



**Condensed Consolidated Interim Financial Statements**

**For the Six Months Ended August 31, 2022 and August 31, 2021**

(Expressed in Canadian Dollars)

# NEO Battery Materials Ltd.

## Condensed Consolidated Interim Statements of Financial Position

(Reviewed - Expressed in *Canadian Dollars*)

	August 31, 2022	February 28, 2022
<b>Assets</b>		
		(Note 4)
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,356,391	\$ 1,247,750
Marketable securities (Note 6)	5,077	7,910
Prepaid expenses (Note 7)	88,563	161,865
Sales tax and other receivables (Note 8)	29,296	21,423
	<b>2,479,327</b>	<b>1,438,948</b>
<b>Non-Current Assets:</b>		
Deposits	-	12,597
Equipment (Note 10)	471,596	180,529
Exploration and evaluation assets (Note 9)	-	1,344
Intangible assets (Note 12)	47,646	49,210
Prepaid expenses – long term (Note 7)	701,600	31,212
Right-of-use asset (Note 16)	-	9,962
<b>Total Assets</b>	<b>\$ 3,700,169</b>	<b>\$ 1,723,802</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities (Note 15)	\$ 153,755	\$ 166,119
Lease liability – current portion (Note 16)	-	12,167
<b>Total Liabilities</b>	<b>153,755</b>	<b>178,286</b>
<b>Shareholders' Equity:</b>		
Share capital (Note 17)	22,390,351	22,311,985
Reserves (Note 17)	7,771,420	7,792,453
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(27,650,384)	(28,345,399)
	<b>2,297,864</b>	<b>1,545,516</b>
Non-controlling interest ("NCI") (Note 5)	1,248,550	-
<b>Total Shareholders' Equity</b>	<b>3,546,414</b>	<b>1,545,516</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,700,169</b>	<b>\$ 1,723,802</b>

**Nature of Operations and Going Concern** (Note 1)

**Contingency** (Note 20)

Approved by the Board of Directors on November 15, 2022:

"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

(Reviewed - Expressed in Canadian Dollars)

	For Three Months Ended August 31		For Six Months Ended August 31,	
	2022	2021	2022	2021
<b>Expenses</b>		(Note 4)		(Note 4)
Amortization (Notes 10 & 12)	\$ 23,898	\$ 567	\$ 37,626	\$ 1,082
Amortization on ROU assets	-	14,942	9,962	29,885
Advertising and marketing	5,815	32,788	29,479	82,122
Consulting and management fees (Note 18)	194,253	109,967	283,899	232,867
Corporate listing and filing fees	10,831	11,115	25,963	83,164
Exploration and evaluation expenses	-	3,690	-	3,690
Investor relations	8,669	25,580	22,341	48,808
Office and general	11,560	8,863	24,683	17,627
Payroll expenses	122,371	-	209,803	-
Professional fees (Note 18)	52,085	31,439	100,328	75,737
Rent (non-lease portion)	21,974	19,530	65,357	36,061
Research and development (Note 11)	70,309	29,989	151,626	33,265
Sublease income	-	(10,602)	(5,925)	(28,035)
Stock-based compensation	-	604,224	-	683,248
Travel	11,373	16,407	21,304	18,937
<b>Loss from operations</b>	<b>(533,138)</b>	<b>(898,499)</b>	<b>(976,446)</b>	<b>(1,318,458)</b>
<b>Other income (expense)</b>				
Interest and miscellaneous expense	-	38	-	58
Interest expense – lease (Note 16)	-	(2,785)	(1,857)	(6,893)
Interest expense – short-term loan	-	-	-	(68,810)
Impairment of E&E assets (Note 9)	(1,344)	-	(1,344)	-
Loss on foreign exchange	(33,217)	(1,374)	(52,777)	(2,702)
Unrealized loss on marketable securities	(2,176)	(1,622)	(2,833)	(2,384)
Write-off of debt	-	65,845	-	65,845
<b>Total other income (expense)</b>	<b>(36,737)</b>	<b>60,102</b>	<b>(58,811)</b>	<b>(14,886)</b>
<b>Net loss for the period</b>	<b>(569,875)</b>	<b>(838,397)</b>	<b>(1,035,257)</b>	<b>(1,333,344)</b>
<b>Comprehensive loss for the period</b>	<b>\$ (569,875)</b>	<b>\$ (838,397)</b>	<b>\$ (1,035,257)</b>	<b>\$ (1,333,344)</b>
<b>Net loss Contributable to</b>				
Controlling equity holders of the Company	(455,103)	(838,397)	(920,485)	(1,333,344)
Non-controlling interest (Note 5)	(114,772)	-	(114,772)	-
	<b>(569,875)</b>	<b>(838,397)</b>	<b>(1,035,257)</b>	<b>(1,333,344)</b>
Loss per share:				
Basic & Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	97,878,979	87,758,799	97,623,388	81,511,743

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 Six Months Ended	
	August 31, 2022	August 31, 2021
<b>Operating Activities:</b>		(Note 4)
Net loss for the period	\$ (1,035,257)	\$ (1,333,344)
Adjustment for items which do not involve cash:		
Amortization	37,626	1,082
Amortization on ROU assets	9,962	29,885
Stock-based compensation	-	683,248
Impairment of E&E assets	1,344	-
Unrealized loss on marketable securities	2,833	2,384
Write-off of accounts payable	-	(65,845)
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	(12,524)	(45,977)
Deposits	12,597	-
Short-term loan interest	-	68,809
Prepaid expenses	73,302	(211,276)
Sales tax and other receivables	(7,873)	(8,098)
	(917,990)	(879,132)
<b>Investing Activities:</b>		
Prepaid expenses - commercial plant design fees	(670,388)	-
Equipment additions	(326,969)	-
Intangible assets additions	-	(10,873)
	(997,357)	(10,873)
<b>Financing Activities:</b>		
Private placement	-	2,057,000
Repayment – share subscription	-	(25,000)
Repayment – short-term loan principal and interest	-	(1,359,169)
Exercise of warrants	53,333	380,000
Exercise of options	4,000	37,000
Principal portion of lease liability	(12,167)	(34,522)
Proceeds from issuance of shares of Korean subsidiary	2,978,822	-
	3,023,988	1,055,309
<b>Net changes in cash and cash equivalents</b>	<b>1,108,641</b>	<b>165,304</b>
Cash and cash equivalents - beginning of the period	1,247,750	625,876
<b>Cash and cash equivalents - end of the period</b>	<b>\$ 2,356,391</b>	<b>\$ 791,180</b>

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, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

	SHARE CAPITAL		SHARE		ACCUMULATED			NON-	
	SHARES	AMOUNT	SUBSCRIPTIONS	RESERVES	OTHER	ACCUMULATED	TOTAL FOR	CONTROLLING	TOTAL EQUITY
			RECEIVED		LOSS ("AOCL")	DEFICIT	OWNER	INTEREST	
						(Note 4)	(Note 4)		(Note 4)
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
<b>Restated Balance - February 28, 2021</b>	<b>70,233,980</b>	<b>18,935,514</b>	<b>25,000</b>	<b>6,733,711</b>	<b>(213,523)</b>	<b>(26,280,720)</b>	<b>(800,018)</b>	-	<b>(800,018)</b>
Repayment – share subscription	-	-	(25,000)	-	-	-	(25,000)	-	(25,000)
Share issued – private placement	17,141,667	57,413	-	1,999,587	-	-	2,057,000	-	2,057,000
Stock-based compensation	-	-	-	683,248	-	-	683,248	-	683,248
Exercise of stock options	500,000	76,170	-	(39,170)	-	-	37,000	-	37,000
Exercise of warrants	1,500,000	464,500	-	(84,500)	-	-	380,000	-	380,000
Net loss for the period	-	-	-	-	-	(1,333,344)	(1,333,344)	-	(1,333,344)
<b>Balance - August 31, 2021</b>	<b>89,375,647</b>	<b>19,533,597</b>	-	<b>9,292,876</b>	<b>(213,523)</b>	<b>(27,614,064)</b>	<b>998,886</b>	-	<b>998,886</b>
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
<b>Restated Balance - February 28, 2022</b>	<b>97,525,647</b>	<b>22,311,985</b>	-	<b>7,792,453</b>	<b>(213,523)</b>	<b>(28,345,399)</b>	<b>1,545,516</b>	-	<b>1,545,516</b>
Exercise of warrants (Note 17)	333,332	70,566	-	(17,233)	-	-	53,333	-	53,333
Stock options exercise (Note 17)	20,000	7,800	-	(3,800)	-	-	4,000	-	4,000
Issuance of shares in Korea Co (Note 5)	-	-	-	-	-	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)
<b>Balance - August 31, 2022</b>	<b>97,878,979</b>	<b>22,390,351</b>	-	<b>7,771,420</b>	<b>(213,523)</b>	<b>(27,650,384)</b>	<b>2,297,864</b>	<b>1,248,550</b>	<b>3,546,414</b>

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, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

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#### 1. Nature of Operations and Going Concern

NEO Battery Materials Ltd. (the “Company” or “NEO Battery”) is 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 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.

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.

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 unaudited 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, 2022, the Company had an accumulated deficit of \$27,650,384 (February 28, 2022 - \$28,345,399), a net loss for the period ended August 31, 2022 of \$1,035,257 (August 31, 2021 - \$1,333,344) and working capital of \$2,325,572 (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 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, 2022.

The amended condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 15, 2022.

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

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## 2. Basis of Preparation - continued

### *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 Materials 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.

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 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.
- 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.
- v) The estimated useful lives of the intangible assets.

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 2. Basis of Preparation - continued

##### *Recent accounting pronouncements*

A number of new standards, and amendments to standards and interpretations, were not yet effective for the period ended August 31, 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 condensed consolidated interim financial statements.

#### 3. Significant Accounting Policies

##### **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.

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.

#### 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



# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 4. Changing Accounting Policies – continued

Consolidated Statement of Loss and Comprehensive Loss for the six months ended August 31, 2021:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Amortization	-	1,082	1,082
License fees	10,000	(10,000)	-
Professional fees	76,610	(873)	75,737

Consolidated Statement of Change in Equity for the six months ended August 31, 2021:

	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 six months ended August 31, 2021	(1,343,135)	9,791	(1,333,344)
Deficit, as at August 31, 2021	(27,658,370)	44,306	(27,614,064)
Total Shareholders' Equity, as at August 31, 2021	954,580	44,306	998,886

Consolidated Statement of Cash Flow for the six months ended August 31, 2021:

	As reported (\$)	Adjustment (\$)	Restated Balance (\$)
Net loss for the six months ended August 31, 2021	(1,343,135)	9,791	(1,333,344)
Amortization	-	1,082	1,082
Cash used in operating activities	(890,005)	10,873	(879,132)
Cash used in investing activities	-	(10,873)	(10,873)

#### 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.

## NEO Battery Materials Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 5. Non-controlling Interest - continued

As at August 31, 2022, 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		(114,772)
Non-controlling interest as at August 31, 2022	\$	1,248,550

#### 6. Marketable Securities

As at August 31, 2022, marketable securities include 100,000 common shares of a publicly traded company, Pembridge Resources PLC, valued at \$5,077 (February 28, 2022 - \$7,910).

	August 31, 2022	February 28, 2022
	\$	\$
Marketable securities – fair value	5,077	7,910
Marketable securities – cost	22,200	22,200

#### 7. Prepaid Expenses

	August 31, 2022	February 28, 2022
	\$	\$
Prepaid Expenses - current		
Insurance	5,064	4,579
Rent (a)	23,322	43,736
Travel	8,932	10,550
Vendors	51,245	103,000
Short-term prepaid	88,563	161,865
Prepaid Expenses – long term		
Insurance (b)	29,137	31,212
Vendors (c)	672,463	-
Long-term prepaid	701,600	31,212
<b>Total</b>	<b>790,163</b>	<b>193,077</b>

- (a) Includes payments made to rent a site to build the Company's commercial plant in South Korea for the period from September 1, 2022 to December 31, 2022.
- (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, 2032.
- (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 Receivables

	August 31, 2022	February 28, 2022
	\$	\$
Sales tax (GST & VAT)	29,296	21,423

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 9. Exploration and Evaluation Assets and Expenditures

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

	August 31, 2022 \$	February 28, 2022 \$
Beginning of the period	1,344	1,344
Impairment	(1,344)	-
<b>Carrying value – end of the period</b>	<b>-</b>	<b>1,344</b>

In connection with the COB, the Company impaired its remaining exploration and evaluation assets during the six months ended August 31, 2022.

#### 10. Equipment

The Company purchased equipment for its research and development center, located at Yonsei University ("Yonsei"), South Korea. Such equipment has alternative uses in other business if the Company, in the future, ceases the research and development activities.

The net book value of the Company's equipment is as follows:

	Equipment		Total
<b>Cost:</b>			
February 28, 2021	\$	-	\$ -
Additions		192,761	192,761
February 28, 2022		192,761	192,761
Additions		326,969	326,969
<b>August 31, 2022</b>	<b>\$</b>	<b>519,730</b>	<b>\$ 519,730</b>
<b>Accumulated Amortization:</b>			
February 28, 2021	\$	-	\$ -
Additions		(12,232)	(12,232)
February 28, 2022		(12,232)	(12,232)
Additions		(35,902)	(35,902)
<b>August 31, 2022</b>	<b>\$</b>	<b>(48,134)</b>	<b>\$ (48,134)</b>
<b>Net Book Value:</b>			
February 28, 2022		180,529	180,529
<b>August 31, 2022</b>	<b>\$</b>	<b>471,596</b>	<b>\$ 471,596</b>

#### 11. Research and Development

On August 23, 2022, NEO Korea Co entered an Industrial Advice Agreement ("the Agreement") with Yonsei to replace the original Collaborative Development Agreement signed between the Company and Yonsei on May 10, 2021. The term of the Agreement runs from August 1, 2022 to May 31, 2023, over which time NEO Korea Co will be responsible for research and development costs of approximately \$125,970 (South Korea Won ("KRW") 130,000,000).

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 11. Research and Development - continued

During the six months ended August 31, 2022, the Company incurred research and development costs of \$151,626, of which \$71,838 (August 31, 2021 - \$33,265) was in connection with the Agreement.

#### 12. Intangible Assets

##### Patents

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the "1<sup>st</sup> Agreement") to obtain exclusive rights to use the three patents owned by Yonsei. Under the terms of the 1<sup>st</sup> 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 "2<sup>nd</sup> Agreement") to obtain exclusive rights to use a separate patent owned by Yonsei. Under the term of the 2<sup>nd</sup> 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 also incurred \$7,119 of registration fees, documentation fees and other professional fees associated with patent registration during the year ended February 28, 2022 (2021 - \$nil).

As at August 31, 2022, intangible assets include 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		Total
<b>Cost:</b>				
February 28, 2021	\$	35,030	\$	35,030
Additions		17,119		17,119
February 28, 2022		52,149		52,149
Additions		-		-
<b>August 31, 2022</b>	<b>\$</b>	<b>52,149</b>	<b>\$</b>	<b>52,149</b>
<b>Accumulated Amortization:</b>				
February 28, 2021	\$	(515)	\$	(515)
Additions		(2,424)		(2,424)
February 28, 2022		(2,939)		(2,939)
Additions		(1,564)		(1,564)
<b>August 31, 2022</b>	<b>\$</b>	<b>(4,503)</b>	<b>\$</b>	<b>(4,503)</b>
<b>Net Book Value:</b>				
February 28, 2022		49,210		49,210
<b>August 31, 2022</b>	<b>\$</b>	<b>47,646</b>	<b>\$</b>	<b>47,646</b>

(see Note 4)

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

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#### 13. 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 and a major bank in South Korea. As most of the Company's cash is held by two banks 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. The Company's exposure to credit risk is minimal.

##### *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 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. The Company manages liquidity by maintaining a certain level of cash balances to meet liabilities as they become due. As at August 31, 2022, the Company has a cash balance of \$2,356,391 and current liabilities of \$153,755.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in the equity markets. The Company closely monitors market values to determine the most appropriate course of action.

##### *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. The Company's cash, accounts receivable, and accounts payable and accrued liabilities are held in CAD and in KRW; therefore, KRW accounts are subject to fluctuation against the CAD.

##### *Interest rate risk*

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

##### *Capital management*

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

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

### 14. 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 August 31, 2022, 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.

### 15. Accounts Payable and Accrued Liabilities

	August 31, 2022	February 28, 2022
	\$	\$
Trade payables	145,586	149,639
Accrued liabilities	8,169	16,480
<b>Total</b>	<b>153,755</b>	<b>166,119</b>

### 16. 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
	<b>\$ 241,776</b>

#### (a) Right-of-use asset

As at August 31, 2022 and February 28, 2022, the carrying value of the Company's right-of-use asset for its office lease was as follows:

	August 31, 2022	February 28, 2022
	\$	\$
Opening balance	9,962	69,733
Amortization	(9,962)	(59,771)
Ending balance	-	9,962

## NEO Battery Materials Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

#### 16. Right-Of-Use Asset & Lease Liability - continued

##### (b) Lease liability

Minimum lease payment in respect of the office lease liability and the effect of discounting as at August 31, 2022 and February 28, 2022 were as follows:

	August 31, 2022 \$	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 periods ended August 31, 2022 and February 28, 2022 were as follows:

	August 31, 2022 \$	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 six months ended August 31, 2022, the Company recorded \$1,857 (2022 - \$6,893) of interest expense on the lease liability and received \$5,925 (2022 - \$28,035) of sublease income.

#### 17. Share Capital

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

##### Private Placements

##### *Six Months Ended August 31, 2022*

The Company did not complete any private placements during the six months ended August 31, 2022.

# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

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#### 17. Share Capital – continued

##### Private Placements - continued

###### *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.

##### Share issuance - Exercise of Warrants

###### *Six Months Ended August 31, 2022*

During the six months ended August 31, 2022, 333,332 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$53,333. Upon the exercise of the warrants, \$17,233 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 Stock Options

###### *Six Months Ended August 31, 2022*

During the six months ended August 31, 2022, 20,000 stock options were exercised at a price of \$0.20 per share for total proceeds of \$4,000. Upon the exercise of the options, \$3,800 of the fair value of the options recorded was transferred from reserves to share capital.

###### *Year Ended February 28, 2022*

During 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.



# NEO Battery Materials Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

### 17. Share Capital – continued

#### Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
<b>Balance, February 28, 2021</b>	<b>4,500,000</b>	<b>0.30</b>
Issued	17,141,667	0.16
Exercised	(9,500,000)	0.17
Expired	(3,500,000)	0.30
<b>Balance, February 28, 2022</b>	<b>8,641,667</b>	<b>0.16</b>
Exercised	(333,332)	0.16
<b>Balance, August 31, 2022</b>	<b>8,308,335</b>	<b>0.16</b>

As at August 31, 2022, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
May 4, 2024	0.16	8,308,335	1.68

#### 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, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

### 17. Share Capital – continued

#### Stock Options – continued

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		\$
<b>Balance, February 28, 2021</b>	<b>6,505,000</b>	<b>0.12</b>
Granted	1,350,000	0.65
Corrected (canceled by error)	150,000	0.06
Exercised	(650,000)	0.07
Canceled	(90,000)	0.20
<b>Balance, February 28, 2022</b>	<b>7,265,000</b>	<b>0.22</b>
Exercised	(20,000)	0.20
Canceled	(40,000)	0.33
<b>Balance, August 31, 2022</b>	<b>7,205,000</b>	<b>0.22</b>

As at August 31, 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	0.55
February 28, 2024	\$0.06	1,925,000	1,925,000	1.50
February 10, 2026	\$0.20	2,840,000	2,840,000	3.45
May 13, 2026	\$0.20	320,000	320,000	3.70
May 25, 2026	\$0.20	30,000	30,000	3.73
June 1, 2026	\$0.20	100,000	100,000	3.75
June 9, 2026	\$0.33	40,000	40,000	3.78
July 30, 2026	\$1.00	750,000	750,000	3.92
	\$0.22	7,205,000	7,205,000	2.51

### 18. 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 August 31, 2022 and February 28, 2022, there were no balances due to related parties.

During the six months ended August 31, 2022 and 2021, the Company paid the following amount to the officers and directors of the Company and an entity controlled by the CEO:

	August 31, 2022	August 31, 2021
Management fees	\$ 159,277	\$ 96,200
Professional fees	48,810	27,952
	<b>\$ 208,087</b>	<b>\$ 124,152</b>

## NEO Battery Materials Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Six Months Ended August 31, 2022 and August 31, 2021

(Expressed in Canadian Dollars)

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#### 19. Segmented Information

The Company currently operates in two geographic segments: Canada and South Korea. No industry segregation is given because the Company's mineral activities are not material.

	Canada (\$)	Korea (\$)	Total (\$)
Total assets	225,624	3,475,889	3,701,513
Total liabilities	96,650	57,105	153,755

#### 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 August 31, 2022, the final conclusion of the Claim was indeterminable and no amount of contingency was recorded.