



Audited Consolidated Financial Statements

For the Years Ended February 28, 2026 and February 28, 2025

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Neo Battery Materials Ltd.:

Opinion

We have audited the consolidated financial statements of Neo Battery Materials Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2026 and February 28, 2025, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2026 and February 28, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit as at February 28, 2026 and incurred a net loss for the year then ended. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Mac Neil.

Toronto, Ontario
June 26, 2026

MNP **LLP**
Chartered Professional Accountants
Licensed Public Accountants

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

Assets	February 28, 2026	February 28, 2025
Current Assets:		
Cash and cash equivalents (Note 11)	\$ 5,496,557	\$ 369,694
Prepaid expenses (Note 7)	94,700	194,408
Trade and other receivables (Note 5)	471,538	31,877
Short-term loan receivables (Note 6)	474,257	-
	6,537,052	595,979
Non-Current Assets:		
Intangible assets (Note 9)	64,182	56,695
Prepaid expenses – long term (Note 7)	756,748	-
Refundable lease deposit (Note 10)	1,745,599	-
Right-of-use asset (Note 10)	1,963,455	165,197
Tangible Assets (Note 8)	4,294,373	601,826
Total Assets	\$ 15,361,409	\$ 1,419,697
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	\$ 1,437,474	\$ 421,161
A&P share repurchase liability (Note 4)	1,420,500	-
Lease liabilities – current portion (Note 10)	570,312	27,037
Provision for severance liabilities (Note 13)	166,290	64,860
	3,594,576	513,058
Lease liabilities – long term (Note 10)	945,517	141,031
Total Liabilities	4,540,093	654,089
Shareholders' Equity:		
Share capital (Note 14)	38,328,728	27,509,545
Reserves (Note 14)	21,462,165	10,280,495
Accumulated other comprehensive income (loss)	56,435	14,744
Accumulated deficit	(49,026,012)	(36,827,018)
	10,821,316	977,766
Non-controlling interest ("NCI") (Note 4)	-	(212,158)
Total Shareholders' Equity	10,821,316	765,608
Total Liabilities and Shareholders' Equity	\$ 15,361,409	\$ 1,419,697

Nature of Operations and Going Concern (Note 1)

Contingency (Note 18)

Subsequent Event (Note 19)

Approved by the Board of Directors on June 26, 2026:

"Spencer Sung Bum Huh" , Director

"Larry Okada" , Director

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

NEO Battery Materials Ltd.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For Years Ended	
	February 28, 2026	February 28, 2025
Revenue		
Service revenue (Note 16)	\$ 267,722	\$ -
Cost of sales	(1,037,026)	-
Gross loss	(769,304)	-
Expenses		
Depreciation and amortization (Notes 8, 9, 10)	\$ 353,978	\$ 281,224
Advertising and marketing	295,294	43,141
Consulting and management fees (Note 15)	757,344	463,843
Corporate listing and filing fees	47,376	38,962
Investor relations	35,853	64,452
Office and general	343,629	69,899
Payroll expenses	915,582	311,921
Professional fees (Note 15)	698,078	990,686
Rent	93,700	72,479
Research and development	509,434	318,483
Stock-based compensation (Note 15)	4,521,399	1,536,632
Travel	313,107	58,915
Total operating expenses	(8,884,774)	(4,250,637)
Loss from operations	(9,654,078)	(4,250,637)
Other income (expenses)		
Gain on debt settlement (Note 12)	66,802	-
Interest and other income (Note 10)	60,313	13,597
Lease accretion interest income (Note 10)	67,252	-
Lease accretion interest expense (Note 10)	(82,021)	(23,853)
Loss on termination of lease - retrospective rent (Note 10)	(585,383)	-
Impairment of ROU asset (Note 10)	(56,787)	-
Interest expense	(15,042)	-
Loss on foreign exchange gain (loss)	(8,019)	(614)
Total other income (expenses)	(552,885)	(10,870)
Net loss for the year	(10,206,963)	(4,261,507)
Foreign currency translation	41,691	(39,338)
Comprehensive loss for the year	\$ (10,165,272)	\$ (4,300,845)
Net loss attributable to		
Controlling equity holders of the Company	(10,013,000)	(3,877,636)
Non-controlling interest (Note 4)	(193,963)	(383,871)
	(10,206,963)	(4,261,507)
Loss per share attributable to controlling equity holders of the company:		
Basic and diluted	\$ (0.08)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	129,407,021	116,599,120

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

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

	For Years Ended	
	February 28, 2026	February 28, 2025
Operating Activities:		
Net loss for the year	\$ (10,206,963)	\$ (4,261,507)
Adjustment for items which do not involve cash:		
Depreciation and amortization (Notes 8, 9, 10)	624,189	281,224
Impairment of ROU (Note 10)	56,787	-
Lease termination (Note 10)	585,383	-
Lease accretion interest expense (Note 10)	82,021	23,853
Lease accretion interest income (Note 10)	(67,252)	-
Stock-based compensation (Note 14)	4,521,399	1,536,632
Gain on debt settlement (Note 12)	(66,802)	-
Write-off prepaid expenses	-	741,172
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	479,385	(62,948)
Refundable lease deposit (Note 10)	(2,270,307)	-
Prepaid expenses	(741,550)	(18,462)
Severance liabilities	106,822	39,289
Sales tax and other receivables	(439,661)	(8,282)
	(7,336,549)	(1,729,029)
Investing Activities:		
Additions to tangible assets (Note 8)	(4,001,815)	(18,599)
Additions to intangible assets (Note 9)	(13,408)	(6,618)
Partial payment of A&P redemption amount (Note 4)	(283,656)	-
	(4,298,879)	(25,217)
Financing Activities:		
Exercise of warrants	-	148,437
Exercise of options	154,000	353,000
Lease payments	(298,438)	(83,937)
Private placement for cash, net	17,325,454	800,003
Short-term loan receivable proceeds	(474,257)	-
	16,706,759	1,217,503
Effect of foreign currency translation adjustment	55,532	(35,539)
Net changes in cash and cash equivalents	5,126,863	(572,282)
Cash and cash equivalents - beginning of the year	369,694	941,976
Cash and cash equivalents - end of the year	\$ 5,496,557	\$ 369,694
Non-cash Activities:		
Addition to lease liability	1,748,106	-
Addition to Right-of-use asset	2,392,960	-
Discount on refundable lease deposit	637,679	-
Lease remeasurement	3,748	13,308
Issuance of finder's warrants	24,897	-

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

NEO Battery Materials Ltd.

Consolidated Statements of Changes in Equity

For the years ended February 28, 2026 and February 28, 2025

(Expressed in Canadian Dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER	ACCUMULATED	TOTAL FOR	NON-	TOTAL EQUITY
	SHARES	AMOUNT		COMPREHENSIVE INCOME (LOSS)	DEFICIT	OWNER	CONTROLLING INTEREST	
Balance – February 28, 2025	119,157,756	27,509,545	10,280,495	14,744	(36,827,018)	977,766	(212,158)	765,608
Private Placements (Note 14)	34,056,424	11,383,360	7,017,416	-	-	18,400,776	-	18,400,776
Share issuance cost – cash (Note 14)	-	(1,075,322)	-	-	-	(1,075,322)	-	(1,075,322)
Share issuance cost – finder warrants (Note 14)	-	(24,897)	24,897	-	-	-	-	-
Exercise of stock options (Note 14)	445,000	286,042	(132,042)	-	-	154,000	-	154,000
Exercise of stock options - cashless (Note 14)	683,754	250,000	(250,000)	-	-	-	-	-
Stock-based compensation - stock options (Note 14)	-	-	3,732,269	-	-	3,732,269	-	3,732,269
Stock-based compensation – RSUs (Note 14)	-	-	789,130	-	-	789,130	-	789,130
Foreign currency translation	-	-	-	41,691	-	41,691	-	41,691
Accumulated deficit – A&P repurchase (Note 4)	-	-	-	-	(2,185,994)	(2,185,994)	406,121	(1,779,873)
Net loss for the year	-	-	-	-	(10,013,000)	(10,013,000)	(193,963)	(10,206,963)
Balance – February 28, 2026	154,342,934	38,328,728	21,462,165	56,435	(49,026,012)	10,821,316	-	10,821,316

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER	ACCUMULATED	TOTAL FOR	NON-	TOTAL EQUITY
	SHARES	AMOUNT		COMPREHENSIVE LOSS ("AOCL")	DEFICIT	OWNER	CONTROLLING INTEREST	
Balance – February 29, 2024	115,457,506	26,060,019	8,891,949	54,082	(32,949,382)	2,056,668	171,713	2,228,381
Private placement (Note 14)	2,000,000	647,933	152,070	-	-	800,003	-	800,003
Exercise of warrants (Note 14)	355,250	171,659	(23,222)	-	-	148,437	-	148,437
Exercise of stock options (Note 14)	1,345,000	629,934	(276,934)	-	-	353,000	-	353,000
Stock options compensation (Note 14)	-	-	1,536,632	-	-	1,536,632	-	1,536,632
Foreign currency translation	-	-	-	(39,338)	-	(39,338)	-	(39,338)
Net loss for the year	-	-	-	-	(3,877,636)	(3,877,636)	(383,871)	(4,261,507)
Balance – February 28, 2025	119,157,756	27,509,545	10,280,495	14,744	(36,827,018)	977,766	(212,158)	765,608

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

NEO Battery Materials Ltd.

Notes to Consolidated Financial Statements

For the Years Ended February 28, 2026 and February 28, 2025

(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 and producing silicon-enhanced lithium-ion batteries in drones, robotics, physical artificial intelligence, and electric vehicles through its subsidiary in South Korea. 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 Company’s ability to continue as a going concern. As at February 28, 2026, the Company had an accumulated deficit of \$49,026,012 (February 28, 2025 - \$36,827,018), a net loss for the year ended February 28, 2026 of \$10,206,963 (February 28, 2025 - \$4,261,507) and had a working capital of \$2,942,476 (February 28, 2025 – \$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 consolidated statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

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

Basis of Presentation and Consolidation

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

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

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2026 and February 28, 2025
(Expressed in Canadian Dollars)

2. Basis of Preparation – continued

Basis of Presentation and Consolidation - continued

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.

The non-controlling interest, which represented a 20% interest in Neo Battery Material Korea Co. Ltd., was derecognized on October 1, 2025 upon entering into an investment termination confirmation agreement with the non-controlling interest shareholder, obligating the Company or the Company’s CEO to repurchase the 20% interest from the non-controlling interest shareholder (Note 4).

Subsidiaries	Location	Principal activities	Percentage
NEO Battery Materials America, LLC.	USA	Inactive	100% ownership
NEO Battery Material Korea Co., Ltd.	South Korea	Battery developer	80% ownership

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 borrowing rates are based on judgements including the Company’s own credit risk, economic environment, term, and risks specific to the underlying assets. The carrying balance of the right-of-use assets, lease liabilities, and the resulting amortization and interest expenses, may differ due to changes in the Company’s own credit risk, market conditions and lease term for estimates with respect to incremental borrowing rate applied in lease liability calculations.
- ii) The estimation of share-based payments includes estimating the inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and unit warrants included in equity. Stock-based compensation expense and unit warrants are estimated using the Black-Scholes option pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of subjective assumptions, including the expected price volatility of the Company’s common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) Depreciation of the Company’s tangible assets involves estimates of future useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the value of the Company’s tangible assets.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2026 and February 28, 2025
(Expressed in Canadian Dollars)

2. Basis of Preparation – continued

- iv) 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.
- v) The assessment of the Company's ability to execute its strategy by funding future working capital requirements, and thereby assessing the Company's ability to continue as a going concern, 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.
- vi) 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.

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.

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:

Land	Not subject to depreciation
Building	40 years
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.

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2026 and February 28, 2025
(Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies – continued

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 asset is estimated in order to determine the extent 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. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss. In addition, intangible assets with an indefinite useful life or are not yet available for use 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.

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.

Income Taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

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

NEO Battery Materials Ltd.
Notes to Consolidated Financial Statements
For the Years Ended February 28, 2026 and February 28, 2025
(Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies – continued

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 Korean 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.

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 presentation 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.

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3. Summary of Material Accounting Policies – continued

Financial Instruments

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

(a) Classification

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

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

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Trade and other receivables (excluding sales tax receivables)	Amortized cost
Short-term loan receivables	FVTPL
Refundable lease deposit	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
A&P share repurchase liability	Amortized cost

(a) 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.

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.

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3. Summary of Material Accounting Policies – continued

Financial Instruments – continued

(b) 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.

(c) 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.

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.

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3. Summary of Material Accounting Policies - *continued*

Leases - *continued*

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.

Revenue

The Company recognizes revenue in accordance with IFRS 15, Revenue from Contracts with Customers. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognized when the Company satisfies a performance obligation by transferring control of the promised goods or services to the customer.

Revenue from consignment manufacturing arrangements, under which the customer supplies the raw materials required for production and retains legal title to both the raw materials and the resulting finished goods, is accounted for as service revenue. The Company's performance obligation comprises the manufacturing, processing, packaging, storage, and transportation services performed on customer-owned materials. As the Company does not obtain control of the underlying inventory at any point, no inventory or product sales are recognized in respect of these arrangements. Revenue is recognized at a point in time, upon completion of the manufacturing services and delivery and acceptance of the finished products in accordance with the customer's specifications, at which point the Company has a present and unconditional right to payment. Consideration is measured at the agreed unit prices applied to the quantities delivered, and any variable consideration, such as delay penalties, is estimated and constrained to the extent that it is highly probable a significant reversal will not occur.

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3. Summary of Material Accounting Policies – continued

Non-Controlling Interests

Non-controlling interests represent ownership interests in consolidated subsidiaries by outside shareholders. They are shown as a component of total equity in the consolidated statements of financial position, and the share of loss attributable to non-controlling interests is shown as a component of net loss and comprehensive loss in the consolidated statements of loss and comprehensive loss. Changes in the Company's ownership that do not result in a loss of control are accounted for as equity transactions

New standards and interpretations not yet adopted

Amendments to IFRS 7 and 9 - Classification & Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 7 and IFRS 9 to clarify the date of recognition and derecognition of some financial assets and liabilities with a new exception for some financial liabilities settled through an electronic cash transfer system and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. Further, the amendments will add new disclosures for certain instruments with contractual terms that can change cash flows such as instruments with features linked to the achievement of environment, social and governance (ESG) targets and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The new amendments will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. The Company is evaluating the impact of these amendments on its consolidated financial statements.

Introduction of IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1. IFRS 18 introduces a revised structure for the income statement, requiring presentation of income and expenses within operating, investing and financing categories and mandating specified subtotals. It also sets disclosure requirements for management-defined performance measures and provides enhanced guidance on aggregation and disaggregation in the financial statements and notes.

IFRS 18 does not change the recognition or measurement of items, nor the classification of items within other comprehensive income. It is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required and early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements

4. Non-controlling Interest

On July 1, 2022, Neo Battery Materials 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 KRW 5,796 per common share for aggregate gross proceeds of KRW 2,999,820,383 (equivalent to \$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.

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4. Non-controlling Interest – continued

The Company controlled and therefore included 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 Korea Co immediately after completion of the Investment Agreement. As funds are expended by 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 into a purchase agreement (the “Purchase Agreement”) with A&P. Pursuant to the terms of the 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 KWR1,680,059,039 (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.

On October 1, 2025, A&P, the Company’s CEO, and Korea Co entered into an investment termination confirmation agreement (the "Confirmation Agreement"). Under the Confirmation Agreement, A&P's 258,828 common shares of Korea Co were to be purchased by the CEO or by Korea Co, or alternatively by a third-party purchaser, by December 15, 2025, for total consideration of KRW 1,790,616,438. If the termination is not completed by December 15, 2025, default interest continues to accrue at 5% per annum on the principal of KRW 1,500,000,000 until the date of completion.

The Company determined that upon entering into the Confirmation Agreement, a contractual obligation existed to purchase a non-controlling interest, which gives rise to a financial liability for the present value of the redemption amount and results in a derecognition of the non-controlling interest in accordance with IAS 32. The present value of the redemption amount was determined to be \$1,779,873 (KRW 1,790,616,438), with the difference to the amount of the non-controlling interest as of October 1, 2025 recorded to accumulated deficit. The financial liability is subsequently classified as measured at amortized cost. During the year ended February 28, 2026, the Company made a partial payment on the redemption amount of \$283,656. As at February 28, 2026, the carrying value of the share repurchase liability is \$1,420,500 (February 28, 2025 - \$Nil).

As at February 28, 2026, the investment termination contemplated under the Confirmation Agreement had not been completed. A&P continued to hold 258,828 common shares of Korea Co., representing a 20% non-controlling interest. Accordingly, no transfer of A&P’s ownership interest had occurred as at February 28, 2026. (Note 15).

As at February 28, 2026, the details of the NCI movement are as follows:

NCI as at February 28, 2024	(\$)	171,713
Net loss of NEO Korea Co attributable to the non-controlling interest (20%) - fiscal year 2025		(383,871)
NCI as at February 28, 2025		(212,158)
Net loss of NEO Korea Co attributable to the non-controlling interest (20%) – (March 1 – October 1, 2025) prior to effective Confirmation Agreement		(193,963)
Redemption value for NCI repurchase as at October 1, 2025		(1,779,873)
Indicating a loss on repurchase of 20% ownership for NCI repurchase - retained earnings		2,185,994
NCI as at February 28, 2026	(\$)	-

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5. Trade and Other Receivables

	February 28, 2026 (\$)	February 28, 2025 (\$)
Trade receivables	117,191	-
GST/VAT receivables	332,359	31,877
Other miscellaneous receivables	21,988	-
Total	471,538	31,877

6. Short-term Loan Receivables

During the year ended February 28, 2026, the Company entered into four unsecured loan agreements with two third parties for an aggregate principal of KRW 498,000,000. The loans bear interest at 4.5% per annum, payable upon repayment of principal, and are repayable either upon completion of the borrower's paid-in capital increase or the earlier of six months and the completion of the borrower's paid-in capital increase. Given the short-term nature of the loans, the estimated fair value of the loans are deemed to approximate the principal value and any accrued interest upon initial recognition and February 28, 2026. As at February 28, 2026, the carrying balance of these loan receivables was \$474,257 (February 28, 2025 — \$Nil).

7. Prepaid Expenses

	February 28, 2026 (\$)	February 28, 2025 (\$)
Prepaid Expenses - current		
Refundable lease deposit (a) (Note 10)	-	84,510
Miscellaneous vendors	94,700	109,898
Prepaid Expenses - non-current		
Construction in progress	756,748	-
Total	851,448	194,408

(a) During fiscal 2026, the Company reclassified lease deposits from prepaid expenses to refundable lease deposit. The comparative balance as of February 28, 2025 is presented in prepaid expenses - current as short-term in nature.

8. Tangible Assets

During the year ended February 28, 2026, the Company completed the acquisition of a 3.2-acre expansion site in South Korea for its planned drone and robotics battery cell manufacturing facility and silicon anode production scale-up. The Company has invested approximately \$1,258,699 (KRW1,331 million) in land, and \$1,997,410 (KRW2,111 million) in building. Of the total \$269,150 of depreciation recorded related to tangible assets, \$11,534 was associated with manufacturing costs and presented in cost of sales on the consolidated statements of loss and comprehensive loss for the fiscal year ended February 28, 2026.

	Land (\$)	Building (\$)	Equipment (\$)	Furniture & Fixture (\$)	Vehicle (\$)	Total (\$)
Cost:						
February 28, 2025	-	-	873,232	189,158	22,157	1,084,547
Additions	1,258,699	1,997,410	555,080	190,626	-	4,001,815
Foreign exchange effect	1,330	2,112	(52,758)	(13,523)	(919)	(63,758)
February 28, 2026	1,260,029	1,999,522	1,375,554	366,261	21,238	5,022,604

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8. Tangible Assets - continued

Accumulated Depreciation:	Land	Building	Equipment	Furniture & Fixture	Vehicle	Total
February 28, 2025	-	-	(430,188)	(44,778)	(7,755)	(482,721)
Additions	-	(4,293)	(215,880)	(44,603)	(4,374)	(269,150)
Foreign exchange effect	-	127	19,876	3,189	448	23,640
February 28, 2026	-	(4,166)	(626,192)	(86,192)	(11,681)	(728,231)
Net Book Value:						
February 28, 2025	-	-	443,044	144,380	14,402	601,826
February 28, 2026	1,260,029	1,995,356	749,362	280,069	9,557	4,294,373

9. Intangible Assets

As at February 28, 2026, 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	13,408	-	13,408
Foreign exchange effect	(729)	-	(729)
February 28, 2026	82,168	2,526	84,694
Accumulated Amortization:			
February 28, 2025	(14,959)	(361)	(15,320)
Additions	(5,782)	(164)	(5,946)
Foreign exchange effect	755	(1)	754
February 28, 2026	(19,986)	(526)	(20,512)
Net Book Value:			
February 28, 2025	54,530	\$ 2,165	56,695
February 28, 2026	62,182	\$ 2,000	64,182

10. Right-Of-Use Asset ("ROU"), Refundable Lease Deposit & Lease Liabilities

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, within a total of 50 years. Annual lease payments are determined by the Gyeonggi Housing and Urban Corporation. The Company determined a lease liability, and corresponding ROU asset by discounting future lease payments at 15%. During the year ended February 28, 2026, the Company terminated the lease prior to the end of the lease term, as certain move-in conditions are not satisfied.

NEO Battery Materials Ltd.

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10. Right-Of-Use Asset ("ROU"), Refundable Lease Deposit & Lease Liabilities - *continued*

Subsequent to year end, in April 2026, the Company received a notice requiring retrospective rent compensation to Gyeonggi Province based on market rental rates from inception of the lease, triggered by early termination of the lease and failing to meet certain move-in conditions. As of February 28, 2026, the Company accrued \$572,300 (KRW604,329,780) for the additional rent demanded by Gyeonggi Province. The Company recorded a loss on termination of the lease of \$585,383 in the consolidated statements of loss and comprehensive loss.

During the year ended February 28, 2026, the Company renewed three leased spaces for additional two (2) years and recognized a full impairment of related ROU due to abandonment of three leased spaces, recording an impairment loss of \$56,787 (2025 - \$Nil). The related lease liabilities remained recognized, as the Company continued to be contractually obligated for the lease payments.

During the year ended February 29, 2024, the Korea Co entered into two lease agreements for R&D space located in Gyeonggi Technopark, South Korea, with a term of 18 and 23 months, respectively, both expiring June 30, 2025. The Company determined a lease liability, and corresponding ROU asset by discounting future lease payments at 15%. During the year ended February 28, 2025, the lease agreements were amended to include an additional space located in Gyeonggi Technopark, also expiring on June 30, 2025. The lease modification was accounted for as a separate lease. 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. During the year end February 28, 2026, the Company renewed three leased spaces for additional two (2) years and recognized a full impairment of related ROU due to abandonment of three leased spaces, recording an impairment loss of \$56,787 (2025 - \$Nil). The related lease liabilities remained recognized, as the Company continued to be contractually obligated for the lease payments.

During the year ended February 28, 2026, Korea Co entered into a facility and equipment lease agreement with EN Plus Co., Ltd. for the Gimje Electrode Plant located within the Gimje Free Trade Zone, Jeonbuk Special Self-Governing Province, South Korea. EN Plus Co., Ltd. and the Company are also party to a consignment manufacturing agreement, where EN Plus Co., Ltd. supplies the raw materials required for production and retains legal title to both the raw materials and the resulting finished goods, with the Company earning manufacturing service revenue under the arrangement. The lease has an initial term of three (3) years commencing November 10, 2025. The Company paid a refundable security deposit of \$1,926,000 (KRW 2,000,000,000), secured by a registered security interest in movable property at the Gimje Electrode Plant.

In connection with the commencement of operations at the Gimje Electrode Plant, Korea Co also entered into fourteen (14) residential lease agreements for employee housing located within walking distance of the factory in Baeksan-myeon, Gimje-si. Each housing lease has a term of two (2) years. The Company paid a refundable security deposit of \$167,060 (KRW 170,000,000), in aggregate.

During the year ended February 28, 2026, Korea Co also entered into a new office lease with a term of two (2) years from November 19, 2025. The Company paid a refundable security deposit of \$19,140 (KRW20,000,000).

During the year ended February 28, 2026, the Company applied present value measurement to refundable lease deposits where the impact was material. Refundable lease deposits are initially recognized at present value and subsequently measured at amortized cost. Any difference between the face value and the initial fair value on recognition is treated as a prepaid lease payment and included as an adjustment to the right-of-use asset. Accretion income is recognized over the lease term using the effective interest method. As the refundable lease deposits are expected to be recovered upon expiry of the related lease terms and are not expected to be refunded within twelve months from the reporting date, they are classified as non-current assets.

New leases entered into during the year ended February 28, 2026 were discounted using an incremental borrowing rate of 12%.

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10. Right-Of-Use Asset, Refundable Lease Deposit & Lease Liabilities - continued

Right-of-Use Assets		
Balance, February 28, 2025	\$	165,197
Remeasurement		3,748
Additions		2,392,960
Termination		(137,045)
Impairment – due to abandonment		(56,787)
Depreciation expense – manufacture cost		(258,677)
Depreciation expense - G&A		(90,415)
Foreign exchange effect		(55,526)
Balance, February 28, 2026	\$	1,963,455
Refundable Deposit		
Balance, February 28, 2025	\$	84,510
Additions		2,270,307
Initial discount		(637,679)
Lease accretion interest income		67,252
Foreign exchange effect		(38,791)
Balance, February 28, 2026	\$	1,745,599
Lease Liabilities		
Balance, February 28, 2025		168,068
Remeasurement		(2,950)
Additions		1,748,106
Termination		(141,519)
Lease accretion interest expense		82,021
Lease payments		(298,438)
Foreign exchange effect		(39,459)
Balance, February 28, 2026	\$	1,515,829
Current Portion	\$	570,312
Non-current Portion	\$	945,517

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

As at February 28, 2026		
Less than 12 months	\$	674,703
Greater than 12 months		1,028,109
Undiscounted lease payments	\$	1,702,812

11. Financial Risk and Capital Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

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11. Financial Risk and Capital Management - continued

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 February 28, 2026, the Company had negligible financial assets or liabilities denominated in a currency differing from the respective functional currency.

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 is exposed to credit risk primarily through its cash and cash equivalents, trade and other receivables, short-term loan receivables, and refundable lease deposits.

The Company manages credit risk on cash and cash equivalents by holding funds with major financial institutions. As at February 28, 2026, the Company had cash and cash equivalents of \$5,496,557, which were held with financial institutions in Canada and South Korea.

The Company's trade and other receivables are reviewed on an ongoing basis for collectability. Trade receivables are generally due within a short period after invoices are issued, in accordance with the applicable customer payment terms. Short-term loan receivables are monitored by management based on repayment terms and the financial condition of the counterparty. Refundable lease deposits are recoverable from the lessors at the end of the related lease terms and are assessed for recoverability when indicators of impairment exist. The Company is exposed to concentration of credit risk as its trade receivables are concentrated with EN Plus Co., Ltd (Note 10). As at February 28, 2026, all trade receivables were owing from one customer. Management monitors the collectability of this receivable based on the customer's payment history, agreed payment terms, and subsequent collections. Any failure by this customer to settle the outstanding balance could adversely affect the Company's cash flows. Subsequent to February 28, 2026, the customer settled the outstanding balance owed to the Company in full.

The Company holds a registered security interest in movable property at the Gimje Electrode Plant as security for its refundable lease deposit (Note 10). The maximum exposure to credit risk is the carrying amount of the related financial assets recorded in the consolidated statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through cash flow planning, budgeting, monitoring of working capital, and, when required, raising additional financing.

As at February 28, 2026, the Company had cash and cash equivalents of \$5,496,557 and current liabilities of \$3,594,576. The Company's current liabilities consist primarily of accounts payable, accrued liabilities, severance liabilities, A&P share repurchase liability, and the current portion of lease liabilities. The Company also has non-current lease liabilities of \$945,517 related to its lease arrangements in Korea.

The Company has historically financed its operations primarily through the issuance of equity securities. The Company's ability to continue its planned operations and development activities is dependent on its ability to manage cash resources and obtain additional financing when required. There can be no assurance that additional financing will be available on terms acceptable to the Company (Note 1).

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11. Financial Risk and Capital Management - continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant cash flow interest rate risk, as it does not have significant variable-rate debt.

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 year ended February 28, 2026.

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.

Refundable deposits are classified as financial assets measured at amortized cost. Refundable deposits are initially recognized at fair value on initial recognition and subsequently measured using the effective interest method. Where a refundable deposit is non-interest bearing or bears interest below market rates, the deposit is discounted to its present value on initial recognition. The discount is accreted over the term of the related arrangement, with accretion income recognized in profit or loss. The fair value of refundable deposits on initial recognition is estimated using discounted cash flow techniques based on observable market interest rates and is classified within Level 2 of the fair value hierarchy.

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.

12. Accounts Payable and Accrued Liabilities

	February 28, 2026 (\$)	February 28, 2025 (\$)
Trade payables	389,385	318,507
Accrued liabilities	1,048,089*	102,654**
Total	1,437,474	421,161

* Retrospective rent compensation of \$572,300 payable to Gyeonggi Province was included in accrued liabilities.

** \$64,860 in severance liabilities were reclassified from accounts payable and accrued liabilities (Note 13).

For the year ended February 28, 2026, the Company recorded a gain on debt settlement of \$66,802 (February 28, 2025 - \$Nil).

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13. Provision of Severance Liabilities

For the year ended February 28, 2026, the Company recorded provision for severance liabilities, which is presented as a current liability. The provision represents employee severance benefits expected to be settled upon termination or retirement. The comparative balance as at February 28, 2025 was previously included in accrued liabilities and were reclassified to provision for severance liabilities to conform with the current year presentation.

The continuity of the provision for severance liabilities is as follows:

	February 28, 2026 (\$)	February 28, 2025 (\$)
Beginning balance	64,860	25,571
Additions	155,939	51,785
Paid out or transfer to accounts payable & accrued liabilities	(49,518)	(11,278)
Foreign exchange effect	(4,991)	(1,218)
Ending balance	166,290	64,860

14. Share Capital

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

Share Issuance - Private Placements

Year Ended February 28, 2026

a) On June 11, 2025, 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 relative 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 \$6,496, 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 relative fair value method, \$64,925 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: 2.700% risk-free interest rate, 2 years of expected life, 117.88% volatility and 0% dividend rate.

b) 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 relative 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 \$18,401, 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 relative fair value method, \$236,733 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: 2.816% risk-free interest rate, 2 years of expected life, 116.21% volatility and 0% dividend rate.

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14. Share Capital - continued

Share Issuance - Private Placements - continued

c) 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. 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 relative price of \$0.80 per common share for 36 months from the closing date of the offering. In connection with the private placement, the Company paid cash commissions of \$204,000. Under the relative fair value method, \$2,095,468 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: 2.538% risk-free interest rate, 3 years of expected life, 111.72% volatility and 0% dividend rate.

d) On November 3, 2025, the Company completed a non-brokered private placement of 9,803,921 units at a price of \$0.51 per unit for gross proceeds of \$5,000,000. 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 relative price of \$0.80 per common share for 36 months from the closing date of the offering. In connection with the private placement, the Company paid cash commissions of \$300,000. Under the relative fair value method, \$1,901,168 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: 2.509% risk-free interest rate, 3 years of expected life, 112.03% volatility and 0% dividend rate.

e) On January 21, 2026, the Company completed a non-brokered private placement of 11,666,667 units at a price of \$0.60 per unit for gross proceeds of \$7,000,000. 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 \$0.85 per common share for 36 months from the closing date of the offering. In connection with the private placement, the Company paid cash commissions of \$420,000. Under the fair value method, \$2,719,122 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: 2.725% risk-free interest rate, 3 years of expected life, 110.66% volatility and 0% dividend rate.

Year Ended February 28, 2025

f) 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 relative price of \$0.75 per common share for 24 months from the closing date of the private placement. Under the relative 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.

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14. Share Capital – continued

Share Issuance - Exercise of Warrants

Year Ended February 28, 2026

No warrants were exercised.

Year Ended February 28, 2025

a) 200,000 common shares were issued upon the exercise of 200,000 warrants at an exercise price of \$0.16 per share for total proceeds of \$32,000.

b) 155,250 common shares were issued upon the exercise of 155,250 warrants at an exercise price of \$0.75 per share for total proceeds of \$116,437.

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

Year Ended February 28, 2026

a) 95,000 common shares were issued upon the exercise of 95,000 stock options at an exercise price of \$0.20 per share for total proceeds of \$19,000.

b) 200,000 common shares were issued upon the exercise of 200,000 stock options at an exercise price of \$0.30 per share for total proceeds of \$60,000.

c) 150,000 common shares were issued upon the exercise of 150,000 stock options at an exercise price of \$0.50 per share for total proceeds of \$75,000.

d) 683,754 common shares were issued in connection with the cashless exercise of 1,000,000 stock options at an exercise price of \$0.20 per share. No cash proceeds were received by the Company.

Upon the exercise of the options, \$382,042 of the related fair value of the options previously recorded in reserves was transferred to share capital.

Year Ended February 28, 2025

a) 625,000 common shares were issued upon the exercise of 625,000 stock options at an exercise price of \$0.20 per share for total proceeds of \$125,000.

b) 600,000 common shares were issued upon the exercise of 600,000 stock options at an exercise price of \$0.30 per share for total proceeds of \$180,000.

c) 120,000 common shares were issued upon the exercise of 120,000 stock options at an exercise price of \$0.40 per share for total proceeds of \$48,000.

Upon the exercise of the options, \$276,934 of the fair value of the options previously recorded in reserves was transferred to share capital.

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14. Share Capital - continued

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Exercise Price (\$)
Balance, February 28, 2025	12,260,835	0.75
Issued	34,147,424	0.80
Expired	(11,260,835)	(0.75)
Balance, February 28, 2026	35,147,424	0.80

As at February 28, 2026, outstanding warrants are as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants	Weighted Average Life Remaining (Years)
October 28, 2026	0.75	1,000,000	0.66
June 17, 2027	0.75	400,000	1.30
June 17, 2027	0.50	28,000	1.30
July 18, 2027	0.75	1,400,000	1.38
July 18, 2027	0.50	63,000	1.38
September 29, 2028	0.80	10,785,836	2.59
November 03, 2028	0.80	9,803,921	2.68
January 21, 2029	0.85	11,666,667	2.90
		35,147,424	2.60

Equity Incentive Plan

The Company recently established an Omnibus Equity Incentive Plan (the "Plan"), 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 its adoption, the Company operated under a rolling Stock Option Plan (the "Predecessor Plan") established in 2021. The Predecessor Plan remains in effect for options granted before the new Plan, but no new awards will be granted under it. 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 also permits the Net Exercise of options (as defined in Exchange Policy 4.4 - Security Based Compensation), allowing participants to receive the net value of options in shares or cash without paying 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 allowing them to acquire more than 5% of the issued and outstanding shares within any 12-month period. For consultants, and for persons performing investor relations activities, 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.

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14. Share Capital – continued

Equity Incentive Plan - continued

The number of RSUs granted to any participant cannot exceed 2% of the issued and outstanding shares at the time of the award. Insiders are subject to additional restrictions: the aggregate number of shares issuable to them under the Plan, and awards granted within any 12-month period, cannot exceed 10% of the issued and outstanding shares at any time. Options are subject to vesting schedules determined by the Plan Administrator — options for persons performing investor relations activities must vest over a minimum of 12 months with no more than 25% vesting in any three-month period, and RSUs cannot vest earlier than one year from the grant date. The TSX Venture Exchange requires the Plan to be approved annually by shareholders by 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

Year Ended February 28, 2026

During the year ended February 28, 2026, the Company granted a total of 8,729,240 stock options to certain directors, officers, employees, and consultants of the Company pursuant to the Company's Omnibus Equity Incentive Plan. These options are exercisable at a weighted exercise price of \$0.55 per option and will expire in three and five years from the grant date. These options generally vest either immediately on the grant date or over a period of up to six months from the grant date, depending on the terms of the individual grants. Of the total 8,729,240 options, 1,130,000 were granted to related parties. The Company measured the fair value of 8,729,240 options granted during this year at \$4,171,134 using Black-Sholes Option Pricing Model based on the assumptions provided in the table below.

	Feb 17 2026	Jan 21 2026	Dec 24 2025	Dec 15 2025	Nov 20, 2025	Nov 3, 2025	Oct 30, 2025	Oct 14, 2025
Risk-free interest rate	2.98%	2.73%	2.96%	3.00%	2.76%	2.51%	2.74%	2.72%
Expected life	5 years	3 years	5 years	5 years	5 years	3 years	5 years	5 years
Volatility	111.91%	111.02%	114.83%	114.30%	117.81%	112.41%	119.17%	122.07%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Sep 29, 2025	Sep 18, 2025	Sep 12, 2025	Sep 5, 2025	Aug 19, 2025	Aug 12, 2025	Aug 8, 2025
Risk-free interest rate	2.74%	2.55%	2.74%	2.81%	2.78%	2.80%	2.82%
Expected life	5 years	3 years	5 years	5 years	5 years	5 years	5 years
Volatility	118.99%	112.05%	121.09%	122.38%	128.27%	128.55%	128.79%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil

	Jul 28, 2025	May 9, 2025	Apr 28, 2025	Apr 25, 2025	Apr 18, 2025	Mar 14, 2025	Mar 13, 2025
Risk-free interest rate	3.10%	2.77%	2.78%	2.80%	2.82%	2.72%	2.70%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Volatility	129.10%	133.52%	133.50%	133.49%	133.74%	134.12%	134.12%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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14. Share Capital - continued

Stock Options - continued

During the year ended February 28, 2026, the Company recorded stock-based compensation of \$3,732,269 (2025 - \$1,536,632) related to stock options compensation.

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 expire on October 28, 2029, November 14, 2029, and November 25, 2029, respectively. A majority of the options issued vest on date of 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, 1,250,000 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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, February 28, 2025	9,305,000	0.44
Granted	8,729,240	0.55
Forfeited	(3,120,000)	(0.48)
Exercised	(1,445,000)	(0.24)
Balance, February 28, 2026	13,469,240	0.52

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14. Share Capital - continued

Stock Options - continued

As at February 28, 2026, stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price (\$)	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
May 13, 2026	0.20	50,000	50,000	0.20
January 19, 2029	0.30	3,390,000	3,390,000	2.89
September 18, 2028	0.50	525,000	262,500	2.56
November 3, 2028	0.51	588,240	294,120	2.68
January 21, 2029	0.60	700,000	-	2.90
November 14, 2029	0.55	550,000	550,000	3.71
November 25, 2029	0.94	1,250,000	1,250,000	3.74
March 13, 2030	0.60	900,000	900,000	4.04
March 14, 2030	0.78	510,000	510,000	4.04
April 18, 2030	0.60	100,000	100,000	4.14
April 25, 2030	0.60	300,000	300,000	4.16
April 28, 2030	0.66	200,000	200,000	4.16
May 9, 2030	0.60	400,000	400,000	4.19
July 28, 2030	0.50	150,000	150,000	4.41
August 8, 2030	0.50	700,000	700,000	4.44
August 12, 2030	0.50	106,000	106,000	4.45
August 19, 2030	0.50	500,000	500,000	4.47
September 5, 2030	0.50	790,000	640,000	4.52
September 12, 2030	0.56	70,000	70,000	4.54
September 29, 2030	0.50	250,000	125,000	4.59
October 14, 2030	0.60	10,000	10,000	4.63
November 10, 2030	0.50	100,000	50,000	4.70
December 15, 2030	0.48	100,000	-	4.80
December 24, 2030	0.45	1,110,000	-	4.82
February 17, 2031	0.59	120,000	-	4.97
		13,469,240	10,557,620	3.70

Restricted Share Units ("RSUs")

Year Ended February 28, 2026

During the year ended February 28, 2026, the Company granted a total of 9,400,000 RSU to certain directors, officers, employees, and consultants of the Company pursuant to the Company's Omnibus Equity Incentive Plan. Each RSU entitles the holder to receive one common share of the Company upon vesting, subject to the terms of the grant and continued service with the Company.

The fair value of the RSUs was determined based on the market price of the Company's common shares on the grant date. The Company measured the fair value of 9,400,000 RSUs granted during this fiscal year at \$4,572,000 (vested and unvested). For the year ended February 28, 2026, the Company recorded stock-based expenses of \$789,130 (February 28, 2025 - \$Nil) related to RSUs over the applicable vesting period.

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14. Share Capital - continued

Restricted Share Units ("RSUs") - continued

Grant Date	Vesting Date	Issue Price (\$)	Number of RSUs Outstanding	Number of RSUs Vested
December 24, 2025	December 24, 2026	\$0.46	3,750,000	-
December 24, 2025	February 24, 2027	\$0.46	3,750,000	-
December 31, 2025	December 31, 2026	\$0.57	675,000	-
December 31, 2025	February 28, 2027	\$0.57	675,000	-
January 6, 2026	January 6, 2027	\$0.67	300,000	-
February 17, 2026	February 17, 2027	\$0.59	150,000	-
February 18, 2026	February 18, 2027	\$0.63	100,000	-
			9,400,000	

15. 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. Balances owing are unsecured, non-interest bearing and have no specific terms of repayment.

As at February 28, 2026, and 2025, the following are due to related parties:

	February 28, 2026 (\$)	February 28, 2025 (\$)
Unpaid director/management fee	131,816	38,758
CEO advance	53,032	-
	184,848	38,758

For the year ended February 28, 2026, \$968,014 was recorded in share-based compensation to related parties.

During the years ended February 28, 2026, and February 28, 2025, the Company paid the following amounts to the officers and directors of the Company:

	February 28, 2026 (\$)	February 28, 2025 (\$)
Management fees	875,618	487,880
Professional fees	159,933	110,183
	1,035,551	598,063

16. 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.

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16. Segmented Information - continued

The Company operates in only one reportable segment, being the development and manufacturing of silicon anode materials for lithium-ion battery electrodes and cells for drone, robotics, automotive, and electronic applications. Substantially all of the Company's manufacturing service revenue is earned from one customer, ENPlus Co., Ltd., in South Korea (Note 10). Substantially all of the Company's non-current assets are held in South Korea.

17. Income Tax

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

	February 28, 2026 (\$)	February 28, 2025 (\$)
Loss before income taxes	(10,206,963)	(4,261,507)
Statutory tax rates	26.50%	26.50%
Expected income tax recovery	(2,704,845)	(1,129,299)
Non-deductible expenses and other items	1,198,899	407,668
Change in Tax Rate	220,506	228,577
Share Issuance Costs Booked to Equity and other	(284,960)	-
True-ups and Other adjustments	165,366	652
Change in unrecognized deferred tax assets	1,405,034	492,402

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

	February 28, 2026 (\$)	February 28, 2025 (\$)
Non-capital loss carry-forwards	6,100,519	4,837,097
Financing costs	240,042	12,041
Equipment and other	333,470	228,512
Exploration and evaluation assets	1,073,828	1,116,438
Capital lease obligation	316,808	-
Tangible assets	(55,184)	-
Right-of-Use Assets (ROU)	(410,362)	-
Unrecognized deferred tax assets	(7,599,121)	(6,194,088)
Deferred income tax asset (liability)	-	-

As at February 28, 2026, the Company has accumulated capital losses for Canadian income tax purposes totaling \$Nil (2025 - \$710,671). The losses can be carried forward indefinitely.

As at February 28, 2026, the Company has accumulated non-capital losses for Canadian income tax purposes totaling approximately \$16,411,122 (2025 - \$14,511,000). As at February 28, 2026, the Company has accumulated non-capital losses for Korean income tax purposes totaling approximately \$8,380,724 (2025 - \$4,744,000). The losses expire in the following periods:

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17. Income Tax - continued

Year of origin	Year of Expiry	Canada
2007	2027	437,433
2008	2028	1,084,684
2009	2029	744,113
2010	2030	652,275
2011	2031	797,360
2012	2032	971,792
2013	2033	769,248
2014	2034	545,484
2015	2035	250,144
2016	2036	271,071
2017	2037	735,595
2018	2038	490,479
2019	2039	636,799
2020	2040	1,101,595
2021	2041	862,500
2022	2042	1,391,396
2023	2043	845,792
2024	2044	898,341
2025	2045	917,235
2026	2046	2,005,786
		\$ 16,411,122

Year of origin	Year of Expiry	South Korea
2022	2032	\$ 166,076
2023	2033	1,047,790
2024	2034	1,563,571
2025	2035	1,419,976
2026	2036	4,233,311
		\$ 8,380,724

18. 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.

19. Subsequent Event

In May 2026, 50,000 stock options were exercised at an exercise price of \$0.20 per option, for total proceeds of \$10,000.