



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)

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

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

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

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

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

	August 31, 2023	February 28, 2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 504,661	\$ 1,626,408
Marketable securities (Note 3)	392	2,975
Prepaid expenses (Note 4)	87,670	99,617
Sales tax and other receivables (Note 5)	21,942	22,718
	614,665	1,751,718
Non-Current Assets:		
Tangible assets (Note 6)	633,347	554,443
Intangible assets (Note 7)	55,923	55,364
Prepaid expenses – long term (Note 4)	764,012	766,327
Right-of-use assets (Note 8)	46,021	-
Total Assets	\$ 2,113,968	\$ 3,127,852
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 10 & 12)	\$ 360,065	\$ 179,236
Lease liabilities – current (Note 8)	23,468	-
	383,533	179,236
Lease liabilities – long term (Note 8)	22,414	-
Total Liabilities	405,947	179,236
Shareholders' Equity:		
Share capital (Note 11)	22,900,480	22,838,207
Reserves (Note 11)	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")	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** (Note 16)

Approved by the Board of Directors on October 25, 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 Three Months Ended August 31		For Six Months Ended August 31,	
	2023	2022	2023	2022
Expenses				
Amortization (Notes 8, 10 & 12)	\$ 41,477	\$ 23,898	\$ 77,145	\$ 47,588
Advertising and marketing	653	5,815	14,341	29,479
Consulting and management fees (Note 18)	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 18)	45,310	52,085	116,352	100,328
Rent (non-lease portion)	22,480	21,974	43,254	65,357
Research and development (Note 11)	25,342	70,309	86,963	151,626
Sublease income	-	-	-	(5,925)
Travel	46,885	11,373	88,044	21,304
Loss from operations	(661,588)	(533,138)	(1,271,498)	(976,446)
Other income (expense)				
Interest and miscellaneous income	270	-	753	-
Interest expense – lease (Note 16)	(599)	-	(599)	(1,857)
Impairment of E&E assets (Note 9)	-	(1,344)	-	(1,344)
Loss on foreign exchange	(1,086)	(33,217)	(11,249)	(52,777)
Unrealized loss on marketable securities	11	(2,176)	(2,582)	(2,833)
Write-off of debt	517	-	2,580	-
Total other income (expense)	(887)	(36,737)	(11,097)	(58,811)
Net loss for the period	(662,475)	(569,875)	(1,282,595)	(1,035,257)
Comprehensive loss for the period	\$ (662,475)	\$ (569,875)	\$ (1,282,595)	\$ (1,035,257)
Net loss Contributable to				
Controlling equity holders of the Company	(468,371)	(455,103)	(911,185)	(920,485)
Non-controlling interest (Note 5)	(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 Six Months Ended	
	August 31, 2023	August 31, 2022
Operating Activities:		
Net loss for the year	\$ (1,282,595)	\$ (1,035,257)
Adjustment for items which do not involve cash:		
Amortization	77,145	47,588
Finance cost – lease interest	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 asset	(2,461)	-
Prepaid expenses - commercial plant design fees	-	(670,388)
Equipment	(152,064)	(326,969)
	(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			ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")	ACCUMULATED DEFICIT	TOTAL FOR OWNER	NON- CONTROLLING INTEREST	TOTAL EQUITY
	SHARES	AMOUNT	RESERVES					
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 (Note 16)	166,667	19,933	(9,933)	-	-	10,000	-	10,000
Exercise of warrants (Note 16)	200,000	42,340	(10,340)	-	-	32,000	-	32,000
Net loss for the period	-	-	-	-	(911,185)	(911,185)	(371,410)	(1,285,595)
Balance - August 31, 2023	100,970,646	22,858,140	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 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 proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer. On April 28, 2023, the Company was granted extension till 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. 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.

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 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, 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 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.

NEO Battery Materials Ltd.

Notes to 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

- 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.

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. 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

4. 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.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

5. Sales Tax Receivables

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

6. 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
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)		(979)	(73,160)
August 31, 2023	\$	(182,749)	\$	(940)	\$	(979)	\$ (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	\$	18,600	\$ 633,347

7. Intangible Assets

As at August 31, 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.

	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

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

7. Intangible Assets - continued

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

8. 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. The Company recognized lease liability and corresponding right-of-use assets by discounting future lease payments at 15% for the office.

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		(2,822)		(2,822)
Finance cost		599		599
August 31, 2023	\$	45,881	\$	45,881
Current Portion	\$	23,468	\$	23,468
Non-current Portion	\$	22,413	\$	22,413

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

8. Right-of-Use Assets and Lease Liabilities - continued

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		(6,882)
Present value of lease payments	\$	45,881

9. 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

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.

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.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

10. 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.

11. 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

12. 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 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 warrants, \$10,340 of the fair value of warrants recorded was transferred from reserve 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.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

12. Share Capital – continued

Share Issuance - Exercise of Options

Six Months Ended August 31, 2023

For 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.

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

(Note 16)

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.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

12. Share Capital – continued

Stock Options - continued

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 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	2.59

(Note 16)

13. 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.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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

(Expressed in Canadian Dollars)

13. Related Party Transactions - continued

As at August 31, 2023, there were \$96,400 (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 and directors of the Company:

	August 31, 2023	August 31, 2022
Management fees	\$ 101,200	\$ 159,277
Professional fees	45,000	48,810
	\$ 146,200	\$ 208,087

14. 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	81,757	2,032,211	2,113,968
Total liabilities	322,640	83,307	405,947

15. 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.

16. 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.