



Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(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, 2025	February 28, 2025
Assets		
Current Assets:		
Cash and cash equivalents	\$ 155,798	\$ 369,694
Prepaid expenses (Note 6)	189,473	194,408
Sales tax and other receivables (Note 5)	55,994	31,877
	401,265	595,979
Non-Current Assets:		
Tangible Assets (Note 7)	679,987	601,826
Intangible assets (Note 8)	57,839	56,695
Right-of-use asset (Note 9)	247,728	165,197
Total Assets	\$ 1,386,819	\$ 1,419,697
Liabilities and Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 11& 13)	\$ 820,276	\$ 486,021
Lease liability – current portion (Note 9)	70,887	27,037
	891,163	513,058
Lease liability – long term (Note 9)	184,296	141,031
Total Liabilities	1,075,459	654,089
Shareholders' Equity:		
Share capital (Note 12)	28,101,738	27,509,545
Reserves (Note 12)	11,738,978	10,280,495
Accumulated other comprehensive income	437	14,744
Deficit	(39,160,687)	(36,827,018)
	680,466	977,766
Non-controlling interest ("NCI") (Note 4)	(369,106)	(212,158)
Total Shareholders' Equity	311,360	765,608
Total Liabilities and Equity	\$ 1,386,819	\$ 1,419,697

Nature of Operations and Going Concern (Note 1)

Contingency (Note 15)

Subsequent Events (Note 16)

Approved by the Board of Directors on October 30, 2025:

"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.

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	For the Three Months Ended August 31		For the Six Months Ended August 31,	
	2025	2024	2025	2024
Expenses				
Amortization and depreciation (Note 7 & 8)	\$ 64,207	\$ 55,435	\$ 125,074	\$ 110,973
Amortization of ROU asset (Note 9)	19,520	13,562	33,842	27,213
Advertising and marketing	-	3,312	-	29,244
Consulting and management fees (Note 13)	161,991	131,477	255,248	273,922
Corporate listing and filing fees	22,198	6,510	27,516	12,050
Investor relations	5,156	21,120	11,817	49,148
Office and general	42,877	9,904	79,375	27,622
Payroll expenses	69,582	115,183	168,319	224,994
Professional fees (Note 13)	80,872	50,704	159,854	127,772
Rent (non-lease portion)	21,826	17,642	41,834	37,368
Research and development	169,027	24,536	305,139	45,240
Stock-based compensation (Note 12)	265,024	6,140	1,162,176	632,396
Travel	89,844	3,036	118,548	17,387
Loss from operations	1,012,124	458,561	2,488,742	1,615,329
Other income (expenses)				
Interest and miscellaneous income	2,852	8	3,557	952
Interest expense – lease (Note 9)	(8,301)	(7,427)	(13,980)	(15,337)
Gain (loss) on foreign exchange	8,548	(1,808)	8,548	(1,847)
Total other income (expenses)	3,099	(9,227)	(1,875)	(16,232)
Net loss for the period before taxes	1,009,025	467,788	2,490,617	1,631,561
Current income tax	-	(311)	-	(311)
Net loss for the period	1,009,025	468,099	2,490,617	1,631,872
Foreign currency translation (expense)	(18,820)	36,792	(14,307)	(11,288)
Comprehensive loss for the period	\$ 1,027,845	\$ 431,307	\$ 2,504,924	\$ 1,643,160
Net loss attributable to				
Controlling equity holders of the Company	933,090	374,479	2,333,669	1,305,498
Non-controlling interest (Note 4)	75,935	93,620	156,948	326,374
	1,009,025	468,099	2,490,617	1,631,872
Loss per share attributable to controlling equity holders of the Company:				
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	120,452,756	115,657,506	119,805,528	115,583,593

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

(Unaudited - Expressed in Canadian Dollars)

	For Six months ended	
	August 31, 2025	August 31, 2024
Operating Activities:		
Net loss for the period	\$ (2,490,617)	\$ (1,163,773)
Adjustment for items which do not involve cash:		
Amortization (Note 7 & 8)	125,074	110,973
Amortization of ROU asset (Note 9)	33,842	27,213
Interest expense – lease liability (Note 9)	13,980	15,337
Stock-based compensation	1,162,176	632,396
Income tax expense	-	311
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	334,255	(26,699)
Prepaid expenses	4,935	57,556
Sales tax and other receivables	(24,117)	110,207
	(840,472)	(804,578)
Investing Activities:		
Additions to equipment and furniture	(200,417)	(10,016)
Additions to intangible assets	(3,732)	(4,746)
	(204,149)	(14,762)
Financing Activities:		
Exercise of warrants	-	32,000
Exercise of options	34,000	-
Private placement for cash, net	854,500	-
Lease payments	(45,230)	(38,419)
	845,270	(6,419)
Effect of foreign currency translation adjustment	(14,545)	(5,643)
Net changes in cash and cash equivalents	(213,896)	(831,402)
Cash and cash equivalents - beginning of the period	369,694	941,976
Cash and cash equivalents - end of the period	\$ 155,798	\$ 110,574

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

NEO Battery Materials Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - 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, 2024	115,457,506	26,060,019	8,891,949	54,082	(32,949,382)	2,056,668	171,713	2,228,381
Exercise of warrants (Note 12)	200,000	42,341	(10,341)	-	-	32,000	-	32,000
Stock options compensation (Note 12)			632,396			632,396		632,396
Foreign currency translation				(11,288)		(11,288)		(11,288)
Net loss for the period	-	-	-	-	(1,305,498)	(1,305,498)	(326,374)	(1,631,872)
Balance - August 31, 2024	115,657,506	26,102,360	9,514,004	42,794	(34,254,880)	1,404,278	(1154,661)	1,249,617

	SHARE CAPITAL			ACCUMULATED OTHER COMPREHENSIVE LOSS ("AOCL")	ACCUMULATED DEFICIT	TOTAL FOR OWNER	NON- CONTROLLING INTEREST	TOTAL EQUITY
	SHARES	AMOUNT	RESERVES					
Balance – February 29, 2025	119,157,756	27,509,545	10,280,495	14,744	(36,827,018)	977,766	(212,158)	765,608
Private placement (Note 12)	1,800,000	596,005	303,995			900,000		900,000
Share issuance cost - cash		(45,500)				(45,500)		(45,500)
Share issuance cost – finder warrants		(25,859)	25,859			-		-
Exercise of stock options (Note 12)	145,000	67,547	(33,547)	-	-	34,000	-	34,000
Stock options compensation (Note 12)			1,162,176			1,162,176		1,162,176
Foreign currency translation				(14,307)		(14,307)		(14,307)
Net loss for the period	-	-	-	-	(2,333,669)	(2,333,669)	(156,948)	(2,490,617)
Balance - February 28, 2025	121,102,756	28,101,738	11,738,978	437	(39,160,687)	680,466	(369,106)	311,360

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, 2025 and August 31, 2024

(Unaudited - 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.

On February 21, 2023, the Company’s shareholders approved the Continuation 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.

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

These consolidated financial statements have been prepared based on 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, 2025, the Company had an accumulated deficit of \$39,160,687 (February 28, 2025 - \$36,827,018), a net loss for the period ended August 31, 2025 of \$2,490,617 (August 31, 2024 - \$1,631,872) and a negative working capital of \$489,898 (February 28, 2025 – a working capital of \$82,921).

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, 2025. The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 30, 2025.

Basis of Presentation and Consolidation

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

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation - continued

Basis of Presentation and Consolidation - continued

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

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

These consolidated financial statements incorporate the financial statements of the Company and the entity controlled directly by the Company being NEO Battery Material Korea Co., Ltd. ("Korea Co") and NEO Battery Materials America, LLC. All significant intercompany transactions and balances have been eliminated for consolidation purpose. During the year ended February 29, 2024, the Company dissolved three of its subsidiaries, Circum-Pacific Holdings Ltd., Canada, Minera Chanpe SAC, Peru, and Cima De Oro SAC, Peru.

The current non-controlling interest represents a 20% interest in Neo Battery Material Korea Co (Note 4).

Critical Accounting Estimates and Judgements

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) Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of occurrence of one or more future events.
- iv) The assessment of the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.
- v) The Company assesses its tangible and intangible assets for impairment if there are events or changes in circumstances that indicate that carrying values may not be recoverable at each statement of financial position date. Such indicators include changes in the Company's business plans, changes in the market and evidence of physical damage. Determination as to whether and how much an asset is impaired involves management's judgment on highly uncertain matters.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and guaranteed investment certificates ("GIC") which are either cashable or with original maturities of three months or less.

Short-term Investments

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

Tangible Assets and Right-of-use Assets

Property and equipment are recorded at cost less accumulated depreciation and net accumulated impairment losses. Property and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value. The annual depreciation/amortization rates are as follows:

Laboratory equipment	5 years
Furniture, fixture and other	5 years
Vehicle	5 years
Right-of-use assets	Over the terms of leases

Research and Development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits. No development costs have been capitalized to date, as there is no certainty whether future economic benefits could be attributed to these development costs through future commercialization of the battery development activities that are currently being undertaken.

Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

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 using the straight-line method over their useful lives, being from 7 to 17 years.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies – *continued*

Intangible Assets – *continued*

The trademark classified as an intangible asset is being amortized over its useful life, being 15 or 16 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.

Share Capital

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

Share-based Payments

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

Loss Per Share

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

Foreign Currency Translation

The functional currency and, unless otherwise indicated, the presentation currency of the Company is the Canadian ("CAD") Dollar. The Company has operations in South Korea. The functional currency of its Korea subsidiary is South Korean Won ("KRW").

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date.

NEO Battery Materials Ltd.
Notes to Condensed Consolidated Interim Financial Statements
For the Six months ended August 31, 2025 and August 31, 2024
(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies – continued

Foreign Currency Translation – continued

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive loss.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the consolidated statement of loss and comprehensive loss are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive loss.

Financial Instruments

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

(a) Classification

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

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

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Accounts payable and accrued liabilities	Amortized cost

(b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently measured at amortized cost using the effective interest method.

Financial assets and liabilities at FVTPL

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

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies – *continued*

Financial Instruments – *continued*

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are recycled to an equity account on derecognition.

(c) Impairment of financial assets at amortized cost

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

(d) De-recognition

Financial assets

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

Financial liabilities

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

Gains and losses on de-recognition are recognized in profit or loss, with the exception of equity investments measured at FVTOCI which are recycled to an equity account.

Leases

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

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

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies - *continued*

Leases - continued

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

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

Newly Adopted Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. The amendments were effective January 1, 2024. There was no material impact to the Company's consolidated financial statements upon adoption of these amendments.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies - continued

Newly Adopted Accounting Policies - continued

Accounting Pronouncements Issued but not yet Effective

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new presentation requirements within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. This new standard is effective for reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively. Earlier application is permitted. The Company is currently assessing the potential impact of adopting this standard.

4. Non-controlling Interest

On July 1, 2022, Neo Battery Materials Korea Co ("Korean 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 KRW 5,796 per common share for aggregate gross proceeds of KRW 2,999,820,383 (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 Korea Co attributable to the NCI would reduce the Company's reported loss.

On January 29, 2024, the Company entered Purchase Agreement with A&P. Upon the terms of Purchase Agreement, the Company acquired 258,829 issued and outstanding shares of Korea Co, at a price of KRW6,491 per share (CAD\$6.60 per share), for aggregate purchase price of KRW1,680,059,039 (equivalent to \$1,708,707). Upon closing of Purchase Agreement, the Company holds 1,035,316 common shares of the Korea Co, representing 80% of the ownership in Korea Co, and A&P holds the remaining 20% of Korea Co.

NEO Battery Materials Ltd.

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(Unaudited - Expressed in Canadian Dollars)

4. Non-controlling Interest - continued

As at August 31, 2025, the details of the NCI movement are as follows:

Non-controlling interest as at February 28, 2023	\$	1,057,657
Net loss of NEO Korea Co attributable to the non-controlling interest (40%) prior to execution of Purchase Agreement (March 1, 2023 – January 29, 2024)		(639,072)
Non-controlling interest prior to the execution of Purchase Agreement		418,585
Adjustment for NCI		
Consideration of acquiring 20% in net asset		(1,708,707)
Indicating a gain on selling 20% net asset for NCI party		1,489,964
		(218,743)
Non-controlling interest value – immediately after execution of acquisition of 20% as at January 29, 2024		199,842
Net loss of NEO Korea Co attributable to the non-controlling interest (20%) (January 30 – February 29, 2024)		(28,129)
Non-controlling interest as at February 29, 2024	\$	171,713
Net loss of NEO Korea Co attributable to the non-controlling interest (20%)		(383,871)
Non-controlling interest as at February 28, 2025	\$	(212,158)
Net loss of NEO Korea Co attributable to the non-controlling interest (20%)		(156,948)
Non-controlling interest as at August 31, 2025	\$	(369,106)

5. Sales Tax and Other Receivables

As at August 31, 2025, the balance of sales tax (GST & VAT) is \$55,994 (February 29, 2024 - \$31,877).

6. Prepaid Expenses

	August 31, 2025 (\$)	February 28, 2025 (\$)
Prepaid Expenses - current		
Rent	158,255	84,510
Vendors	31,218	109,898
Short-term prepaid expenses	189,473	194,408

NEO Battery Materials Ltd.

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7. Tangible Assets

		Equipment		Furniture & Fixture		Vehicle		Total
Cost:								
February 28, 2025	\$	873,232	\$	189,158	\$	22,157	\$	1,084,547
Additions		192,460		7,957		-		200,417
Foreign exchange effect		-		-		-		-
August 31, 2025	\$	1,065,692	\$	197,115	\$	22,157	\$	1,284,964
Accumulated Depreciation:								
February 28, 2025	\$	(430,188)	\$	(44,778)	\$	(7,755)	\$	(482,721)
Additions		(100,769)		(19,495)		(2,220)		(122,484)
Foreign exchange effect		188		36		4		228
August 31, 2025	\$	(530,769)	\$	(64,237)	\$	(9,971)	\$	(604,977)
Net Book Value:								
February 28, 2025	\$	443,044	\$	144,380	\$	14,402	\$	601,826
August 31, 2025	\$	534,923	\$	132,878	\$	12,186	\$	679,987

8. Intangible Assets

As at August 31, 2025, the Company has been issued or has pending various intellectual property rights including patents and trademarks. The net book value of the Company's intangible assets is as follows:

		Patents		Trademark		Total
Cost:						
February 28, 2025	\$	69,489	\$	2,526	\$	72,015
Additions		3,732		-		3,732
Foreign exchange effect		(1)		-		(1)
August 31, 2025	\$	73,221	\$	2,526	\$	75,747
Accumulated Amortization:						
February 28, 2025	\$	(14,959)	\$	(361)	\$	(15,320)
Additions		(2,508)		(82)		(2,590)
Foreign exchange effect		2		-		2
August 31, 2025	\$	(17,465)	\$	(443)	\$	(17,908)
Net Book Value:						
February 28, 2025	\$	54,530	\$	2,165	\$	56,695
August 31, 2025	\$	55,756	\$	2,083	\$	57,839

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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9. Right-Of-Use Asset & Lease Liability

During the year ended February 28, 2022, the Korea Co entered into a lease agreement for land located in Gyeonggi Province's Oseong Foreign Investment Zone, South Korea, with an initial term from February 23, 2022 to February 22, 2032 (10 years). Following the initial lease term and every subsequent 10-year period, Korea Co can renew the lease under certain conditions for a period of 10 years, for a total of 50 years. Annual lease payments are determined by the Gyeonggi Housing and Urban Corporation. The lease payments are discounted using an interest rate of 15%, which is the Company's incremental borrowing rate.

During the six months ended August 31, 2025, the Korea Co entered into a R&D space lease agreement located in Gyeonggi Technopark, South Korea, with a term of 24 months expiring June 30, 2027. The lease payments are discounted using an interest rate of 15%, which is the Company's incremental borrowing rate. As the lease was for a term of 12 months or less, no right-of-use asset and lease liability was recognized, and the lease payments associated with the lease is charged directly to profit or loss.

Right-of-Use Assets		
Balance, February 29, 2024	\$	196,436
Additions (a)		20,370
Lease remeasurement (b)		13,308
Amortization expense		(59,840)
Foreign exchange effect		(5,077)
Balance, February 28, 2025	\$	165,197
Additions		116,311
Amortization expense		(33,842)
Foreign exchange effect		62
Balance, August 31, 2025	\$	247,728
Lease Liabilities		
Balance, February 29, 2024	\$	215,746
Additions		4,501
Lease remeasurement (b)		13,308
Interest expense		23,853
Lease payments		(83,937)
Foreign exchange effect		(5,403)
Balance, February 28, 2025	\$	168,068
Additions		116,311
Interest expense		13,980
Lease payments		(43,230)
Foreign exchange effect		54
Balance, August 31, 2025	\$	255,183
Current Portion	\$	70,887
Non-current Portion	\$	184,296

- (a) Relates to a reclassification of the guarantee insurance payment on the Oseong Foreign Investment Zone lease from prepaid expenses to the right-of-use asset.
- (b) Relates to a change in the frequency of lease payments (from annual to quarterly) for the Oseong Foreign Investment Zone lease.

NEO Battery Materials Ltd.

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9. Right-Of-Use Asset & Lease Liability - continued

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

	As at August 31, 2025	
Less than 12 months	\$	75,741
Greater than 12 months		243,208
Undiscounted lease payments	\$	318,949

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:

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 and cash equivalents 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 currency 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, 2025, the Company had negligible financial assets or liabilities denominated in a foreign currency.

Interest rate risk

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

NEO Battery Materials Ltd.

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For the Six months ended August 31, 2025 and August 31, 2024

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10. Financial Risk and Capital Management - continued

Capital management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended August 31, 2025.

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 cash equivalents are measured at fair value using Level 1 inputs.

11. Accounts Payable and Accrued Liabilities

	August 31, 2025 (\$)	February 28, 2025 (\$)
Trade payables	684,413	318,507
Accrued liabilities	135,863	167,514
Total	820,276	486,021

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, 2025

On June 13, 2024, the Company completed a non-brokered private placement of 400,000 units at a price of \$0.50 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one non-transferable common share purchase 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 offering. In connection with the private placement, the Company paid cash commissions of \$14,000 and issued 28,000 finder's warrants, fair valued at \$6,707, entitling the holder to purchase one common share at a price of \$0.50 per common share for 24 months from the closing date of the private placement. Under the fair value method, \$62,173 of the proceeds were allocated to warrants. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 2.70% risk-free interest rate, 2 years of expected life, 122.26% volatility and 0% dividend rate.

NEO Battery Materials Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - continued

Share Issuance - Private Placements - continued

Six Months Ended August 31, 2025 - continued

On July 18, 2025, the Company completed a non-brokered private placement of 1,400,000 units at a price of \$0.50 per unit for gross proceeds of \$700,000. Each unit consisted of one common share and one non-transferable common share purchase 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 offering. In connection with the private placement, the Company paid cash commissions of \$10,500 and issued 63,000 finder's warrants, fair valued at \$19,152, entitling the holder to purchase one common share at a price of \$0.50 per common share for 24 months from the closing date of the private placement. Under the fair value method, \$62,173 of the proceeds were allocated to warrants. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 2.70% risk-free interest rate, 2 years of expected life, 122.61% volatility and 0% dividend rate.

Year Ended February 28, 2025

On October 28, 2024, the Company completed a non-brokered private placement of 2,000,000 units at a price of \$0.40 per unit for gross proceeds of \$800,003. Each unit consisted of one common share and one-half of one non-transferable common share purchase 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. Under the fair value method, \$152,070 of the proceeds were allocated to warrants. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 3.09% risk-free interest rate, 2 years of expected life, 110.75% volatility and 0% dividend rate.

Share Issuance - Exercise of Warrants

Six Months Ended August 31, 2025

For the six months ended August 31, 2025, no warrants were exercised.

Year Ended February 28, 2025

During the year ended February 28, 2025, 200,000 and 155,250 warrants were exercised at a price of \$0.16 and \$0.75 per warrant, respectively, for total proceeds of \$148,437. Upon the exercise of the warrants, \$23,222 of the fair value of the warrants recorded was transferred from reserves to share capital.

Share Issuance - Exercise of options

Six months ended August 31, 2025

During the six months ended August 31, 2025, 95,000 and 50,000 stock options were exercised at a price of \$0.20 and \$0.30 per share, respectively, for total proceeds of \$34,000. Upon the exercise of the options, \$33,547 of the fair value of the options recorded was transferred from reserves to share capital.

Year Ended February 28, 2025

During the year ended February 28, 2025, 625,000, 600,000, and 120,000 stock options were exercised at a price of \$0.20, \$0.30, and \$0.40, respectively, per share for total proceeds of \$353,000. Upon the exercise of the options, \$276,934 of the fair value of the options recorded was transferred from reserves to share capital.

NEO Battery Materials Ltd.

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For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - continued

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 29, 2024	16,957,753	0.56
Issued	1,000,000	0.75
Exercised	(355,250)	(0.42)
Expired	(5,341,668)	(0.16)
Balance, February 28, 2025	12,260,835	0.75
Issued	1,891,000	0.74
Exercised	-	-
Expired	-	-
Balance, August 31, 2025	14,151,835	0.75

As at August 31, 2025, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
November 24, 2025	0.75	11,260,835	0.23
October 28, 2026	0.75	1,000,000	1.16
June 17, 2027	0.75	400,000	1.79
June 17, 2027	0.50	28,000	1.79
July 18, 2027	0.75	1,400,000	1.88
July 18, 2027	0.50	63,000	1.88
		14,151,835	0.52

Stock Options

The Company recently established an Omnibus Equity Incentive Plan (the "Plan"), which was approved by shareholders on June 4, 2025. The Plan is designed to align the interests of participants with those of shareholders and to attract, retain, and motivate key personnel. Prior to the adoption of the Plan, the Company operated under a rolling Stock Option Plan (the "Predecessor Plan") established in 2021. While the Predecessor Plan remains in effect for options granted prior to the adoption of the new Plan, no new awards will be granted under the Predecessor Plan following the approval of the Plan. The Plan allows for the granting of stock options and other equity-based awards, including Restricted Share Units ("RSUs") to eligible participants such as directors, employees, consultants, and persons performing investor relations activities. The Plan permits the Net Exercise of options (a "Net Exercise" as defined in Exchange's Policy 4.4 – Security Based Compensation), allowing participants to receive the net value of the options in shares or cash without having to pay the exercise price in cash.

The aggregate number of shares issuable upon the exercise of stock options shall not exceed 10% of the Company's issued and outstanding common shares at any given time. The maximum aggregate number of shares issuable under other awards, such as RSUs, shall not exceed 10% of the issued and outstanding shares as of the Plan's effective date. No individual participant may be granted awards that would allow them to acquire more than 5% of the issued and outstanding shares within any 12-month period. For consultants, the total number of options or shares issuable under the Plan is capped at 2% of the issued and outstanding shares in any 12-month period. For persons performing investor relations activities, the total number of options or shares issuable is also limited to 2% of the issued and outstanding shares in any 12-month period.

NEO Battery Materials Ltd.

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12. Share Capital - continued

Stock Options - continued

For persons performing investor relations activities, the total number of options or shares issuable is also limited to 2% of the issued and outstanding shares in any 12-month period. The number of RSUs granted to any participant cannot exceed 2% of the issued and outstanding shares at the time of the award. Insiders of the Company are subject to additional restrictions, whereby the aggregate number of shares issuable to them under the Plan and the number of awards granted within any 12-month period cannot exceed 10% of the issued and outstanding shares at any time. Options granted under the Plan are subject to vesting schedules determined by the Plan Administrator, with options for persons performing investor relations activities vesting over a minimum of 12 months and no more than 25% vesting in any three-month period, while RSUs cannot vest earlier than one year from the grant date. 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.

Options granted under the Plan are non-transferable and expire immediately if a participant is dismissed for cause, 90 days after a participant ceases to be a director, officer, employee, or consultant for reasons other than death unless otherwise determined by the Plan Administrator, or one year after the participant's death, subject to the Plan's terms.

Stock Options Granted

Six months ended August 31, 2025

During the six months ended August 31, 2025, the Company granted a total of 4,216,000 stock options to its directors, officers, employees, and consultants. These options are exercisable at a weighted exercise price of \$0.60 per option and will expire in five years from the grant date. These options vest based on their various vesting terms. Of the total 4,221,000 options, 1,010,000 were granted to related parties. The Company measured the fair value of these options at \$1,841,448 using Black-Scholes Option Pricing Model based on the assumptions provided in the table below.

	August 19, 2025	August 12, 2025	August 8, 2025
Risk-free interest rate	2.96%	2.96%	2.92%
Expected life	5 years	5 years	5 years
Volatility	118.85%	118.63%	118.64%
Expected dividend yield	Nil	Nil	Nil

	July 28, 2025	May 9, 2025	April 28, 2025	April 25, 2025	April 18, 2025	March 14, 2025	March 13, 2025
Risk-free interest rate	3.07%	2.72%	2.76%	2.78%	2.73%	2.72%	2.67%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Volatility	118.79%	119.19%	122.83%	122.80%	122.75%	116.54%	116.52%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil

NEO Battery Materials Ltd.

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12. Share Capital - continued

Stock Options - continued

Stock Options Granted - continued

Year Ended February 28, 2025

During the year ended February 28, 2025, the Company granted 120,000, 2,000,000, and 1,350,000 stock options to its directors, officers, employees, and consultants, on October 28, 2024, November 14, 2024, and November 25, 2024, respectively. These options are exercisable at a price of \$0.40, \$0.55, and \$0.94 per option and will be expired on October 28, 2029, November 14, 2029, and November 25, 2029, respectively. A majority of the options issued vest on grant, with the exception of 250,000 options vesting on May 14, 2025 (November 14, 2024 issuance) and 950,000 options vesting on March 25, 2025 (November 25, 2024 issuance). Of the total 3,470,000 options, 1,350,000 were granted to related parties. The Company measured the fair value of these options at \$1,163,913 using Black-Sholes Option Pricing Model based on the assumptions provided in the table below.

	October 28, 2024	November 14, 2024	November 25, 2024
Risk-free interest rate	3.04%	3.12%	3.18%
Expected life	0.1 years	0.15 years	5 years
Volatility	119.75%	116.32%	116.32%
Expected dividend yield	Nil	Nil	Nil

During the six months ended August 31, 2025, the Company recorded stock-based compensation of \$814,933 (August 31, 2024 - \$632,396).

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, February 29, 2024	8,380,000	0.28
Granted	3,470,000	0.70
Forfeited	(1,200,000)	(0.28)
Exercised	(1,345,000)	(0.26)
Balance, February 28, 2025	9,305,000	0.44
Granted	4,216,000	0.60
Forfeited	(2,405,000)	(0.50)
Exercised	(145,000)	(0.23)
Balance, August 31, 2024	10,971,000	0.49

NEO Battery Materials Ltd.

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For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - continued

Stock Options - continued

Stock Options Granted - continued

As at August 31, 2025, stock options outstanding and exercisable are as follows:

Expiry Date	Weighted Average Exercise Price (\$)	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
February 10, 2026	0.20	1,200,000	1,200,000	0.45
May 13, 2026	0.20	50,000	50,000	0.70
January 19, 2029	0.30	3,800,000	3,800,000	3.39
November 14, 2029	0.55	655,000	655,000	4.21
November 25, 2029	0.94	1,350,000	1,350,000	4.24
March 13, 2030	0.69	950,000	950,000	4.53
March 14, 2030	0.78	510,000	510,000	4.54
April 18, 2030	0.60	100,000	-	4.63
April 25, 2030	0.60	300,000	300,000	4.65
April 28, 2030	0.66	200,000	200,000	4.66
May 9, 2030	0.50	400,000	-	4.69
July 28, 2030	0.50	150,000	75,000	4.91
August 8, 2030	0.50	700,000	350,000	4.94
August 12, 2030	0.50	106,000	53,000	4.95
August 19, 2030	0.50	500,000	-	4.97
	0.48	10,971,000	9,490,000	3.68

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.

As at August 31, 2025 and February 28, 2025, there were \$76,200 and \$38,758, respectively, balances due to related parties.

During the six months ended August 31, 2025, 1,010,000 options were granted to related parties at the fair value of \$632,550, which was recorded in the current period per the vesting schedule.

During the six months ended August 31, 2025 and 2024, the Company paid the following amounts to the officers and directors of the Company:

	August 31, 2025 (\$)	August 31, 2024 (\$)
Management fees	189,528	124,278
Director fees	27,581	-
Professional fees	50,535	36,222
	267,644	160,499

NEO Battery Materials Ltd.

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For the Six months ended August 31, 2025 and August 31, 2024

(Unaudited - Expressed in Canadian Dollars)

14. Segmented Information

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual at the Company making decisions about resources to be allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company operates in only one reportable segment, being the development of silicon anode materials for lithium-ion batteries.

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 events to August 31, 2025:

- On September 22, 2025, 150,000 stock options were exercised at a price of \$0.30 per option for total proceeds of \$45,000.
- On September 29, 2025, the Company completed a non-brokered private placement of 10,785,836 units at a price of \$0.51 per unit for gross proceeds of \$5,500,776.36. Each unit consists of one common share of the Company and one non-transferable common share purchase warrant. Each whole warrant will be exercisable to acquire one common share of the Company at an exercise price of \$0.80 CAD for a period of 36 months from the closing date of the offering.