



Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 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	November 30, 2023	February 28, 2023
Current Assets:		
Cash and cash equivalents	\$ 3,531,111	\$ 1,626,408
Marketable securities (Note 4)	395	2,975
Prepaid expenses (Note 5)	108,530	99,617
Sales tax and other receivables (Note 6)	30,828	22,718
	3,670,864	1,751,718
Non-Current Assets:		
Tangible assets (Note 7)	665,762	554,443
Intangible assets (Note 8)	54,953	55,364
Prepaid expenses – long term (Note 5)	757,748	766,327
Right-of-use assets (Note 9)	40,425	-
Total Assets	\$ 5,189,752	\$ 3,127,852
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 527,282	\$ 179,236
Lease liabilities – current (Note 9)	24,907	-
	552,189	179,236
Lease liabilities – long term (Note 9)	16,339	-
Total Liabilities	568,528	179,236
Shareholders' Equity:		
Share capital (Note 13)	25,659,824	22,838,207
Reserves (Note 13)	8,486,086	7,605,731
Accumulated other comprehensive loss	(213,523)	(213,523)
Deficit	(29,846,084)	(28,339,456)
	4,086,303	1,890,959
Non-controlling interest ("NCI") (Note 3)	534,921	1,057,657
Total Shareholders' Equity	4,621,224	2,948,616
Total Liabilities and Equity	\$ 5,189,752	\$ 3,127,852

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Notes 17)

Approved by the Board of Directors on January 29, 2024:

"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 November 30,		For the Nine Months Ended November 30,	
	2023	2022	2023	2022
Expenses				
Amortization (Notes 7, 8 & 9)	\$ 51,979	\$ 29,119	\$ 129,124	\$ 76,707
Advertising and marketing	89,251	1,174	103,592	30,653
Consulting and management fees (Note 14)	163,525	87,643	478,186	371,542
Corporate listing and filing fees	10,046	5,805	69,129	31,768
Investor relations	38,993	4,797	71,855	27,138
Office and general	30,622	6,544	59,851	31,227
Payroll expenses	214,937	128,387	624,501	338,190
Professional fees (Note 14)	89,447	60,775	205,799	161,103
Rent (non-lease portion)	20,261	18,092	63,515	83,449
Research and development	24,137	62,967	111,100	214,593
Sublease income	-	-	-	(5,925)
Travel	16,473	10,904	104,517	32,208
Loss from operations	(749,671)	(416,207)	(2,021,169)	(1,392,653)
Other income (expenses)				
Interest and miscellaneous income	146	379	899	379
Interest expense – lease (Note 9)	(1,659)	-	(2,258)	(1,857)
Impairment of E&E assets	-	-	-	(1,344)
Loss on foreign exchange	2,583	96,632	(8,666)	43,855
Unrealized gain (loss) on marketable securities	2	(1,980)	(2,580)	(4,813)
Write-off of debt	1,830	-	4,410	-
Total other income (expenses)	(2,902)	95,031	(8,195)	36,220
Comprehensive loss for the period	\$ (746,769)	\$ (321,176)	\$ (2,029,364)	\$ (1,356,433)
Net loss attributable to				
Controlling equity holders of the Company	(595,443)	(214,796)	(1,506,628)	(1,135,281)
Non-controlling interest (Note 3)	(151,326)	(106,380)	(522,736)	(222,152)
	(746,769)	(321,176)	(2,029,364)	(1,356,433)
Loss per share:				
Basic & Diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	102,352,747	97,878,979	101,472,965	97,837,694

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 Nine Months Ended	
	November 30, 2023	November 30, 2022
Operating Activities:		
Net loss for the period	\$ (2,029,364)	\$ (1,356,433)
Adjustment for items which do not involve cash:		
Amortization	129,124	76,707
Lease interest	2,258	-
Impairment of E&E assets	-	1,344
Unrealized loss on marketable securities	2,580	4,813
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	348,045	(54,181)
Deposit account	-	12,597
Prepaid expenses	(334)	17,373
Sales tax and other receivables	(8,110)	(26,074)
	(1,555,801)	(1,323,854)
Investing Activities:		
Intangible assets	(2,461)	(4,551)
Tangible assets	(229,239)	(401,867)
Prepaid expenses - commercial plant design fees	-	(672, 463)
	(231,700)	(1,078,881)
Financing Activities:		
Exercise of warrants	72,000	53,333
Exercise of options	28,000	47,500
Private placement – shares issued for cash	3,643,795	-
Share issuance cost	(41,823)	-
Proceeds from issuance of shares of Korean subsidiary	-	2,978,822
Principal portion of lease liability	(9,768)	(12,167)
	3,692,204	3,067,488
Net changes in cash and cash equivalents	1,904,703	664,753
Cash and cash equivalents - beginning of the period	1,626,408	1,247,750
Cash and cash equivalents - end of the period	\$ 3,531,111	\$ 1,912,503

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 Nine Months Ended November 30, 2023 and November 30, 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	745,000	94,384	(46,884)	-	-	47,500	-	47,500
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	-	-	-	-	(1,135,281)	(1,135,281)	(221,152)	(1,356,433)
Balance - November 30, 2022	98,603,979	22,476,935	7,728,336	(213,523)	(27,865,180)	2,126,568	1,142,170	3,268,738
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	466,667	55,753	(27,753)	-	-	28,000	-	28,000
Exercise of warrants	450,000	95,265	(23,265)	-	-	72,000	-	72,000
Issuance of shares for cash	11,386,860	2,716,115	927,680	-	-	3,643,795	-	3,643,795
Share issuance cost - cash	-	(41,823)	-	-	-	(41,823)	-	(41,823)
Share issuance cost – broker's warrant	-	(3,693)	3,693	-	-	-	-	-
Net loss for the period	-	-	-	-	(1,506,628)	(1,506,628)	(522,736)	(2,029,364)
Balance - November 30, 2023	113,107,506	25,659,824	8,486,086	(213,523)	(29,846,084)	4,086,303	534,921	4,621,224

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 Nine Months Ended November 30, 2023 and November 30, 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. 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. On November 24, 2023, 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. On December 27, 2023, the Company filed the Filing Statement for COB that prepared in accordance with Exchange’s policy 5.2. On January 9, 2024, the Exchange accepted COB filing application; and effective on January 11, 2024, the common shares of the Company resumed trading on Exchange.

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 November 30, 2023, the Company had an accumulated deficit of \$29,846,084 (February 28, 2023 - \$28,339,456), a net loss for the period ended November 30, 2023 of \$1,506,628 (November 30, 2022 - \$1,135,281) and a working capital of \$3,118,675 (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 Nine Months Ended November 30, 2023 and November 30, 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 January 29, 2024.

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 Nine Months Ended November 30, 2023 and November 30, 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 November 30, 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 November 30, 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		(522,736)
November 30, 2023	\$	534,921

(See Note 17)

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

4. Marketable Securities

As at November 30, 2023, marketable securities include 100,000 common shares of a publicly traded company, Pembridge Resources PLC, valued at \$395 (February 28, 2023 - \$2,975).

	November 30, 2023 (\$)	February 28, 2023 (\$)
Marketable securities – fair value	395	2,975
Marketable securities – cost	22,200	22,200

5. Prepaid Expenses

	November 30, 2023 (\$)	February 28, 2023 (\$)
Prepaid Expenses - current		
Insurance	4,558	4,516
Rent	74,073	42,030
Travel	-	8,933
Vendors	29,899	44,138
Short-term prepaid	108,530	99,617
Prepaid Expenses – long term		
Insurance – long term (a)	23,373	26,838
Vendors (b)	734,375	739,489
Long-term prepaid	757,748	766,327
Total	866,278	865,944

(a) Includes an insurance payment made to guarantee the deposit held for building the Company's commercial plant in South Korea for the period from December 1, 2024, to February 28, 2032.

(b) 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

	November 30, 2023 (\$)	February 28, 2023 (\$)
Sales tax (GST & VAT)	30,828	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	209,660	-	19,579	229,239
November 30, 2023	\$ 872,477	\$ 3,134	\$ 19,579	\$ 895,190

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 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		(115,492)		(470)		(117,920)		
November 30, 2023	\$	(226,373)	\$	(1,097)	\$	(1,958)	\$	(229,428)
Net Book Value:								
February 28, 2022	\$	180,529	\$	-	\$	-	\$	-
February 28, 2023		551,936		2,507		-		554,443
November 30, 2023	\$	646,104	\$	2,037	\$	17,621	\$	665,762

8. Intangible Assets

As at November 30, 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
November 30, 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		(2,765)		(107)		(2,872)
November 30, 2023	\$	(8,918)	\$	(157)	\$	(9,075)
Net Book Value:						
February 28, 2022	\$	49,210	\$	-	\$	49,210
February 28, 2023		53,942		1,422		55,364
November 30, 2023	\$	52,584	\$	2,369	\$	54,953

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

9. Right-of-Use Assets and Lease Liabilities

During the period ended November 30, 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		48,757	48,757
November 30, 2023	\$	48,757	\$ 48,757
Accumulated Amortization			
February 28, 2023	\$	-	\$ -
Additions		(8,332)	(8,332)
November 30, 2023	\$	(8,332)	\$ (8,332)
Net Book Value			
February 28, 2023	\$	-	\$ -
November 30, 2023	\$	40,425	\$ 40,425
Lease Liabilities			
February 28, 2023	\$	-	\$ -
Addition		48,757	48,757
Lease payment made		(9,768)	(9,768)
Finance cost		2,258	2,258
November 30, 2023	\$	41,246	\$ 41,246
Current Portion	\$	24,907	\$ 24,907
Non-current Portion	\$	16,339	\$ 16,339

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

	As at November 30, 2023
Less than 12 months	\$ 29,428
12-23 months	17,166
Minimum lease payments	46,594
Amount representing finance charge	(5,348)
Present value of lease payments	\$ 41,246

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 Nine Months Ended November 30, 2023 and November 30, 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 November 30, 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 Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

12. Accounts Payable and Accrued Liabilities

	November 30, 2023 (\$)	February 28, 2023 (\$)
Trade payables	451,175	130,247
Accrued liabilities	76,107	48,989
Total	527,282	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

Nine Months Ended November 30, 2023

On November 24, 2023, 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, with fair valued at \$3,693, entitling the holder to purchase one common share at a price of \$0.75 per common share until November 24, 2025. Under the fair value method, \$927,679 of the proceeds were allocated to warrants. The fair value of the warrants and finder's warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 4.31% risk-free interest rate, 2 years of expected life, 133.73% volatility and 0% dividend rate.

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

Nine Months Ended November 30, 2023

During the nine months ended November 30, 2023, 450,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$72,000. Upon the exercise of the warrants, \$23,265 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

Nine Months Ended November 30, 2023

During the nine months ended November 30, 2023, 466,667 stock options were exercised at a price of \$0.06 per share for total proceeds of \$28,000. Upon the exercise of the options, \$27,753 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 Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

13. Share Capital – continued

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.

Share Purchase Warrants

During the nine months ended November 30, 2023, 11,386,860 share purchase warrants were issued in connection with private placement. The warrant entitles the holder to purchase one common share at a price of \$0.75 per common share until November 24, 2025.

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
Issued	11,386,860	0.75
Exercised	(450,000)	0.16
Balance, November 30, 2023	18,178,528	0.53

As at November 30, 2023, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
May 4, 2024	0.16	6,791,668	0.43
November 24, 2025	0.75	11,386,860	1.99
		18,178,528	1.40

(See Note 17)

Finder's Warrants

Nine Months Ended November 30, 2023

During the nine months ended November 30, 2023, 29,225 finder's warrants were issued in connection with private placement. The finder's warrant entitles the holder to purchase one common share at a price of \$0.75 per common share until November 24, 2025.

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 28, 2023	-	-
Issued	29,225	0.75
Balance, November 30, 2023	29,225	0.75

As at November 30, 2023, outstanding finder's warrants are as follows:

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

13. Share Capital – continued

Finder's Warrants - continued

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
November 24, 2025	0.75	29,225	1.99

Stock Options

The Board has previously established a rolling Stock Option Plan (the "Plan") for directors, employees, and consultants of the Company, which reserves for issuance up to 10% of the Company's outstanding common shares. 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. 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.

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.

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	(2,210,000)	0.49
Exercised	(466,667)	0.06
Balance, November 30, 2023	3,720,000	0.21

As at November 30, 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	800,000	800,000	0.05
February 10, 2026	0.20	2,090,000	2,090,000	1.24
May 13, 2026	0.20	150,000	150,000	2.45
May 25, 2026	0.20	30,000	30,000	2.48
June 1, 2026	0.20	100,000	100,000	2.50
July 30, 2026	1.00	50,000	50,000	2.67
February 10, 2028*	0.40	500,000	-	4.20
	0.30	3,720,000	3,220,000	2.08

(Note 17)

NEO Battery Materials Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2023 and November 30, 2022

(Expressed in Canadian Dollars)

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 November 30, 2023, there was \$16,000 (February 28, 2023 - \$Nil) due to related parties.

For the nine months ended November 30, 2023 and 2022, the Company paid/accrued the following amount to the officers, family members of officers and directors of the Company:

	November 30, 2023	November 30, 2022
Management fees	\$ 341,032	\$ 233,027
Professional fees	67,500	71,310
	\$ 408,532	\$ 304,337

15. Segmented Information

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

	Canada (\$)	Korea (\$)	Total (\$)
Total assets	3,510,965	1,678,787	5,189,752
Total liabilities	410,331	158,197	568,528

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 November 30, 2023:

- 1,250,000 warrants were exercised at a price of \$0.16 for total proceeds of \$140,000.
- 100,000 and 350,000 stock options were exercised at a price of \$0.20, and \$0.06, respectively, for total proceeds of \$32,132.
- On January 19, 2024, the Company granted stock options to its directors, officers, employees, and consultants to acquire 5,760,000 shares at a price of \$0.30 per share, with expiry date on January 19, 2029. The stock options will be vested after three months of date of grant.
- On January 29, 2024, the Company entered the share purchase agreement with A&P. The Company acquired 20% Korea Co's ownership from A&P with a purchase price of \$1,708,707. As a result, the Company owns 80% ownership of NBM Korea.