terms of the Second Agreement, the Company has to pay an initial license fee of \$10,000 (paid), and the remaining license fee of \$40,000 will be due upon the first sale of the product produced based on the use of the patent.

NBMSiDE PRODUCTS

On December 6, 2021, the Company launched its product named NBMSiDE, which is manufactured based on the use of the Company's proprietary nanocoating technology. The technology is a single-step, one-pot nanocoating process that will enable the Company to economically manufacture silicon anode active materials that will be used in the production of electric vehicles.

The Company aims to improve flexibility and specific capacity of the respective anode active material, increasing energy density and life span of LIBs in electric vehicles, consumer electronics, and energy storage applications. Utilizing lean and efficient process steps, the Company's unique single-stop process will enable cost effective and scalable production.

NBMSiDE™ SAMPLE EVALUATION PROGRESS

NEO is continuously undertaking NBMSiDE™ sample evaluation and product optimization with global battery cell manufacturers under NDAs. As different nanocoating materials, performance requirements, and silicon loadings are required, the silicon anode products are being finetuned with specifications requested from each cell manufacturer, creating lead times between delivery and performance testing. NEO Korea Co is progressing through sending optimized products for evaluation. Most recently, an initial coin cell test was completed with a non-Asia-based cell manufacturer that NEO has been engaged with for over 9 months since the NDA. Both companies have mutually agreed to advance to pouch cell testing, which is larger in capacity and format, and NEO will accordingly provide optimized silicon anode products to the manufacturer for further evaluation.

SITE FOR COMMERCIAL PLANT – OSEONG FOREIGN INVESTMENTS ZONE

On January 26, 2022, through its Korean subsidiary, the Company received an approval from Gyeonggi-do, the largest Economic Province in South Korea, to build its commercial plant on a 10-year lease term. The site is located in Oseong Foreign Investment Zone in Gyeonggi-do and approximately 106,700 square feet (or 2.5 acres). The Company is currently looking for a reliable partner to jointly build its commercial plant on the site to produce silicon anode of 240 metric tons per year.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

The Production Building and the Research Office Building are in the late stages of architectural design, and the associated permits will be accordingly submitted to the relevant city in December 2022. The use of the Production Building will entail the installation of future NBMSiDE™ mass production lines and utility facilities, and the Research Office Building will house the current equipment, testing facilities, and personnel of the NBM Korea Scale-Up Centre located at Yonsei University.

The Company has submitted the plant's construction permit application to the City of Pyeongtaek through its South Korean subsidiary, NBM Korea. NEO's management and commercialization engineering team are currently in discussion with the city's construction and relevant departments and performing the necessary due diligence and regulatory work to gain permit approval. Upon the approval of the construction permit, the initial construction process from site clearance to basic civil engineering work will be carried out sequentially. On January 17, 2023, the Company received approval of a construction permit for Silicon Anode Commercial Plant in Oseong Foreign Investment Zone, Pyeongtaek City.

NEO BATTERY MATERIALS KOREA CO - SHARE ISSUANCE TO AUTOMOBILE & PCB INC ("A&P")

On July 1, 2022, NBM Korea, a wholly owned subsidiary of the Company entered the Investment Agreement with A&P. Pursuant to the terms of the agreement, NBM Korea issued 517,657 common shares at a price of KRW5,796 per common share to A&P for gross proceeds of 2,999,820,383 KRW (equivalent to CAD2,978,822). As a result, A&P represents 40% of the issued and outstanding shares of NBM Korea.

According to the agreement, the proceeds shall be used for operations of NBM Korea and shall not be lent to a third party or shall not be used to purchase shares of any third party. A&P may conduct due diligence over the use of the proceeds by NBM Korea and the proceeds shall be deposited into and managed from a separate bank account of NBM Korea. Further, NBM Korea cannot transfer or collateralize any of these funds without the consent by A&P. NBM Korea cannot acquire an interest in another entity and cannot increase or decrease its capital or grant stock options to other parties. A&P is required to be consulted on the appointment or dismissal of the NBM Korea CEO.

EXPLORATION PROPERTIES INTEREST

In January 2021, the Company staked a few mining claims in Golden BC comprising a total of 467 hectares, along a strike with a quartzite bed, targeting silica in the quartzites. The Company is focusing on developing silicon-anode materials and no longer pursuing mining properties interests. During the year ended February 28, 2023, the Company wrote off the carrying amount of the mining claims.

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's audited financial statements years ended February 28, 2023, February 28, 2022, and February 28, 2021.

	February 28, 2023	February 28, 2022	February 29, 2021
Expenses	\$ 1,962,916	\$ 2,037,093	\$ 1,491,635
Other expenses (income)	(47,694)	27,586	165,560
Net loss and comprehensive loss	1,915,222	2,064,679	1,657,195
Basic and diluted loss per share	0.02	0.02	0.02
Total current assets	1,751,718	1,438,948	662,693
Total assets	3,127,852	1,723,802	746,367
Total current liabilities	179,236	178,286	1,568,733
Total liabilities	179,236	178,286	1,580,900

RESULTS OF OPERATIONS

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

For the three-month ended February 28, 2023

Significant items that contributed to the net loss and comprehensive loss for the period ended February 28, 2023 and February 28, 2022 were as follows:

- Advertising and marketing of \$16,011 (February 28, 2022- \$30,444)
- Consulting and management fees of \$98,635 (February 28, 2022- \$77,070)
- Investor relation of \$21,464 (February 28, 2022- \$19,101)
- Professional fees of \$80,761 (February 28, 2022- \$56,866)
- Payroll expenses of \$151,368 (February 28, 2022- \$45,563)
- Research and development costs of \$89,934 (February 28, 2022- \$47,577)
- Rent \$26,130 (February 28, 2022 - \$\$53,914)
- Corporate listing and filing fees \$19,153 (February 28, 2022 - \$5,722)

During the three-month period ended February 28, 2023, the Company incurred a net loss of \$558,789, compared to a net loss of \$387,754 for the same period in 2022. For the three-month period ended February 28, 2023, operating expense increased to \$570,263 from \$387,754 incurred in the same period in 2022.

The increase in operating expenses can be primarily attributed to higher payroll expenses which increased by \$105,805. Additionally, research and development costs and consulting and management fees increased by \$42,357 and \$21,565, respectively. These cost escalations were mainly driven by an increase in the number of employees hired and inflation-related increase in labor and material costs.

For the year ended February 28, 2023

Significant items that contributed to the net loss and comprehensive loss for the year ended February 28, 2023 and year ended February 28, 2022 were as follows:

- Advertising and marketing of \$46,664 (February 28, 2022- \$127,502)
- Consulting and management fees of \$470,177 (February 28, 2022- \$439,400)
- Corporate listing and filing fees of \$50,921 (February 28, 2022- \$91,227)
- Investor relation of \$48,602 (February 28, 2022 - \$92,895)
- Professional fees of \$241,865 (February 28, 2022- \$180,068)
- Payroll of \$489,558 (February 28, 2022- \$45,563)
- Research and development of \$304,527 (February 28, 2022 - \$132,713)
- Stock-based compensation of \$Nil (February 28, 2022- \$683,248)
- Corporate listing and filing fees \$50,921 (February 28, 2022 - \$91,227)

For the fiscal year ended February 28, 2023, the Company recorded a net loss of \$1,915,222, compared to a net loss of \$2,064,679 recorded in the same period in 2022. For the year ended February 28, 2023, the Company's operating expenses totaled \$1,962,916, compared to the operating expenses of \$2,037,093 in the prior year.

The operating expenses decreased during the current year because the Company did not record any amount of stock-based compensation as opposed to stock-based compensation of \$683,248 recognized in the prior year. The decrease then was partially offset by the increase of \$443,995 in payroll expenses as well as the increase of \$171,814 in research and development costs and \$61,797 in professional fees.

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2023, the Company's cash balance was \$1,626,408 (February 28, 2022 - \$1,247,750).

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

As at February 28, 2023, the Company had a working capital of \$1,572,482 (February 28, 2022 - \$1,260,662).

Management believes that its ability to continue as a going concern is highly dependent upon its ability to raise equity financing. The Company's operation is highly included by capital market environment, supply chain, inflation, geographic stability and global business environment in general. Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and intensity in international business environment, management constantly reviews emerging technologies and equity markets to ensure that the Company maintain enough liquidity to support its growth strategy.

Liquidity Outlook

At present, the Company does not have any sources of generating revenues and its financial success is highly dependent on management's ability to develop its new nanocoating technology and raise capital through equity financing.

Many factors influence the Company's ability to raise funds, including the health of the financial market, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a few factors, including the nanocoating technology's application. Management believes it will be able to raise equity capital and/or debt as required in the long term but understands that there will be risks involved which may be beyond its control.

This outlook is based on the Company's current financial position and is subject to change if new business opportunities become available.

Going Concern

The consolidated financial statements for the year ended February 28, 2023 have been prepared based on the going-concern assumption, which means 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, has no sources of generating income, and there is no assurance that sufficient funding will be available to continue its operations. These material uncertainties may cast a significant doubt on the validity of the going concern assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain capital through the equity market. As at February 28, 2023, the Company had an accumulated deficit of \$28,339,456 (February 28, 2022 - \$28,345,399) and had a net loss of \$1,915,222 (February 28, 2023 - \$2,064,679).

If the going concern assumption was not appropriate, then financial statement adjustments would 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.

Strategy and Risk Management

Further business activities are dependent on the Company obtaining financing for any research and development, and construction of its 1st commercial plant for 2023 and beyond. Management believes that it will be able to raise additional capital in order to fund its R&D activities and its administrative expenditures. Although management has been successful in the past raising additional financing, there can be no assurance they will be successful in the future.

SUMMARY OF QUARTERLY RESULTS

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023**

The following table summarizes selected financial data reported by the Company for the previous eight quarters in Canadian dollars:

	30-Feb-23	30-Nov-22	31-Aug-22	31-May-22	28-Feb-22	30-Nov-21	31-Aug-21	31-May-21
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and Comprehensive loss	558,789	321,176	569,875	465,382	393,329	342,910	848,703	494,432
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	3,127,852	3,380,676	3,700,169	1,310,710	1,674,592	2,038,750	1,098,775	1,088,962
Equity (deficiency)	2,948,616	3,268,738	3,546,414	1,088,257	1,496,306	1,900,669	954,579	782,058

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

RISKS FACTORS

The Company is engaged in the business of researching and developing silicon anode active materials and nanocoating technology. However, none of the Company's products (NBMSiDE) have been sold in a large quantity and is no guarantee that they will lead to significant commercialization. The timing and success of product sales and production are subject to various risks and uncertainties, which may affect the Company's profitability. Therefore, any forward-looking information is subject to known and unknown risks and uncertainties, including, but not limited to:

- Strong competition from other companies with more extensive financial, technical, and other resources.
- Uncertainty regarding the Company's ability to obtain the necessary funding, permits, and approvals for its product commercialization, as well as potential future tax or legislative changes that could cause delays or additional expenses.
- Uncertainty regarding the Company's ability to protect its patents, technology, and other important information for the development of its business.
- Risk of technology and patents becoming obsolete or unmarketable if the Company fails to adapt to changing technology and customer demands.
- Risk of confidentiality breaches despite confidentiality agreements signed with third parties, which could harm the Company's competitive position.
- Potential instability and unpredictability of world silicon prices and economic conditions, which could significantly impact the Company's operations.
- Risk of high price due to the inflation and volume volatility in Canadian and global securities markets.
- Risk of changes in accounting policies and methods affecting the Company's financial reporting.
- Risk of inadequate internal controls or failure to implement new or improved controls, which could harm the Company's results of operations or cause it to fail to meet its reporting obligations.
- Dependence on talented professionals, the ability to attract and retain key personnel, manage growth effectively, and integrate newly developed businesses or technologies.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023**

- Dependency on the services of several key individuals, the loss of whom could significantly affect operations.
- Potential for conflicts of interest among officers and directors of the Company.
- Failure of obtaining the final approval from Exchange in Change of Business application.

RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers and the entities controlled by its key management personnel or directors of the Company.

As at February 28, 2023 and February 28, 2022, there were no amounts due to related parties.

During the year ended February 28, 2023 and 2022, the Company paid the following amount to the officers and directors of the Company and an entity controlled by the CEO:

	February 28, 2023	February 28, 2022
Project related expenditure	\$ -	\$ 12,690
Management fees	315,226	197,900
Professional fees	93,810	62,405
Stock based compensation	-	448,753
	\$ 409,036	\$ 721,748

All

amounts paid to related parties for their services have been recorded at fair value.

OUTSTANDING SHARE DATA

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

As at the date of the MD&A, there are:

- 101,170,646 common shares issued and outstanding;
- 6,230,000 stock options outstanding and 4,930,000 stock options exercisable; and
- 7,041,668 warrants outstanding and exercisable.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements for the year ended February 28, 2023.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

PRONOUNCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

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.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, other receivables, and the short-term debt NEO deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations. As of February 28, 2023, the Company had a working capital of \$1,572,482 (February 28, 2022 - working capital of \$1,260,662). Further information relating to liquidity risk is disclosed in Note 12 of the Company's consolidated financial statements for the year ended February 28, 2023.

Interest Rate Risk

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

MANAGEMENT OF CAPITAL

In the management of capital, the Company considers cash, working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties and investigating other business opportunities. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.
- There were no changes in the Company's approach to capital management for the year ended February 28, 2023 compared to the years ended February 28, 2022. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the information provided in the MD&A and the audited consolidated financial statements for the year ended February 28, 2023.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's reporting standards.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Neo Battery's general and administrative expenses and research and development costs is provided in the Company's year ended February 28, 2023, statement of operations contained in its consolidated financial statements for the year ended February 28, 2023. These statements are available on its SEDAR Page Site accessed through www.sedar.com.

DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that are required to be disclosed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the audited consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking" statements"). These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDAR at www.sedar.com or by contacting the Company at 10th Floor – 4711 Yonge Street, Vancouver, Toronto, Ontario, Canada, M2N 6K8, Tel: (604) 355-6463.

SCHEDULE E

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Consolidated Financial Statements for the Year Ended February 28, 2022



Audited Consolidated Financial Statements

For the Years Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of NEO Battery Materials Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NEO Battery Materials Ltd. ("the Company"), which comprise the consolidated statements of financial position as at February 28, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at February 28, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company continues to incur operating losses with no source of operating cash flow and is dependent upon equity financing to continue its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad J. Waddell.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
June 28, 2022

NEO Battery Materials Ltd.
Consolidated Statements of Financial Position
(Expressed in *Canadian Dollars*)

Assets	February 28, 2022	February 28, 2021
Current Assets:		
Cash and cash equivalents	\$ 1,247,750	\$ 625,876
Marketable securities (Note 4)	7,910	12,424
Prepaid expenses (Note 5)	161,865	16,022
Sales tax and other receivables (Note 6)	21,423	8,371
	1,438,948	662,693
Non-Current Assets:		
Deposits	12,597	12,597
Equipment (Note 8)	180,529	-
Exploration and evaluation assets (Note 7)	1,344	1,344
Prepaid expenses – long term (Note 5)	31,212	-
Right-of-use asset (Notes 3 and 15)	9,962	69,733
Total Assets	\$ 1,674,592	\$ 746,367
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 13)	\$ 162,950	\$ 204,279
Convertible debenture interest payable	3,169	3,169
Lease liability – current portion (Notes 3 and 15)	12,167	70,926
Short-term loans (Note 14)	-	1,290,359
	178,286	1,568,733
Lease liability – long-term (Notes 3 and 15)	-	12,167
Total Liabilities	178,286	1,580,900
Shareholders' Equity (Deficiency):		
Share capital (Note 16)	22,311,985	18,935,514
Share subscriptions (Note 16)	-	25,000
Reserves (Note 16)	7,792,453	6,733,711
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(28,394,609)	(26,315,235)
Total Equity (Deficiency)	1,496,306	(834,533)
Total Liabilities and Equity	\$ 1,674,592	\$ 746,367

Nature of Operations and Going Concern (Note 1)

Commitment (Note 9)

Contingency (Note 20)

Subsequent Events (Note 21)

Approved by the Board of Directors on June 28, 2022:

"Spencer Sung Bum Huh", Director

"Larry Okada", Director

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

NEO Battery Materials Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2022	February 28, 2021
Expenses		
Amortization (Note 8)	\$ 12,232	\$ -
Amortization of ROU asset (Notes 3 and 15)	59,771	59,771
Advertising and marketing	127,502	-
Consulting and management fees (Note 17)	439,400	428,892
Corporate listing and filing fees	91,227	14,976
Exploration and evaluation expenditure (Note 7)	12,690	-
Investor relations	92,895	7,254
License fees (Note 10)	10,000	35,030
Office and general	48,409	25,444
Payroll expenses	45,563	-
Professional fees (Note 17)	187,187	165,757
Rent (Notes 3 and 15)	118,167	57,668
Research and development (Note 9)	132,713	-
Stock-based compensation (Note 16)	683,248	740,000
Sublease income (Notes 3 and 15)	(49,321)	(67,967)
Travel	40,105	24,810
Loss from operations	2,051,788	1,491,635
Other expenses (income)		
Debt financing finder's fees	-	87,046
Write-off of accounts payable	(65,845)	-
Interest and miscellaneous income	(80)	(2,402)
Interest expense – lease liability (Notes 3 and 15)	12,464	21,277
Interest expense – short-term loans (Note 14)	68,810	54,013
Loss on foreign exchange	7,723	320
Unrealized loss on marketable securities (Note 4)	4,514	5,306
Total other expense	27,586	165,560
Net loss and comprehensive loss for the year	\$ 2,079,374	\$ 1,657,195
Loss per share:		
Basic	\$ 0.02	\$ 0.02
Weighted average number of common shares outstanding	87,949,916	64,576,330

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

NEO Battery Materials Ltd.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2022	February 28, 2021
Operating Activities:		
Net loss for the year	\$ (2,079,374)	\$ (1,657,195)
Adjustment for items which do not involve cash:		
Amortization	12,232	-
Amortization of ROU asset	59,771	59,771
Write-off of accounts payable	(65,845)	-
Stock-based compensation	683,248	740,000
Unrealized loss on marketable securities	4,514	5,306
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	9,218	44,960
Convertible debenture interest payable	-	(2,125)
Short-term loan interest	68,810	46,848
Prepaid expenses	(177,055)	(1,422)
Sales tax and other receivables	(13,052)	4,774
	(1,497,533)	(759,083)
Investing Activities:		
Equipment	(177,463)	-
Property payment	-	(1,343)
	(177,463)	(1,343)
Financing Activities:		
Private placement	2,057,000	-
Private placement – share issue costs	(11,035)	-
Exercise of warrants	1,660,000	-
Exercise of options	46,000	-
Repayment of short-term loans	(1,359,169)	-
Proceeds from short-term loan	-	1,243,511
Repayment of share subscriptions	(25,000)	-
Principal portion of lease liability	(70,926)	(58,755)
	2,296,870	1,184,756
Net changes in cash and cash equivalents	621,874	424,330
Cash and cash equivalents - beginning of the year	625,876	201,546
Cash and cash equivalents - end of the year	\$ 1,247,750	\$ 625,876
Non-cash Activities:		
Equipment in accounts payable and accrued liabilities	\$ 15,298	\$ -

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

NEO Battery Materials Ltd.

Consolidated Statements of Changes in Equity (Deficiency)
For the year ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

	Notes	SHARE CAPITAL		SHARE SUBSCRIPTIONS RECEIVED	RESERVES	ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")	DEFICIT	TOTAL EQUITY
		SHARES	AMOUNT					
Balance - February 29, 2020		70,233,980	18,935,514	25,000	5,993,711	(213,523)	(24,658,040)	82,662
Stock-based compensation	16	-	-	-	740,000	-	-	740,000
Net loss for the year		-	-	-	-	-	(1,657,195)	(1,657,195)
Balance - February 28, 2021		70,233,980	18,935,514	25,000	6,733,711	(213,523)	(26,315,235)	(834,533)
Private placement	16	17,141,667	1,171,000	-	886,000	-	-	2,057,000
Private placement – share issue costs		-	(11,035)	-	-	-	-	(11,035)
Exercise of warrants	16	9,500,000	2,125,340	-	(465,340)	-	-	1,660,000
Shares issued – stock options exercise	16	650,000	91,166	-	(45,166)	-	-	46,000
Share subscriptions repayment	16	-	-	(25,000)	-	-	-	(25,000)
Stock-based compensation	16	-	-	-	683,248	-	-	683,248
Net loss for the year		-	-	-	-	-	(2,079,374)	(2,079,374)
Balance - February 28, 2022		97,525,647	22,311,985	-	7,792,453	(213,523)	(28,394,609)	1,496,306

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

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

NEO Battery Materials Ltd. (the “Company” or “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”. The head office, principal address and records office of the Company are located at Suite 700 – 838 West Hastings Street, Vancouver, British Columbia, Canada, V6C 0A6. The Company’s registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

As of February 28, 2022, the Company is a Vancouver-based junior resource company focused on battery metals exploration in North America. Starting on April 13, 2022, the Company has been proceeding with “Change of Business” (the “COB”) application with TSX Venture Exchange (the “Exchange”). The Company deems that a classification to a Tier 2 Industrial, Technology, or Life Sciences issuer on the Exchange instead of junior Mineral Exploration and Mining issuer, will reflect the Company’s long-term goal and serve its shareholders the best interests. As a result, the transition is still in process and subject to Exchange acceptance as of the date of the report.

The Company has entered into a Collaborative Development Agreement (the “CDA”) with Yonsei University (“Yonsei”) for three years, starting in May 2021 (see Note 9). The Company has also entered into two exclusive licensing agreements with Yonsei to secure four patents (see Note 10).

The Company’s ability to continue as a going concern on the is highly dependent upon its ability to obtain the financing necessary to continue operation. The key risk to the Company’s sustainability is securing the funding for its commercial plant’s construction in the near term. The Company’s operation is highly influenced by the capital market environment, supply chain, inflation, geographic stability, and global business environment in general.

These consolidated 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. As at February 28, 2022, the Company had an accumulated deficit of \$28,394,609 (February 28, 2021 - \$26,315,235), a net loss for the year ended February 28, 2022 of \$2,079,374 (February 28, 2021 - \$1,657,195) and a working capital of \$1,260,662 (February 28, 2021 – \$906,040 working capital deficiency).

If the going concern assumption is not appropriate for these 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.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Control is based on whether an investor has power over the investee and the ability to use its power over the investee to affect the amount of the returns.

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

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 stock-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.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are as follows:

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Short-term Investments

The Company classifies all its investments with maturities of less than one year as short-term investments.

Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

As at February 28, 2022, the calculation of any possible asset retirement obligation is not considered material.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Impairment of Non-Current Assets

The Company follows the guidance in IFRS 6 – Exploration for and Evaluation of Mineral Resources to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not lead to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the consolidated financial statements.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and net accumulated impairment losses. The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual depreciation rates are as follows:

Laboratory equipment	20 %
Right-of-use assets	Over the terms of leases

Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders equity and includes items that would not normally be included in net earnings.

Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from private placements are allocated between shares and warrants issued according to their relative fair value.

Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

Flow-through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from the issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized in other liabilities for this difference. The liability is reduced and the reduction of premium liability is recorded in deferred tax recovery when eligible expenditures are fully incurred.

Mineral Exploration Tax Credits (“METC”)

The Company recognizes METC amounts when the Company’s METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Financial Instruments

The following is the Company's accounting policy for financial instruments:

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial instruments are classified and subsequently measured as follows:

<u>Financial assets/liabilities</u>	<u>Classification</u>
Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Accounts payable	Amortized cost
Lease liability	Amortized cost

(b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the periods in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in Other Comprehensive Income ("OCI") are reclassified to profit or loss.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

Financial Instruments – continued

(b) Measurement – continued

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(d) De-recognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are recognized in profit or loss.

Foreign Currency Translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the Canadian (“Cdn”) Dollar. The transactions of foreign subsidiaries of the Company are translated into Canadian dollars as follows:

- monetary assets and liabilities at the exchange rate prevailing at the statement of financial position date;
- non-monetary assets and liabilities at the applicable historical exchange rates; and
- revenues and expenses at the average rate of exchange for the period.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Foreign Currency Translation – continued

Exchange gains and losses arising from the conversion of foreign currency balances and transactions are reported in profit or loss as they occur.

IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has recognized a lease liability related to its lease commitment for its office lease. The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at the date of entry into a lease agreement. The associated right-of-use assets will be measured at the lease liabilities amount.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

IFRS 16 – Leases – continued

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Research and Development

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred.

Recent Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended February 28, 2022 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's consolidated financial statements.

4. Marketable Securities

As at February 28, 2022, marketable securities include 100,000 common shares of a publicly traded company, Pembridge Resources PLC, valued at \$7,910 (2021 - \$12,424).

	February 28, 2022	February 28, 2021
	\$	\$
Marketable securities – fair value	7,910	12,424
Marketable securities – cost	22,200	22,200

5. Prepaid Expenses

	February 28, 2022	February 28, 2021
	\$	\$
Insurance	4,579	7,322
Insurance – long term (a)	31,212	-
Rent (b)	43,736	-
Travel	10,550	8,644
Vendors (c)	103,000	56
Total	193,077	16,022

- (a) Includes insurance payment made to guarantee the deposit held for building the Company's commercial plant in South Korea for the period from March 1, 2023 to February 28, 2032.
- (b) Includes payments made to rent a site to build the Company's commercial plant in South Korea for the period from March 1, 2022 to December 31, 2022.
- (c) Includes 30% of down payment paid in advance to purchase laboratory equipment.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

6. Sales Tax and Other Receivables

	February 28, 2022	February 28, 2021
	\$	\$
Sales tax (GST & VAT)	21,423	8,356
Other receivables	-	15
Total	21,423	8,371

7. Exploration and Evaluation Assets and Expenditures

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

	February 28, 2022	February 28, 2021
	\$	\$
Beginning of the year	1,344	1
Staking - Golden Property, BC	-	1,343
Carrying value – end of the year	1,344	1,344

Golden Property, BC

During the year ended February 28, 2021, the Company staked three mining claims in Golden, BC. For the year ended February 28, 2022, the Company spent and expensed exploration expenditures of \$12,690 (2021 - \$Nil).

8. Equipment

During the year ended February 28, 2022, the Company purchased laboratory equipment to be used in its research and development center, located in Yonsei University, South Korea.

		Equipment	Total
NBV – February 28, 2021	\$	-	\$ -
Cost		192,761	192,761
Accumulated Amortization		(12,232)	(12,232)
NBV - February 28, 2022	\$	180,529	\$ 180,529

9. Research and Development

On May 10, 2021, the Company entered into a Collaborative Development Agreement (the "Agreement") with Yonsei University ("Yonsei") to conduct research and development. The Agreement has a term of three years, over which time the Company will be responsible for research and development costs of approximately \$316,500 (South Korea Won ("KRW") 300,000,000) (the "Funding Budget").

On August 13, 2021, the Agreement was amended to increase the Funding Budget by approximately \$50,000 (KRW 47,000,000).

During the year ended February 28, 2022, the Company incurred research and development costs of \$132,713 (2021 - \$Nil) in connection with the Agreement.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

10. Licensing Agreements

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the “First Agreement”) to obtain exclusive rights to use the three patents owned by Yonsei. Under the terms of the First Agreement, the Company paid an initial license fee of \$35,030 during the year ended February 28, 2021. The remaining license fee of \$267,887 will be due upon the first sale of the product produced based on the use of the patents.

On July 22, 2021, the Company entered into a second Exclusive License Agreement with Yonsei (the “Second Agreement”) to obtain exclusive rights to use a separate patent owned by Yonsei. Under the term of the Second Agreement, the Company paid an initial license fee of \$10,000 during the year ended February 28, 2022. The remaining license fee of \$40,000 will be due upon the first sale of the product produced based on the use of the patent.

11. 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 February 28, 2022, 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.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

11. Financial Risk and Capital Management – continued

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.

12. Financial Instruments

The three levels of the fair value hierarchy are as follows:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities in active markets;
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active market; quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- **Level 3** – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Cash and marketable securities are measured at fair value using Level 1 inputs.

As at February 28, 2022, the Company's marketable securities are based on level 1 inputs of the fair value hierarchy and they are valued based on the closing trading price of the shares on public stock exchange at the year-end date.

13. Accounts Payable and Accrued Liabilities

	February 28, 2022	February 28, 2021
	\$	\$
Trade payables	146,470	189,279
Accrued liabilities	16,480	15,000
Total	162,950	204,279

14. Short-Term Loans

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. During the year ended February 28, 2022, the Company paid \$100,000 of the principal amount plus \$4,208 of interest accrued on the loan.

On March 24, 2020, the Company received a \$1,143,511 (KRW 1 billion) unsecured loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 31, 2021. As the Company failed to repay the loan, the term of the interest rate changed to 4% per month commencing March 24, 2021. During the year ended February 28, 2022, the Company paid the outstanding principal plus \$111,450 of interest charged on the loan.

For the year ended February 28, 2022, the Company recorded \$68,810 (2021 - \$54,013) of interest expense related to these short-term loans.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

15. Right-Of-Use Asset & Lease Liability

The Company has an office lease for the period from May 1, 2019 to April 30, 2022. Minimum annual commitments for basic rent, excluding additional operating costs, as 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 asset

As at February 28, 2022 and February 28, 2021, the Company recorded a right-of-use asset for its office lease as follows:

	February 28, 2022	February 28, 2021
	\$	\$
Opening balance	69,733	129,504
Amortization	(59,771)	(59,771)
Ending balance	<u>9,962</u>	<u>69,733</u>

(b) Lease liability

Minimum lease payment in respect of the office lease liability and the effect of discounting as at February 28, 2022 and February 28, 2021 are as follows:

	February 28, 2022	February 28, 2021
	\$	\$
Undiscounted minimum lease payment:		
Less than one year	13,992	83,390
More than one year	-	13,992
Total undiscounted minimum lease payment	13,992	97,382
Effect of discounting	(1,825)	(14,289)
Present value of minimum lease payment	12,167	83,093
Less: current portion	(12,167)	(70,926)
Long-term portion	<u>-</u>	<u>12,167</u>

Subsequent to the expiration of the office lease, the Company obtained a one-year lease on different office space for the period from April 1, 2022 to March 31, 2023.

(c) Lease liability continuity

The net changes in the Company's lease liability during the years ended February 28, 2022 and February 28, 2021 are as follows:

	February 28, 2022	February 28, 2021
	\$	\$
Beginning balance	83,093	141,848
Principal payments	(70,926)	(58,755)
Ending balance	<u>12,167</u>	<u>83,093</u>

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

15. Right-Of-Use Asset & Lease Liability – continued

(d) Lease liability interest and sublease income

During the year ended February 28, 2022, the Company recorded \$12,464 (2021 - \$21,277) of interest expense on the lease liability and received \$49,321 (2021 - \$67,967) of sublease income.

16. Share Capital

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

Private Placements

Year Ended February 28, 2022

On May 4, 2021, the Company completed 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 consisted 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 for 36 months from the closing date of the private placement. Under the fair value method, \$886,000 of the proceeds were allocated to the warrants. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 0.49% risk-free interest rate, 3 years of expected life, 218% volatility and 0% dividend rate.

Year Ended February 28, 2021

The Company did not issue any common shares.

Exercise of warrants

During the year ended February 28, 2022, 1,000,000 and 8,500,000 warrants were exercised at a price of \$0.30 and \$0.16 per warrant, respectively, for total proceeds of \$1,660,000. Upon the exercise of the warrants, \$465,340 of the fair value of the warrants recorded was transferred from reserves to share capital.

Exercise of options

For the year ended February 28, 2022, 600,000 and 50,000 stock options were exercised at a price of \$0.06 and \$0.20 per share, respectively, for total proceeds of \$46,000. Upon the exercise of the options, \$45,166 of the fair value of the options recorded was transferred from reserves to share capital.

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, February 28, 2021 and February 29, 2020	4,500,000	0.30
Issued	17,141,667	0.16
Exercised	(9,500,000)	0.17
Expired	(3,500,000)	0.30
Balance, February 28, 2022	8,641,667	0.16

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

16. Share Capital – continued

Share Purchase Warrants – continued

As at February 28, 2022, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
May 4, 2024	0.16	8,641,667	2.18

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.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, February 29, 2020	5,500,000	0.06
Granted	2,930,000	0.20
Cancelled	(1,925,000)	0.06
Balance, February 28, 2021	6,505,000	0.12
Granted	1,350,000	0.65
Corrected (cancelled by error)	150,000	0.06
Exercised	(650,000)	0.07
Cancelled	(90,000)	0.20
Balance, February 28, 2022	7,265,000	0.22

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

16. Share Capital – continued

Stock Options – continued

As at February 28, 2022, outstanding stock options are as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
March 21, 2023	\$0.06	1,200,000	1,200,000	0.17
February 28, 2024	\$0.06	1,925,000	1,925,000	0.53
February 10, 2026	\$0.20	2,840,000	2,840,000	1.55
May 13, 2026	\$0.20	340,000	340,000	0.20
May 25, 2026	\$0.20	30,000	30,000	0.02
June 1, 2026	\$0.20	100,000	100,000	0.06
June 9, 2026	\$0.33	80,000	80,000	0.05
July 30, 2026	\$1.00	750,000	750,000	0.46
	\$0.22	7,265,000	7,265,000	3.04

During the year ended February 28, 2022, the Company granted 1,350,000 stock options to a director and certain consultants of the Company and recognized stock-based compensation of \$683,248 (2021 - \$740,000). The fair value of each option granted during the current year was estimated using the Black-Scholes Option Pricing Model based on the following assumptions:

	2022	2021
Risk-free interest rate	0.83% - 0.94%	0.50%
Expected life	5 years	5 years
Volatility	157.43% - 161.79%	190.48%
Expected dividend yield	Nil	Nil

Shares Subscriptions

In February and June 2020, the Company received an aggregate amount of \$75,000 in advance for the 937,500 units subscribed at a price of \$0.08 per unit. The Company returned \$50,000 in February 2021 and \$25,000 in March 2021 to the subscribers.

17. Related Party Transactions

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers, and the entities controlled by the key management personnel.

As at February 28, 2022 and 2021, there were no balances due to related parties.

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2022 and February 28, 2021

(Expressed in Canadian Dollars)

17. Related Party Transactions – continued

During the years ended February 28, 2022 and 2021, the Company paid the following amount to the officers and directors of the Company and an entity controlled by the CEO:

	February 28, 2022	February 28, 2021
Project related expenditure	\$ 12,690	\$ -
Management fees	197,900	313,200
Professional fees	62,405	54,952
Stock based compensation	448,753	622,560
	<u>\$ 721,748</u>	<u>\$ 990,712</u>

18. Segmented Information

The Company operates in two geographic segments: Canada and South Korea.

	Canada (\$)	Korea (\$)	Total (\$)
Total assets	1,282,580	392,012	1,674,592
Total liabilities	150,905	27,381	178,286

19. Income Tax

A reconciliation of the provision for income taxes is as follows:

	February 28, 2022	February 28, 2021
Loss before income taxes	\$ (2,079,374)	\$ (1,657,195)
Statutory tax rates	27.00%	27.00%
Expected income tax recovery	(557,949)	(447,443)
Non-deductible expenses and other items	165,405	203,569
Change in deferred tax assets	392,544	243,874
Income tax recovery	\$ -	\$ -

The Company's deferred tax assets and liabilities are as follows:

	February 28, 2022	February 28, 2021
Non-capital loss carry-forwards	\$ 3,295,138	\$ 2,892,730
Financing costs	18,802	27,684
Equipment and other	62,804	66,849
Exploration and evaluation assets	1,142,165	1,139,102
Unrecognized deferred tax asset	(4,518,909)	(4,126,365)
Deferred income tax asset (liability)	\$ -	\$ -

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Year Ended February 28, 2022 and February 28, 2021
(Expressed in Canadian Dollars)

19. Income Tax – continued

As at February 28, 2022, the Company has accumulated non-capital losses for Canadian income tax purposes totaling \$11,976,000 (2021 - \$10,599,000). The losses expire in the following periods:

2006	2026	\$	14,000
2007	2027		437,000
2008	2028		1,085,000
2009	2029		744,000
2010	2030		707,000
2011	2031		872,000
2012	2032		972,000
2013	2033		769,000
2014	2034		614,000
2015	2035		250,000
2016	2036		300,000
2017	2037		738,000
2018	2038		492,000
2019	2039		639,000
2020	2040		1,102,000
2021	2041		864,000
2022	2042		1,377,000
		\$	<u>11,976,000</u>

20. Contingency

A former director of the Company filed a Notice of Civil Claim (the "Claim") against the Company on December 17, 2021 in the Supreme Court of British Columbia seeking a court order compelling the Company to accept his exercise of the Company's stock options granted to him on March 21, 2018 and to issue to him 350,000 common shares of the Company upon the receipt of payment of \$21,000 (the "Order"). On January 25, 2022, the Company filed a response to the Claim to appeal against the Order.

As at February 28, 2022, the final conclusion of the Claim was indeterminable and no amount of contingency was recorded.

21. Subsequent Events

Subsequent to February 28, 2022:

- 20,000 stock options were exercised at a price of \$0.20 per option, and 333,332 warrants were exercised at a price of \$0.16 per warrant, for total proceeds of \$57,333.
- 40,000 stock options were cancelled.

SCHEDULE F

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Management's Discussion and Analysis for the Year Ended February 28, 2022



**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Year Ended February 28, 2022

As at June 28, 2022

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022**

INTRODUCTION

The following annual management's discussion and analysis (MD&A) of the Company has been prepared as of June 28, 2022. This MD&A should be read in conjunction with the consolidated financial statements of NEO Battery Materials Ltd. ("NEO" or the "Company") and the notes thereto for the year ended February 28, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable. Additional information on NEO Battery Materials is available by accessing the Company's profile on SEDAR at www.sedar.com and on the Company's website: www.neobatterymaterials.com. Readers of this MD&A are cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in this MD&A that are not historical based facts are forward looking statements which are made subject to cautionary language on page 13 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers are again cautioned not to put undue reliance on forward looking statements.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the year ended February 28, 2022, and up to the date of this report:

- In March 2021, the TSX Venture Exchange has approved the Company's name change from Pan Andean Minerals Ltd to NEO Battery Materials Ltd. The new stock symbol "NBM" replaced "PAD", and new CUSIP number is 62908A100.
- In March 2021, the Company repaid a short-term loan of \$100,000 plus \$4,208 of interest accrued on the loan.
- In May 2021, the Company completed 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 consisted of one common share and one common share warrant, exercisable at a price of \$0.16 per common share for a period of 36 months from the closing date of the private placement.
- In May 2021, the Company repaid a short-term loan of \$1,143,511 plus \$111,450 of interest accrued on the loan.
- In May 2021, the Company entered into a Collaborative Development Agreement (or "Collaboration") with Yonsei University (or "Yonsei") for a period of 3 years from May 10, 2021 to May 2024 for a total amount of KRW300 million (or KRW100 million per year). The objective of the Collaboration is to conduct research and forward development and commercialization of the proprietary ion-conductive polymer nanocoating technology for silicon anode applications. On August 13, 2021, Company entered into an Addendum to Collaborative Development Agreement (or "Addendum") with Yonsei University to increase the budget by KRW47 million.
- In July 2021, the first phase of mapping program was conducted in Golden BC and samples were sent to the lab to analyze the purity of silica. In March 2022, the Company received the quality control report from the lab indicating that the quartzites has a high purity with absolute silica values ranging from 97% to 99% SiO₂.
- In July 2021, the Company entered into a second Exclusive License Agreement with Yonsei to obtain exclusive rights to use a separate patent owned by Yonsei.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022

- In August 2021, the Company filed a new patent in regard to the Company's proprietary process of manufacturing silicon anode active materials.
- In September 2021, the Company started trading on the OTCQB Venture Market ("OTCQB") under the symbol "NBMFF".
- In December 2021, the Company launched three types of silicon anode active materials, NBMSiDE-P100, NBMSiDE-P200, and NBMSiDE-C100.
- In January 2022, the Company received a final site approval through NEO Battery Materials Korea Co., its wholly-owned subsidiary, from the Province of Gyeonggi to construct its commercial plant facility to produce the Company's patented silicon anode materials – NBMSiDE. The land is located in an industrial complex, known as Oseong International (Foreign) Investment Zone, with approximately an area of 106,700 square feet (2.5 acres).
- During the year ended February 28, 2022, 600,000 stock options were exercised at a price of \$0.06 and 50,000 stock options were exercised at a price of \$0.20 for total proceeds of \$46,000. 90,000 stock options were cancelled as certain optionees ceased working with the Company under the terms of Company's Stock Option Plan.
- During the year ended February 28, 2022, the Company granted stock options as follows:
 - 520,000 stock options with an exercise price of \$0.20 and a five-year term
 - 80,000 stock options with an exercise price of \$0.33 and a five-year term
 - 750,000 stock options with an exercise price of \$1.00 with a five-year term.
- During the year ended February 28, 2022, 1,000,000 warrants were exercised at a price of \$0.30 and 8,500,000 warrants were exercised at a price of \$0.16 for total proceeds of \$1,660,000. 3,500,000 warrants expired unexercised.
- In March 2022, 20,000 stock options were exercised at a price of \$0.20 for total proceeds of \$4,000.
- In March and April 2022, 333,332 warrants were exercised at a price of \$0.16 for total proceeds of \$53,333.
- In April 2022, 40,000 stock options were cancelled due to the death of the optionee.
- In May 2022, the Company submitted a change of business application to TSX Venture Exchange to address its focus on becoming a battery materials developer.

OUTLOOK

As of February 28, 2022, the Company is Vancouver-based junior resource company focused on battery metals exploration in North America. Starting on April 13, 2022, the Company has been proceeding with "Change of Business" (the "COB") application with TSX Venture Exchange (the "Exchange"). The Company deems that a classification to a Tier 2 Industrial, Technology, or Life Sciences issuer on the Exchange instead of junior Mineral Exploration and Mining issuer, will reflect the Company's long-term goal and serve its shareholders the best interests. As a result, the transition is still in process and subject to Exchange acceptance as of the date of the report. The Company is currently focusing on developing three types of silicon anode active materials with a functional nanocoating layers that functionalize the long-term cycle life of silicon anode in Li-ion batteries.

COLLABORATIVE DEVELOPMENT – YONSEI UNIVERSITY

The Company entered into a Collaborative Development Agreement (the "CDA") with Yonsei University ("Yonsei") for a 3-year term, starting May 2021, to conduct its research and development in its laboratory located in Yonsei, South Korea. Under the

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022

terms of the CDA, the Company and Yonsei will jointly develop nanocoating technology to enhance performance and durability of silicon anodes materials in lithium-ion batteries (LiBs). The Company also aims to improve flexibility and specific capacity of the respective anode active material, increasing energy density and life span of LiBs in electric vehicle, consumer electronics, and energy storage applications. Utilizing lean and efficient process steps, the Company's unique single-stop process will enable cost effective and scalable production. The Company is required to spend a total amount of KRW300 million during the 3-year term (or KRW 100 million per year). Any potential IP rights developed from the collaboration will be wholly owned by the Company. On August 13, 2021, the Company entered into an Addendum to the CDA to include an additional budget of KRW47 million.

LICENSING AGREEMENTS – YONSEI UNIVERSITY

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the "First Agreement") to obtain exclusive rights to use the three patents owned by Yonsei. The patents include "negative electrode active material for lithium secondary battery, method of preparing the same, and lithium secondary battery comprising the same", three-phase Titanium dioxide nanoparticles and method of manufacturing the same", and "silicon/polymer composite nanoparticles, anode for lithium secondary battery comprising the same, and method for manufacturing the silicon/polymer composite nanoparticles." Under the term of the First Agreement, the Company paid an initial license fee of \$35,030 during the year ended February 28, 2022. The remaining license fee of \$267,887 will be due upon the first sale of the product produced on use of the patents.

On July 22, 2021, the Company entered into a second Exclusive License Agreement with Yonsei (the "Second Agreement") to obtain exclusive rights to use a separate patent owned by Yonsei. The patent is called "silicon composite for lithium secondary battery and manufacturing method thereof." Under the terms of the Second Agreement, the Company paid an initial license fee of \$10,000 during the year ended February 28, 2022. The remaining license fee of \$40,000 will be due upon the first sale of the product produced based on the use of the patent.

NBMSiDE PRODUCTS

On December 6, 2021, the Company launched its product named NBMSiDE, which is manufactured based on the use of the Company's proprietary nanocoating technology. The technology is a single-step, one-pot nanocoating process that will enable the Company to economically manufacture silicon anode active materials that will be used in production of electric vehicles.

SITE FOR COMMERCIAL PLANT – OSEONG FOREIGN INVESTMENTS ZONE

On January 26, 2022, through its Korean subsidiary, the Company received an approval from Gyeonggi-do, the largest Economic Province in South Korea, to land a site to build its commercial plant on a 10-year lease term. The site is located in Oseong Foreign Investment Zone in Gyeonggi-do and approximately 106,700 square feet (or 2.5 acres). The Company is currently looking for a reliable partner to jointly build its commercial plant on the site to produce silicon anode of 240 metric tons per year.

EXPLORATION PROPERTIES INTEREST

In January 2021, the Company staked a few mining claims in Golden BC comprising a total of 467 hectares, along a strike with a quartzite bed, targeting silica in the quartzites. To conduct exploration work related to these claims, the Company entered a consulting service agreement with a private entity controlled by a director of the Company. The exploration work involved geological mapping and sampling to analyze purity of silica.

In July 2021, the first phase of geological mapping has located a quartzite boulder field within a sedimentary package of calcareous sandstones and mudstone. The field is interpreted to be derived from a quartzite unit covered by topsoil and vegetation. The boulder field is a cleared area for pasture (500m x 500m). The underlying quartzite unit is interpreted to continue under the covered areas along strike. The quartzites are quite pure with absolute silica values ranging from 97% to 99% SiO₂. NEO intends to seek synergies and cost reductions made within the value chain of mine to silicon anode materials and manufacturing. The area will require further exploration starting with excavator trenching to locate the quartzite outcrop.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022

Following is a table of the results of the quartzites.

Silica Assays		
Sample #	Description	% SiO ₂
40707	grey and black MS with narrow 5 cm Qtz bands - cherty in places - bedding 290/50N	98.7
40708	Fence line of quartzite boulders (1 meter in size)	98.6
40709	quartzite boulders in creek and built up as road protection	99.03
40710	Quartzite float	96.91
40711	Quartzite float	99.15

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's audited financial statements years ended February 28, 2022, February 28, 2021, and February 29, 2020.

	February 28, 2022	February 28, 2021	February 29, 2020
Expenses	\$ 2,051,788	\$ 1,491,635	\$ 1,068,604
Other expenses	27,586	165,560	20,768
Net loss and comprehensive loss	2,079,374	1,657,195	1,089,372
Basic and diluted loss per share	0.02	0.02	0.02
Total current assets	1,438,948	662,693	247,021
Total assets	1,674,592	746,367	389,123
Total current liabilities	178,286	1,568,733	223,368
Total liabilities	178,286	1,580,900	306,461

RESULTS OF OPERATIONS

For the three-month ended February 28, 2022

The net loss for the three-month period ended February 28, 2022 was \$393,329 as compared to the net loss of \$981,958 for the three-month period ended February 28, 2021. Operating expenses for the three-month period ended February 28, 2022 totaled \$380,235 compared to \$962,651 for the three-month period ended February 28, 2021.

Significant items that contributed to the net loss and comprehensive loss for the fourth quarter ended February 28, 2022 and February 28, 2021 were as follows:

- Consulting & management fees of \$77,070 (February 28, 2021 - \$98,028) decreased by \$20,958.
- Investor relation of \$19,101 (February 28, 2021 - \$5,504) increased by \$13,597 as the Company engaged more with external consultants for investor relation services.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022

- Advertising and marketing of \$30,444 (February 28, 2021 - \$Nil) increased by \$30,444 since the Company involved marketing activities (social media, webinar, and articles) to increase its market awareness in the industry.
- Professional fees of \$63,112 (February 28, 2021 - \$47,751) increased by \$15,361 in relation to the civil claim filed by a former director of the Company and incorporating a subsidiary in South Korea.
- Rent of \$53,914 (February 28, 2021 - \$9,839) increased by \$34,236 as the Company paid rent for some office spaces and land in South Korea.
- Interest of the short-term loans of \$Nil (February 28, 2021 - \$19,600) decreased by \$19,600 as the Company fully paid the outstanding balances of principal and interest in the first quarter.
- Research and development of \$47,577 (February 28, 2021 - \$Nil) increased by \$47,577 as the Company entered into multiple agreements to conduct R&D activities with Yonsei University in South Korea in the current year.
- Stock-based compensation of \$Nil (February 28, 2021 - \$740,000) decreased by \$740,000 as the Company did not grant any stock options during the fourth quarter.

For the year ended February 28, 2022

The net loss for the year ended February 28, 2022 was \$2,079,374 as compared to the net loss of \$1,657,195 for the year ended February 28, 2021. Operating expenses for the year ended February 28, 2022 totaled \$2,051,788 compared to \$1,491,635 for the year ended February 28, 2021.

Significant items that contributed to the net loss and comprehensive loss for the year ended February 28, 2022 and February 28, 2021 were as follows:

- Consulting & management fees of \$439,400 (February 28, 2021 - \$428,892) increased by \$10,508.
- Corporate listing and filing fees of \$91,227 (February 28, 2021 - \$14,976) increased by \$76,251 in relation to filing an application to change business name and preparing OTCQB listing application.
- Investor relation of \$92,895 (February 28, 2021 - \$7,254) increased by \$85,641 as the Company outsourced investor relation services from external parties to increase its market awareness.
- Advertising and marketing of \$127,502 (February 28, 2021 - \$Nil) increased by \$127,502 as the Company spent more to advertise its engagement in developing a battery materials
- Professional fees of \$187,187 (February 28, 2021 - \$165,757) increase by \$21,430 due to increased legal fees in relation to the civil claim filed by a former director of the Company and incorporating a Korean subsidiary in South Korea.
- Rent of \$118,167 (February 28, 2021 - \$57,668) increased by \$60,499 as the Company obtained additional office spaces and entered a rental agreement to rent a site for its future commercial plant in South Korea.
- Interest of the short-term loans of \$68,810 (February 28, 2021 - \$54,013) increased by \$14,797 as the interest term for one of the loans changed from 4% per annum to 4% per month.

- Research and development of \$132,713 (February 28, 2021 - \$Nil) increased by \$132,713 in relation to the Company's R&D activities with Yonsei University in South Korea.
- Stock-based compensation of \$683,248 (February 28, 2021 - \$740,000) decreased by \$56,752 as the Company granted less stock options compared to the prior year.
- Travel costs of \$40,105 (February 28, 2021- \$24,810) increased by \$15,295 due to increased business activities in a foreign country (South Korea).

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2022, the Company's cash balance was \$1,247,750 (February 28, 2021 - \$625,876).

As at February 28, 2022, the Company had a working capital of \$1,260,662 (February 28, 2021 – working capital deficiency of \$906,040). Cash used in operating activities was \$1,947,533 for the year ended February 28, 2022. Cash used in investing activities totaled \$177,463 (February 28, 2021 – \$1,343). Cash raised from financing activities totaled \$2,296,870 (February 28, 2021 - \$1,184,756).

Management believes that its ability to continue as a going concern is highly dependent upon its ability to raise equity financings. The Company's operation is highly included by capital market environment, supply chain, inflation, geographic stability and global business environment in general. Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and intensity in international business environment, management constantly reviews emerging technologies and equity markets to ensure that the Company maintain enough liquidity to support its growth strategy.

Liquidity Outlook

At present, the Company does not have any sources of generating revenues and its financial success is highly dependent on management's ability to develop its new nanocoating technology and raise capital through equity financing.

Many factors influence the Company's ability to raise funds, including health of the financial market, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a few factors, including the nanocoating technology's application. Management believes it will be able to raise equity capital and/or debt as required in the long term but understands that there will be risks involved which may be beyond its control.

This outlook is based on the Company's current financial position and is subject to change if new business opportunities become available.

Going Concern

The audited consolidated financial statements have been prepared based on the going-concern assumption, which means 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, has no sources of generating income, and there is no assurance that sufficient funding will be available to continue its R&D activities. 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

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022**

obtain capital through equity market. As at February 28, 2022, the Company had an accumulated deficit of \$28,394,609 (February 28, 2021 - \$26,315,235), had a net loss of \$2,079,374 (February 28, 2021 - \$1,657,195).

If the going concern assumption was not appropriate, then financial statement adjustments would 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.

Strategy and Risk Management

Further business activities are dependent on the Company obtaining financing for any research and development, and construction of its 1st commercial plant for 2022 and beyond. Management believes that it will be able to raise additional capital in order to fund its R&D activities and its administrative expenditures. Although management has been successful in the past raising additional financing, there can be no assurance they will be successful in the future.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the last eight quarters in Canadian dollars:

	28-Feb-22	30-Nov-21	31-Aug-21	31-May-21	28-Feb-21	30-Nov-20	31-Aug-20	31-May-20
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and Comprehensive loss	393,329	342,910	848,703	494,432	981,958	173,848	199,797	301,592
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	1,674,592	2,038,750	1,098,775	1,088,962	746,367	1,001,212	1,168,756	1,330,671
Exploration and evaluation assets	1,344	1,344	1,344	1,344	1,344	1	1	1
Revenues	-	-	-	-	-	-	-	-
Equity (deficiency)	1,496,306	1,900,669	954,579	782,058	(834,533)	(542,575)	(368,727)	(218,930)

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

RISKS FACTORS

The Company is engaged in the business of researching and developing silicon anode active materials and nanocoating technology. All of the products (NBMSiDE) have never been sold in a mass volume and there is no assurance that the Company's products will result in massive commercialization, nor can there be any assurance of commercialization. The numerous risks and uncertainties, associated with the product's application and timing of the sales and production, have impact on when the Company becomes profitable. As a consequence, any forward-looking information is subject to known and unknown risks and uncertainties as follows, but not limited thereto:

- Many competitors are in the business, some of which have greater financial, technical and other resources than the Company.
- Lack of assurance that: the Company will be able to obtain all necessary funding, permits and approvals to conduct its commercialization of the products or that future tax, or other legislation will not cause additional expenses, delays or postponements.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022**

- The technologies and patents may become obsolete and unmarketable if the Company is unable to respond adequately rapidly changing technology and customer demands.
- The Company's ability to attract and retain key personnel, effectively manage growth, and successfully integrate newly developed businesses or technologies.
- The Company is dependent on the services of several key individuals, the loss of which could significantly affect operations.
- There is potential for officers and directors of the Company to have conflicts of interest with other entities.
- World prices for silicon can be unstable and unpredictable and may materially affect the Company's operations, as well as economic conditions which may change the demand for minerals.
- The securities markets worldwide can experience high price and volume volatility.
- Changes in accounting policies and methods may affect how the financial condition of the Company is reported.

RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers and the entities controlled by its key management personnel or directors of the Company.

As at February 28, 2022 and 2021, there were no amounts due to related parties.

In relation to the private placement completed on May 4, 2021, certain key management personnel and directors of the Company subscribed 2,150,000 units for total proceeds of \$258,000.

During the years ended February 28, 2022 and 2021, the Company paid the following amount to the officers and directors of the Company and an entity controlled by the CEO:

	February 28, 2022	February 28, 2021
Project related expenditure (d)	\$ 12,690	\$ -
Management fees (a & b)	197,900	313,200
Professional fees (c)	62,405	54,952
Stock based compensation (e)	448,753	622,560
	\$ 721,748	\$ 990,712

Management fees includes:

- a. Chief Executive Officer - \$150,000 (February 28, 2021 - \$144,000)
- b. Consulting fees paid to certain director - \$47,900 (February 28, 2021 - \$101,700)

Professional fees

- c. Chief Financial Officer - \$62,405 (February 28, 2021 - \$54,952)

Project related expenditures

- d. Paid to a director for his exploration work done for Golden Property, BC - \$12,690 (February 28, 2021 -

\$Nil)

Stock options

- e. On July 30, 2021, the Company granted 750,000 options to a director and consultants of the Company at an exercise price of \$1.00 per option with a five-year term. The fair value of these options was calculated at \$560,941 based on the Black-Scholes option pricing model. Of total 750,000 options, 600,000 stock options were granted to a director of the Company, valued at \$448,753.

All amounts paid to related parties for their services have been recorded at fair value.

OUTSTANDING SHARE DATA

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

As at June 28, 2022 there are:

- 97,878,979 common shares issued and outstanding;
- 7,205,000 stock options outstanding and exercisable; and
- 8,308,335 warrants outstanding and exercisable.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements for the year ended February 28, 2022.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

PRONCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

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.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, other receivables, and the short-term debt NEO deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations. As of February 28, 2022, the Company had a working capital of \$1,260,662 (February 28, 2021 - working capital deficiency of \$906,040). Further information relating to liquidity risk is disclosed in Note 11 of the Company's consolidated financial statements for the year ended February 28, 2022.

Interest Rate Risk

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

MANAGEMENT OF CAPITAL

In the management of capital, the Company considers cash, working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties and investigating other business opportunities. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.
- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.
- There were no changes in the Company's approach to capital management for the year ended February 28, 2022 compared to the years ended February 28, 2021. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the information provided in the MD&A and the consolidated financial statements for the year ended February 28, 2022.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2022

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's reporting standards.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Neo Battery's general and administrative expenses and research and development costs is provided in the Company's year ended February 28, 2022, statement of operations contained in its consolidated financial statements for the year ended February 28, 2020. These statements are available on its SEDAR Page Site accessed through www.sedar.com.

DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that are required to be disclosed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the audited consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking" statements"). These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDAR at www.sedar.com or by contacting the Company at Suite 520 – 800 West Pender Street, Vancouver, BC Canada, V6C 2V6, Tel: (604) 697-2408.

SCHEDULE G

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Consolidated Financial Statements for the Year Ended February 28, 2021



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

Audited Consolidated Financial Statements

For the Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of NEO Battery Materials Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NEO Battery Materials Ltd. ("the Company"), which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at February 28, 2021 and February 29, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company continues to incur operating losses with no source of operating cash flow and is dependent upon equity financing to continue its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad J. Waddell.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
June 28, 2021

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Assets	February 28, 2021	February 29, 2020
Current Assets:		
Cash and cash equivalents	\$ 625,876	\$ 201,546
Sales tax and other receivables (Note 5)	8,371	13,145
Prepaid expenses	16,022	14,600
Marketable securities (Note 4)	12,424	17,730
	662,693	247,021
Non-Current Assets:		
Deposits	12,597	12,597
Right-of-use asset (Notes 3(o) and 11)	69,733	129,504
Exploration and evaluation assets (Note 6)	1,344	1
Total Assets	\$ 746,367	\$ 389,123
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 8 and 13)	\$ 204,279	\$ 159,319
Convertible debenture interest payable (Note 10)	3,169	5,294
Lease liability – current portion (Notes 3(o) and 11)	70,926	58,755
Short-term loans (Note 9)	1,290,359	-
	1,568,733	223,368
Lease liability – long-term (Notes 3(o) and 11)	12,167	83,093
Total Liabilities	1,580,900	306,461
Shareholders' Equity (Deficiency):		
Share capital (Note 12)	18,935,514	18,935,514
Share subscriptions received (Note 12)	25,000	25,000
Reserves (Note 12)	6,733,711	5,993,711
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(26,315,235)	(24,658,040)
Total Equity (Deficiency)	(834,533)	82,662
Total Liabilities and Equity	\$ 746,367	\$ 389,123

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 16)

Approved by the Board of Directors on June 28, 2021:

"Spencer Sung Bum Huh" , Director

"Larry Okada" , Director

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2021	February 29, 2020
Expenses		
Amortization (Notes 3(o) and 11)	\$ 59,771	\$ 58,888
Consulting and management fees (Note 13)	428,892	537,160
Corporate listing and filing fees	14,976	34,665
Investor relations	7,254	13,761
License fees	35,030	-
Office and general	25,444	37,392
Professional fees (Note 13)	165,757	144,551
Rent (Notes 3(o) and 11)	57,668	90,188
Stock-based compensation (Note 12)	740,000	-
Sublease income (Notes 3(o) and 11)	(67,967)	(79,627)
Travel	24,810	231,626
Loss from operations	1,491,635	1,068,604
Other expenses (income)		
Accretion – convertible debentures	-	6,737
Debt financing finder's fees (Note 9)	87,046	-
Gain on debt settlement	-	(5,775)
Interest and miscellaneous income	(2,402)	(8,457)
Convertible debentures interest	-	15,495
Interest expense – lease liabilities (Notes 3(o) and 11)	21,277	28,539
Interest expense (Note 9)	54,013	-
Loss on foreign exchange	320	1,788
Unrealized loss on marketable securities (Note 4)	5,306	4,470
Write-off (recovery) of receivables	-	(22,029)
Total other expense	165,560	20,768
Net loss and comprehensive loss for the year	\$ 1,657,195	\$ 1,089,372
Loss per share:		
Basic	\$ 0.02	\$ 0.02
Weighted average number of common shares outstanding	70,233,980	64,576,330

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For Year Ended	
	February 28, 2021	February 29, 2020
Operating Activities:		
Net loss for the year	\$ (1,657,195)	\$ (1,089,372)
Adjustment for items which do not involve cash:		
Amortization	59,771	58,888
Gain on debt settlement	-	(5,775)
Accretion – convertible debentures	-	6,737
Stock-based compensation	740,000	-
Unrealized loss on marketable securities	5,306	4,470
Recovery of receivables	-	(22,029)
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	44,960	(94,816)
Convertible debenture interest payable	(2,125)	5,294
Short-term loan interest	46,848	-
Prepaid expenses	(1,422)	(12,978)
Sales tax and other receivables	4,774	(2,786)
	(759,083)	(1,152,367)
Investing Activities:		
Property payment	(1,343)	-
	(1,343)	-
Financing Activities:		
Share issuances – private placements	-	1,200,000
Share issuance - warrants exercise	-	30,000
Share issuance costs	-	(43,250)
Share subscriptions received	-	25,000
Repayment of convertible debentures	-	(102,000)
Proceeds from short-term loan	1,243,511	-
Principal portion of lease liability repayments	(58,755)	(48,415)
	1,184,756	1,061,335
Net changes in cash and cash equivalents	424,330	(91,032)
Cash and cash equivalents - beginning of the year	201,546	292,578
Cash and cash equivalents - end of the year	\$ 625,876	\$ 201,546
Non-cash Activities:		
Share issued from convertible debenture conversion	\$ -	\$ 182,302

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity (Deficiency)

For the year ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

	Notes	SHARES	SHARE CAPITAL AMOUNT	SHARE SUBSCRIPTIONS RECEIVED	RESERVES	ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")	DEFICIT	TOTAL EQUITY
Balance – February 28, 2019		55,862,552	17,670,167	-	5,897,832	(213,523)	(23,566,797)	(212,321)
Impact on adopting IFRS 16		-	-	-	-	-	(1,871)	(1,871)
Restated opening balance under IFRS 16		55,862,552	17,670,167	-	5,897,832	(213,523)	(23,568,668)	(214,192)
Shares issued – private placements	12(a)	11,500,000	1,084,000	-	116,000	-	-	1,200,000
Share issue costs	12(a)	-	(43,250)	-	-	-	-	(43,250)
Shares issued – convertible debenture conversions	10, 12(a)	2,571,428	182,302	-	(7,826)	-	-	174,476
Shares issued – warrants exercise	12(a)	300,000	42,295	-	(12,295)	-	-	30,000
Share subscriptions received		-	-	25,000	-	-	-	25,000
Net loss for the year		-	-	-	-	-	(1,089,372)	(1,089,372)
Balance - February 29, 2020		70,233,980	18,935,514	25,000	5,993,711	(213,523)	(24,658,040)	82,662
Stock-based compensation	12(c)	-	-	-	740,000	-	-	740,000
Net loss for the year		-	-	-	-	-	(1,657,195)	(1,657,195)
Balance - February 28, 2021		70,233,980	18,935,514	25,000	6,733,711	(213,523)	(26,315,235)	(834,533)

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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". 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 consolidated 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 February 28, 2021, the Company had an accumulated deficit of \$26,315,235 (February 29, 2020 - \$24,658,040), a net loss for the year ended February 28, 2021 of \$1,657,195 (February 29, 2020 - \$1,089,372) and a working capital deficiency of \$906,040 (February 29, 2020 – \$23,653 working capital).

If the going concern assumption is not appropriate for these 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Presentation and Consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

2. Basis of Preparation - continued

Basis of Presentation and Consolidation - continued

Control is based on whether an investor has power over the investee and the ability to use its power over the investee to affect the amount of the returns.

These consolidated 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.

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.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual consolidated financial statements are as follows:

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - continued

(b) Short-term Investments

The Company classifies all its investments with maturities of less than one year as short-term investments.

(c) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

(d) Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

As at February 28, 2021, the calculation of any possible asset retirement obligation is not considered material.

(e) Impairment of Non-Current Assets

The Company follows the guidance in IFRS 6 – Exploration for and Evaluation of Mineral Resources to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not lead to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the consolidated financial statements.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

(f) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders equity and includes items that would not normally be included in net earnings.

(g) Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

(i) Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated first to warrants based on their fair values, with the residual value allocated to share capital.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

(j) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

(k) Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from the issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized in other liabilities for this difference. The liability is reduced and the reduction of premium liability is recorded in deferred tax recovery when eligible expenditures are fully incurred.

(l) Mineral Exploration Tax Credits (“METC”)

The Company recognizes METC amounts when the Company’s METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

(m) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model. The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - *continued*

(m) Financial Instruments - *continued*

The Company's financial instruments are classified and subsequently measured as follows:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Marketable securities	FVTPL
Accounts payable	Amortized cost
Lease liability	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the periods in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in Other Comprehensive Income ("OCI") are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies - *continued*

(m) Financial Instruments - *continued*

(iv) De-recognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are recognized in profit or loss.

(n) Foreign Currency Translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the Canadian ("Cdn") Dollar. The Peruvian subsidiaries' transactions not in Cdn Dollars are translated into Cdn Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the statement of financial position dates;
- non-monetary assets and liabilities at the applicable historical exchange rates; and
- revenues and expenses at the average rates of exchange for the period.

Exchange gains and losses arising from the conversion of foreign currency balances and transactions are reported in profit or loss as they occur.

(o) IFRS 16 – Leases

On March 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17.

IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less), leases with certain variable lease payments and leases of low-value assets.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – *continued*

(o) IFRS 16 – Leases - *continued*

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at the date of entry into a lease agreement. The associated right-of-use assets will be measured at the lease liabilities amount. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

(o) IFRS 16 – Leases - continued

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, were not yet effective for the year ended February 28, 2021 and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations were either not applicable or are not expected to have material impact on the company's consolidated financial statements.

4. Marketable Securities

In December 2019, the Company received 100,000 shares from Pembridge Resources Plc ("Pembridge") after Pembridge started trading on the London Stock Exchange under the ticker code "PERE". These shares had a fair value of CAD\$22,200 at the time of receipt. As at February 28, 2021, the Pembridge Shares traded at GBP7 per share and the fair value of the 100,000 shares was CAD\$12,424. An unrealized loss of \$5,306 (2020 - \$4,470) was recognized for the year ended February 28, 2021.

	February 28, 2021	February 29, 2020
	\$	\$
Marketable securities – fair value	12,424	17,730
Marketable securities – cost	22,200	22,200

5. Sales Tax and Other Receivables

	February 28, 2021	February 29, 2020
	\$	\$
Sales tax (GST)	8,356	13,145
Other receivables	15	-
Total	8,371	13,145

6. 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, 2019 and 2020	-	-	-	1	1
Staking	-	-	1,343	-	1,343
Balance - February 28, 2021	-	-	1,343	1	1,344

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets and Expenditures - continued

(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 4).

(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 capitalized costs related to 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.

(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.

7. 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.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

7. Financial Risk and Capital Management - continued

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 February 28, 2021, 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.

The Company's financial instruments consist of cash, accounts payable, accrued liabilities and convertible debentures. 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.

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

	Level 1	Level 2	Level 3	Total
February 29, 2020	\$	\$	\$	\$
Cash	201,546	-	-	201,546
Marketable securities	17,730	-	-	17,730
Total	219,276	-	-	219,276

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

8. Accounts Payable and Accrued Liabilities

	February 28, 2021	February 29, 2020
	\$	\$
Trade payables (Note 12)	189,279	145,319
Accrued liabilities	15,000	14,000
Total	204,279	159,319

9. Short-Term Loans

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 (Note 16 b).

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 (Note 16 e).

During the year ended February 28, 2021, \$46,848 (2020 - \$Nil) of interest expense was accrued on these loans. As at February 28, 2021, \$1,290,359 (February 29, 2020 - \$Nil) of loan principal and interest was payable.

10. Convertible Debentures

On February 28, 2019, the Company issued convertible debentures in an aggregate principal amount of \$282,000 to a group of investors. Each debenture accrues interest at an annual rate of 10% and is to be repaid on March 1, 2020. The convertible debenture holders have rights to convert a portion, or all, of the principal amount of each note at a price of \$0.07 (conversion price) into common shares of the Company at any time prior to March 1, 2020. A finder's fee of \$7,000 was paid in conjunction with the issuance of the debentures. Based on a discount factor of 15%, the debt portion of the debentures was valued at \$269,739 and the equity portion of the debentures was valued at \$12,261.

In June 2019, \$180,000 of convertible debenture principal was converted to 2,571,428 common shares of the Company at \$0.07 per share. The accreted carrying balance of the converted convertible debentures totaling \$174,476 and the equity portion of the convertible debentures in the amount of \$7,826 were transferred to share capital.

On February 28, 2020, the remaining \$102,000 convertible debenture principal was repaid to the debenture holders. For the year ended February 28, 2021, the Company incurred accretion expense on the convertible debentures of \$nil (February 29, 2020 - \$6,737) and interest expense of \$nil (February 29, 2020 - \$15,495). As at February 28, 2021, no remaining convertible debenture principal was payable (February 29, 2020 - \$nil) and accrued interest payable related to the convertible debenture was \$3,169 (February 29, 2020 - \$5,294).

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

10. Convertible Debentures - continued

Changes in the carrying value of the convertible debentures during the year ended February 29, 2020 are reconciled below:

	February 28, 2021	February 29, 2020
	\$	\$
Convertible debenture – beginning of the year	-	269,739
Allocation of equity portion to reserves	-	-
Accretion	-	6,737
Conversion to common shares	-	(174,476)
Principal repayment	-	(102,000)
Carrying value – end of the year	-	-

11. 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
	\$ 241,776

a) Right-of-use assets

As at February 28, 2021 and February 29, 2020, the right-of-use asset recorded for the Company's office premises was as follows:

	February 28, 2021	February 29, 2020
	\$	\$
Opening balance	129,504	-
IFRS 16 adoption – May 2016 to April 2019 lease	-	9,079
Amortization	-	(9,079)
May 2019 to April 2022 lease – initial recognition	-	179,313
Amortization	(59,771)	(49,809)
Ending balance	69,733	129,504

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

11. 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 February 28, 2021 and February 29, 2020 are as follows:

	February 28, 2021	February 29, 2020
	\$	\$
Undiscounted minimum lease payments:		
Less than one year	83,390	80,032
More than one year	13,992	97,382
Total undiscounted minimum lease payments	97,382	177,414
Effect of discounting	(14,289)	(35,566)
Present value of minimum lease payments	83,093	141,848
Less: current portion	(70,926)	(58,755)
Long-term portion	12,167	83,093

c) Lease liabilities continuity

The net changes in the Company's lease liability during the years ended February 28, 2021 and February 29, 2020 were as follows:

	February 28, 2021	February 29, 2020
	\$	\$
Beginning balance	141,848	-
IFRS 16 adoption – May 2016 to April 2019 lease	-	10,950
Principal payments	-	(10,950)
May 2019 to April 2022 lease – initial recognition	-	179,313
Principal payments	(58,755)	(37,465)
Ending balance	83,093	141,848

The Company incurred interest expense of \$21,277 on its lease liabilities for the year ended February 28, 2021 (February 29, 2020 – \$28,539) and received sublease income of \$67,967 (February 29, 2020 – \$79,627) as a result of subleasing a portion of its office space.

12. Share Capital

(a) Share Capital

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

Private Placements

Year Ended February 28, 2021

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

12. Share Capital - continued

(a) Share Capital - continued

Private Placements - continued

Year Ended February 29, 2020

On May 22, 2019, the Company closed a private placement of 2,500,000 common shares at a price of \$0.12 per share for gross proceeds of \$300,000.

On August 21, 2019, the Company closed a private placement of 9,000,000 units at a price of \$0.10 per unit for gross proceeds of \$900,000. Each unit consists of one common share and one-half common share warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.30 per common share within 24 months of the closing of the private placement. The fair value of the 4,500,000 warrants was calculated at \$116,000 and was determined on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.40% risk free interest rate, expected life of 2 years, 165.56% annualized volatility and 0% dividend rate. \$43,250 in cash share issue costs were paid in conjunction with the private placement.

Convertible Debenture Conversion

Year Ended February 29, 2020

In June 2019, \$180,000 of convertible debenture principal outstanding was converted to 2,571,428 common shares of the Company at \$0.07 per share. The \$174,476 accreted carrying value and \$7,826 equity portion of the convertible debenture principal was transferred to share capital on conversion.

Warrants Exercise

Year Ended February 28, 2021

There were no warrants exercised during the year ended February 28, 2021.

Year Ended February 29, 2020

In May 2019, 300,000 share purchase warrants exercisable at \$0.10 per share were exercised for gross proceeds of \$30,000. The \$12,295 value of these warrants was reclassified from reserves to share capital upon exercise.

(b) Share Purchase Warrants

As at February 28, 2021, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Remaining Years
August 21, 2021	\$0.30	4,500,000	0.48

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

12. 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.

Year Ended February 29, 2020

There were no options granted during the year ended February 29, 2020.

From May 2019 up to February 28, 2021, 1,925,000 stock option were cancelled due to the optionees ceasing to be directors, officers, and consultants for the Company.

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

12. Share Capital – continued

(c) Stock Options - continued

At February 28, 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	1,350,000	2.06	1,350,000
February 28, 2024	\$0.06	2,225,000	3.00	2,225,000
February 10, 2026	\$0.20	2,930,000	4.95	2,930,000
	\$0.12	6,505,000	3.68	6,505,000

(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 investor. As of February 28, 2021, the Company held \$25,000 in trust (Note 16 a).

13. 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.

	February 28, 2021	February 29, 2020
Due to related parties	\$ -	\$ -

The remuneration of directors and other members of key management personnel during the year ended February 28, 2021 and February 29, 2020 were as follows:

	February 28, 2021	February 29, 2020
Management fees	\$ 313,200	\$ 244,700
Professional fees	54,952	43,000
Stock based compensation	622,560	-
	\$ 990,712	\$ 287,700

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

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

14. Income Tax

- (a) The income tax provision for the year differs from the amount obtained by applying the statutory income tax rates as follows:

	February 28, 2021	February 29, 2020
Loss before income taxes	\$ (1,657,195)	\$ (1,089,372)
Statutory tax rates	27.00%	27.00%
Expected tax recovery	(447,443)	(294,101)
Adjustments:		
Other temporary and permanent differences	203,569	(3,357)
Unrecognized benefit of loss carry-forwards	243,874	297,458
Income tax recovery	\$ -	\$ -

- (b) The components of the Company's deferred income tax asset balances were as follows:

	February 28, 2021	February 29, 2020
Non-capital loss carry-forwards	\$ 2,892,730	\$ 2,659,720
Financing costs	27,684	16,677
Other	66,849	71,939
Exploration and evaluation assets	1,139,102	1,138,739
Unrecognized deferred tax asset	(4,126,365)	(3,887,075)
Deferred income tax asset (liability)	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	February 28, 2021	February 29, 2020
Non-capital losses	\$ 10,704,000	\$ 9,841,000
Capital losses	100,267	100,267
Property and equipment	41,885	66,042
Exploration and evaluation expenditures	4,218,895	4,217,552
Financing costs	102,535	61,766
Marketable securities	105,437	100,132
	\$ 15,273,019	\$ 14,386,759

NEO Battery Materials Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Year Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

15. Contingency

On July 13, 2020, a former director of the Company filed an action against the Company in British Columbia small claims court for an aggregate amount of \$35,176. See Note 16(c).

16. Subsequent Events

Subsequent to February 28, 2021, the following events occurred:

- a) In March 2021, the Company returned \$25,000 to a share subscriber from its trust account.
- b) In March 2021, the Company repaid a total of \$104,208 relating to a short-term loan and accrued interest.
- c) In March 2021, a former director of the Company withdrew a claim filed in British Columbia small claims court against the Company. The Company paid a total of \$5,000 to this former director for the settlement.
- d) 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 purchase warrant exercisable at \$0.16 for a period of 36 months.
- e) In May 2021, the Company repaid a total of \$1,254,961 relating to a short-term loan and accrued interest.
- f) On May 13, 2021, the Company granted 420,000 stock options to consultants at an exercise price of \$0.20 per option. The options are exercisable on or before May 13, 2026.
- g) On June 1, 2021, the Company granted 100,000 stock options to a consultant at an exercise price of \$0.20 per option. The options are exercisable on or before June 1, 2026.
- h) On June 9, 2021, the Company granted 80,000 stock options to consultants at an exercise price of \$0.33 per option. The options are exercisable on or before June 9, 2026.

SCHEDULE H

**TO FILING STATEMENT
OF NEO BATTERY MATERIALS LTD.**

Management's Discussion and Analysis for the Year Ended February 28, 2021



(FORMERLY PAN ANDEAN MINERALS LTD.)

**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Year Ended February 28, 2021

As at June 28, 2021

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

INTRODUCTION

The following annual management's discussion and analysis (MD&A) of the Company has been prepared as of June 28, 2021. This MD&A should be read in conjunction with the consolidated financial statements of NEO Battery Materials Ltd. ("NEO" or the "Company") and the notes thereto for the year ended February 28, 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable. Additional information on NEO Battery Materials is available by accessing the Company's profile on SEDAR at www.sedar.com and on the Company's website: www.neobatterymaterials.com. Readers of this MD&A are cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in this MD&A that are not historical based facts are forward looking statements which are made subject to cautionary language on page 10 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers are again cautioned not to put undue reliance on forward looking statements.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the year ended February 28, 2021 and up to the date of this report:

- On March 9, 2020, the Company received a \$100,000 loan bearing interest, payable semi-annually, at a rate of 4% per annum, with outstanding principal due and payable on March 6, 2021. A \$7,000 finder's fee was paid in cash pursuant to the loan financing. On March 25, 2021, the Company repaid a total of \$104,208 for the principal plus the interest accrued on the principal.
- On March 24, 2020, the Company received a \$1,143,511 (1 billion South Korean Won) 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. On May 7, 2021, the Company repaid a total of \$1,254,961 for the principal plus the interest accrued on the principal.
- On July 13, 2020, a former director of the Company filed a small claims action against the Company having failed reimburse the former director for certain expenses and disbursements for an aggregate amount of \$35,176. On March 31, 2021, the claim was settled for a cash payment of \$5,000.
- On January 21, 2021, the Company 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.
- On January 27, 2021, the Company received a notice from TSX Venture Exchange that it has been placed on Notice with a 90-day deadline to transfer to NEX for not meeting Tier 2 CLR, as it is considered a material change in affairs of the Company. The common shares of the Company resume trading on January 29, 2021.
- On February 10, 2021, the Company granted 2,930,000 stock options to certain directors, officers, and consultants at an exercise price of \$0.20. The stock options are exercisable on and before February 10, 2026.
- On February 11, 2021, the Company entered into a consulting services agreement with JMK Geological Services ("JMK"), a private firm controlled by one of the Company's directors. JMK will act as exploration manager for the Company to

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

oversee an integrated exploration program on the Company's mineral properties in the Golden Mining district of BC.

- On February 26, 2021, the Company entered into a non-binding Letter of Intent ("LOI") agreement with Belmont Resources Inc. ("BEA" or "Belmont") to acquire a 25% interest in the A Block of the Kibby Basin Lithium Project.
- On March 2, 2021, the Company returned \$25,000 of shares subscribed to the subscriber.
- On March 8, 2021, the TSX Venture Exchange has approved the Company's name change from Pan Andean Minerals Ltd to NEO Battery Materials Ltd. The new stock symbol "NBM" replaced "PAD."
- On March 8, 2021, the Company entered into a licensing agreement with University-Industry Foundation of Yonsei University and Research & Business Foundation, SungKyunKwan University. Pursuant to the agreement, the Company will be granted an exclusive world-wide license for three patents owned by these two Universities related to silicon nano coating technology for battery anode materials.
- On March 18, 2021, the Company entered into a Client Service Agreement with Stockhouse Publishing Ltd. ("Stockhouse") whereby Stockhouse agreed to provide the Company with increased market awareness and investor relationship services. The agreement is for one-year term for a fee of \$60,000.
- On May 4, 2021, the Company closed a non-broker private placement offering of 17,141,667 unites 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 purchase warrant exercisable at \$0.16 for a period of 36 months.
- On May 13, 2021, the Company granted 420,000 stock options to certain consultants with an exercise price of \$0.20 per share. These stock options are exercisable on or before May 13, 2026.
- On May 17, 2021, the Company entered into a Collaborative Development Agreement ("the Collaboration") with University-Industry Foundation of Yonsei University. The objective of the Collaboration is to conduct research and forward the development and commercialization of the proprietary ion-conductive polymer nanocoating technology for silicon anode applications.
- On June 1, 2021, the Company granted 100,000 stock options to a consultant with an exercise price of \$0.20 per share. These stock options are exercisable on or before June 1, 2026.
- On June 9, 2021, the Company granted 80,000 stock options to certain consultants with an exercise price of \$0.33 per share. These stock options are exercisable on or before June 9, 2026.
- On June 10, 2021, the Company entered into a Memorandum of Understanding ("MOU") with a South Korean silicon powder manufacturer, Korea Metal Silicon Co. Ltd. to pursue strategic opportunities for the advancement of low-cost, scalable silicon anodes through leveraging the developments in silicon technologies from both parties.

OUTLOOK

NEO Battery Materials Ltd. intends to focus on battery metals exploration in North America. The Company focuses on exploring and producing silicon, which, when added to anode materials in the production of lithium-ion batteries, provides improvements in capacity and efficiency over lithium-ion batteries using graphite in their anode materials. The Company intends to become an integrated silicon producer and anode materials supplier to the electric vehicle industry.

EXPLORATION PROPERTIES INTEREST

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

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 February, the Company entered a consulting services agreement with a private company owned by one of the Company's director for an exploration program. The program will consist of geological mapping and sampling, geophysical exploration, induced polarization surveys to check on the continuity of the quartzite beds in areas of thicker cover, and excavator trenching across the resistivity lows indicating the quartzite horizon. The quartzite unit will be systematically analyzed for the purity of the silica. The Company anticipates beginning the program in late Spring 2021 with a report on the findings from the program to be concluded by the end of the calendar year, at a total cost of approximately \$80,000. Please refer to Note 6 of the Company's consolidated financial statements for the year ended February 28, 2021 for further disclosure on the Company's properties.

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's audited financial statements years ended February 28, 2021, February 29, 2020, and February 28, 2019.

	February 28, 2021	February 29, 2020	February 28, 2019
Expenses	\$ 1,491,635	\$ 1,068,604	\$ 1,071,306
Other expenses/income	165,560	20,768	2,741,628
Net loss and comprehensive loss	1,657,195	1,089,372	3,812,934
Basic and diluted loss per share	0.02	0.02	0.08
Total current assets	662,693	247,021	304,730
Total assets	746,367	389,123	317,328
Total current liabilities	1,568,733	223,368	529,649
Total liabilities	1,580,900	306,461	529,649

RESULTS OF OPERATIONS

For the three-month ended February 28, 2021

The net loss for the three-month period ended February 28, 2021 was \$981,958 as compared to the net loss for the three-month period ended February 29, 2020 of \$262,755. Operating expenses for the three months ended February 28, 2021 totaled \$962,651 compared to \$274,311 for the three months ended February 29, 2020.

Significant items contributing to the net loss and comprehensive loss for the 4th quarter ended February 28, 2021 and February 29, 2020 were as follows:

- Travel costs of \$12,833 (February 29, 2020: \$37,752). Travel costs have been decreased compared to the same quarter of the prior year due to since COVID pandemic.
- Consulting & management fees of \$98,028 (February 29, 2020 - \$171,980). Consulting and management fees have been decreased compared to the same quarter of the prior year due to reduced business activities in the current year.
- Professional fees of \$47,751 (February 29, 2020 - \$34,061). Professional fees have increased compared to the same quarter of the prior year due to increased legal fees associated with the claim filed by a former director of the Company for his expense reimbursement.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

- Operating costs of the office lease of \$16,341 (February 29, 2020 - \$30,370). These operating costs relating to the office lease have decreased compared to the same quarter of the prior year.
- Short-term loan interest of \$19,600 (February 29, 2020 - \$Nil). The Company accrued the interests on the short-term loans obtained during the fiscal 2021 year.
- Stock-based compensation of \$740,000 (February 29, 2020 - \$Nil). The Company granted 2,930,000 stock options to certain directors and consultants in the 4th quarter of the current year.

For the year ended February 28, 2021

The net loss for the year ended February 28, 2021 was \$1,657,195 as compared to the net loss for the year ended February 29, 2020 of \$1,089,372. Operating expenses for the year ended February 28, 2021 totaled \$1,491,635 compared to \$1,068,604 for the year ended February 29, 2020.

Significant items contributing to the net loss and comprehensive loss for the year ended February 28, 2021 and February 29, 2020 were as follows:

- Travel costs of \$24,810 (February 29, 2020: \$231,626). Travel costs have significantly decreased compared to the prior year due to reduced business activities since the COVID pandemic began.
- Consulting & management fees of \$428,892 (February 29, 2020 - \$537,160). Consulting and management fees are comparable to the prior year.
- Operating costs of the office lease of \$57,668 (February 29, 2020 - \$90,188). These operating costs relating to the office lease have decreased compared to the prior year because the landlord reduced the costs in the current year.
- Debt financing fee of \$87,046 (February 29, 2020 - \$Nil). The Company paid finder's fee of \$87,046 in total with regard to the short-term loans of \$1,243,511 obtained in the current year.
- Short-term loan interest of \$46,849 (February 29, 2020 - \$Nil) was accrued on the loans obtained during the current year.
- Stock-based compensation of \$740,000 (February 29, 2020 - \$Nil). The Company granted 2,930,000 stock options to certain directors and consultants in the current year.

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2021, the Company's cash balance was \$625,876 (February 29, 2020 - \$201,546).

As at February 28, 2021, the Company had a working capital deficiency of \$906,040 compared to a working capital of \$23,653 as at February 29, 2020. In the opinion of management, should the Company wish to continue as a going concern and continue developing in new mining project in 2021 and beyond, further financing will be required, and the Company will likely have to go to market to achieve this.

Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and intensity in international business environment, management constantly reviews emerging technologies and equity markets such that the Company has enough liquidity to support its growth strategy.

Liquidity Outlook

At present, the Company does not have any sources of generating operating revenues and its financial success is highly dependent on management's ability to develop new business opportunities and raise capital through equity financing.

Many factors influence the Company's ability to raise funds, including the health of the financial market, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a few factors, including the sourcing of new project. Management believes it will be able to raise equity capital and/or debt as required in the long term but understands that there will be risks involved which may be beyond its control.

This outlook is based on the Company's current financial position and is subject to change if new business opportunities become available.

Going Concern

The audited consolidated 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, has no source of operating cash flow, and no assurances that sufficient funding will be available to develop the new project. 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 February 28, 2021, the Company had an accumulated deficit of \$26,315,235 (February 29, 2020 - \$24,658,040), incurred a net loss for the year ended February 28, 2021 of \$1,657,195 (February 29, 2020 - \$1,089,372) and has working capital deficiency of \$906,040 (February 29, 2020 - \$23,653 working capital).

If the going concern assumption was not appropriate, then financial statement adjustments would 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.

Strategy and Risk Management

Further business activities are dependent on the Company obtaining financing for any new projects for 2020 and beyond. Management believes that it will be able to raise additional capital in order to fund new business opportunities and its administrative expenditures. Although management has been successful in the past raising additional financing, there can be no assurance they will be successful in the future.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the last eight quarters in Canadian dollars:

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

	28-Feb-21	30-Nov-20	31-Aug-20	31-May-20	29-Feb-20	30-Nov-19	31-Aug-19	31-May-19
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and Comprehensive loss	981,958	173,848	199,797	301,592	262,755	292,512	251,988	282,117
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	746,367	1,001,212	1,168,756	1,330,671	389,123	764,964	1,083,587	1,607,692
Exploration and evaluation assets	1,344	1	1	1	1	1	1	1
Revenues	-	-	-	-	-	-	-	-
Equity (deficiency)	(834,533)	(542,575)	(368,727)	(218,930)	82,662	330,538	623,050	(164,438)

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

EXPLORATION STAGE COMPANY RISKS

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven ore deposits and there is no assurance that the Company's exploration programs will result in proven ore deposits, nor can there be any assurance that economic deposits can be commercially mined. As a consequence, any forward-looking information is subject to known and unknown risks and uncertainties as follows, but not limited thereto:

- Exploration and development of mining properties is highly speculative in nature and involves a high degree of risk.
- Timing delays in exploration and development and delays in funding may result in delays and postponement of projects.
- Many competitors are in the business, some of which have greater financial, technical and other resources than the Company.
- Mining involves many hazards and risks in the field such as unexpected rock formations, seismic activity, cave-ins, adverse weather conditions, unstable political conditions and many other conditions.
- Lack of assurance that: the Company will be able to obtain all necessary permits and approvals to conduct its affairs or that future tax, environmental or other legislation will not cause additional expenses, delays or postponements.
- Operations of the Company are subject to environmental regulation, a breach of which may result in imposition of enforcement actions. Environmental hazards may exist on current properties which are presently unknown to the Company and regulations and laws change over time.
- World prices for metals can be unstable and unpredictable and may materially affect the Company's operations, as well as economic conditions which may change the demand for minerals.
- The securities markets worldwide can experience high price and volume volatility.
- The Company is dependent on the services of several key individuals, the loss of which could significantly affect operations.
- There is potential for officers and directors of the Company to have conflicts of interest with other entities.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2021

- Uncertainties as to the development and implementation of future technologies.
- Changes in accounting policies and methods may affect how the financial condition of the Company is reported.
- Breaches of contracts, such as property agreements, could result in significant loss.

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.

As at February 28, 2021 and 2020, there were no amounts due to related parties.

The remuneration of directors and other members of key management personnel during the year ended February 28, 2021 and February 29, 2020 were as follows:

	February 28, 2021	February 29, 2020
Management fees	\$ 313,200	\$ 244,700
Professional fees	54,952	43,000
Stock based compensation	622,560	-
	\$ 990,712	\$ 287,700

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

OUTSTANDING SHARE DATA

NEO Battery Materials' authorized capital is unlimited common shares without par value.

As at the date of this MD&A, the Company had an unlimited number of common shares authorized for issuance, with 87,375,647 issued and outstanding. The Company also had 21,641,667 warrants and 7,105,000 stock options outstanding exercisable into one common share each.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements for the year ended February 28, 2021.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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.

PRONCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

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.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, other receivables, and the short-term debt NEO deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations. As of February 28, 2021, the Company had a working capital deficiency of \$906,040 (February 29, 2020 – working capital of \$23,653). Further information relating to liquidity risk is disclosed in Note 7 of the Company's consolidated financial statements for the year ended February 28, 2021.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents, short-term investments and reclamation bonds include deposits which are at variable interest rates.

Market Price Risks

The only significant market price risks to which the Company is exposed to is interest rate risk and price volatility on its marketable securities. The Company's bank account earns interest at variable rates. The fair value of its cash and cash equivalents are relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

MANAGEMENT OF CAPITAL

In the management of capital, the Company considers cash, working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties and investigating other business opportunities. The

Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.
- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.
- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.
- There were no changes in the Company's approach to capital management during the year ended February 28, 2021 compared to the years ended February 29, 2020. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's reporting standards.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Pan Andean's general and administrative expenses and mineral property costs is provided in the Company's period ended February 28, 2020, statement of operations contained in its condensed consolidated interim financial statements for the nine months ended February 28, 2020. These statements are available on its SEDAR Page Site accessed through www.sedar.com.

DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that are required to be disclosed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the audited consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

FORWARD LOOKING INFORMATION

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not

anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDAR at www.sedar.com or by contacting the Company at Suite 520 – 800 West Pender Street, Vancouver, BC Canada, V6C 2V6, Tel: (604) 697-2408.