MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended
February 28, 2026

As at June 26, 2026

The following management's discussion and analysis (MD&A) of NEO Battery Materials Ltd. ("the Company") has been prepared as of June 26, 2026. The MD&A should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended February 28, 2026, which have been prepared in accordance IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and IFRIC® Interpretations of the IFRS Interpretations Committee. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally in the MD&A is complete and reliable. Additional information of the Company is available on SEDAR at www.sedarplus.ca and on its website at www.neobatterymaterials.com. Readers of the MD&A should be cautioned that information and statements derived from the Company's financial statements do not necessarily reflect the future financial performance of the Company. Statements in the MD&A that are not historical based facts are forward-looking statements which are made subject to cautionary language on pages 22-23 and involve known and unknown risks and uncertainties. Actual results could vary considerably from these statements. Readers should be cautioned not to put undue reliance on forward looking statements.

1. BUSINESS OVERVIEW

NEO Battery Materials Ltd. (the "Company" or "NEO Battery") is a publicly listed company 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.

2. OVERALL PERFORMANCE AND SIGNIFICANT DEVELOPMENTS

2.1 FINANCIAL POSITION

- **Losses and Deficit:** For the year ended February 28, 2026, the Company recorded a net loss of $10,206,963 (February 28, 2025 – $4,261,507), resulting in an accumulated deficit of $49,026,012 (February 28, 2025 – $36,827,018). Continued development activities are expected to result in further losses.
- **Going Concern:** At February 28, 2026, the Company had $5,496,557 in cash and working capital of $2,942,476, reflecting increased capital spending and operating losses. Ongoing operations depend on raising additional capital through equity financing.

2.2 BUSINESS CORE DEVELOPMENT

The Company is a battery technology company focused on developing silicon-enhanced and customized, high-performance lithium-ion batteries for drones, unmanned systems (UAS), robotics, consumer electronics, electric vehicles (EV), energy storage systems (ESS) for AI data centers and power grids, and all battery-powered applications. With a patent-protected, low-cost manufacturing process, the Company enables longer-running and ultra-fast charging batteries compared to existing state-of-the-art technologies. The Company aims to be a globally leading end-to-end solutions provider of high-performance battery materials and cells, with a vision to establishing a resilient Western and North American battery supply chain.

Since 2021, the Company has focused on research and development (R&D) of a high-performance, cost-effective silicon-based battery technology or silicon anode material, trademarked as NBMSiDE®. These materials are designed to significantly enhance energy density (expressed in watt-hours per kilogram or Wh/kg) and enable ultra-fast charging

capabilities (expressed in C-rate for charging and discharging cycles) in lithium-ion batteries used across a wide range of end-use applications, including consumer electronics, power tools, robotics, drones, UAS, EV, and ESS. To differentiate on costs, the Company has developed and is further refining a proprietary manufacturing process that enables silicon anode material production at approximately a 60-80% lower cost compared to conventional and competing methods.

Through strategic partnerships and agreements with small and medium enterprises (SME) and global companies, the Company has been collaboratively advancing solutions and technologies to remove the battery performance ceiling from inputs, material composition, and end-product assembly. Collaborations with Fortune 500 partners like Linde Korea – an affiliate of Linde, the world's leading industrial gases and engineering company – and Rockwell Automation and global unicorn startups such as OCSiAl have focused on developing advanced material formulations and processing techniques, optimizing targeted key performance metrics for each respective project.

During recent quarters, the Company has expanded its operational scope beyond advanced silicon anode materials development to include Battery Foundry & Engineering Service operations. The addition of these synergistic verticals aligns with the Company's objective to become a fully integrated battery solutions provider, supporting various downstream clients across the complete value chain of components and cell design, development and production.

For the subsequent quarters, the Company has implemented an operational strategy centered on commercialization across all business portfolios of NBMSiDE silicon anode materials, Battery Foundry, and Engineering Services. The Company will (i) prioritize achieving the highest level of product quality and performance across materials, electrodes and cells, (ii) establish and refine its engineering capabilities and supply chain network to initiate the proposed manufacturing activities, and (iii) develop a structured sales and partnership pipeline of downstream customers in diverse electronics segments. Collectively, these strategic efforts are expected to establish a repeatable sales pipeline, create a reputation and presence for recurring commercial contracts, and strengthen the Company's position as a capable, integrated battery solutions provider for the Western and North American supply chain.

Battery Foundry – Contract Manufacturing for Downstream Value Chain

The Battery Foundry business focuses on industry-quality electrode manufacturing and cell assembly for prototype or commercial applications, servicing lithium-ion battery, automotive, drone/robotics, and electronics companies and entities seeking high-performance, customized battery solutions. The Foundry is designed to address the growing demand from the established and emerging electronics sectors for specialized batteries that require tailored energy density, power delivery, form factor, safety, and other relevant properties. Furthermore, by establishing manufacturing and supply capabilities in South Korea and in North America through future expansion, the Company aims to mitigate supply chain risks arising from the heavy geographic concentration of battery production in China.

Gimje Battery Manufacturing Facility

On November 10, 2025, to initiate high-performance battery electrode and cell production, the Company successfully entered into a definitive agreement with ENPLUS Co., Ltd., to lease an operational battery component manufacturing factory located in Gimje Free Trade Zone, South Korea. The factory currently possesses a maximum production capacity of 250 megawatt-hours (MWh) for cathode and anode sheets and capabilities to assembly small- to large-scale pouch format cells. The Company has exclusive use of the facility's production equipment, office, warehouse, and auxiliary facilities for an initial three-year term with a right of first refusal to renew under the same terms and conditions.

The battery manufacturing facility provides immediate access to infrastructure for both internal battery product validation and contract manufacturing service agreements. The Company can now produce various designs and formulations by integrating multiple chemistries, including silicon-graphite mixed anodes, lithium-iron- phosphate (LFP) and nickel-manganese-cobalt (NMC) cathodes, sodium-ion batteries and solid-state battery materials. The Company plans to adapt and shift production to supply customized battery solutions for its drone, UAV, robotics,

electronics, and energy storage clients and pipeline. NBMSiDE silicon anode products will be further incorporated as a core component material for the electrode production lines, enabling a fast-track towards commercializing high-performance, silicon-enhanced batteries.

On December 9 and 16, 2025, the Company secured its first and second battery purchase orders from an Asian and North American Fortune 500 automotive company via ENPLUS, respectively. The Company is currently manufacturing battery products for both customers and will continuously ship and deliver as products are completed. These orders represent the Company's first commercial sales and has contributed to first revenues. On January 5, 2026, the Company received official vendor status approval with the Asian OEM customer, enabling direct supply and commercial transactions without intermediaries. This approval represented validation of the Company's operational readiness and the customer's acceptance of product quality and manufacturing capabilities.

The Company has serviced customers including Fortune 500 companies, U.S. battery manufacturers, and South Korean battery value chain companies through its Battery Foundry business. Through purchase orders, the Company has been primarily deploying cathode and anode electrode sheets and small-to-large format dry cells for qualification, evaluation, and commercial purposes. Customer orders occur on both a recurring and non-recurring basis depending on end-use applications and purposes.

3.2 Acre Expansion Site for Battery & Silicon Anode Materials Manufacturing

To accommodate growing global demand of high-performance, non-Chinese batteries, the Company has additionally secured an expansion site to establish battery cell manufacturing capabilities. Located adjacent to the first manufacturing facility, the site comprises six vacant industrial buildings on 2.5 acres with an additional 0.8 acres designated for future expansion. Due to increased demand for pouch-format batteries, the Company intends to install 250 MWh of cell assembly capacity with an option to install an additional 250 MWh of pouch-making capacity or a tabless 21700 cylindrical cell assembly line. The expansion site is targeted to fulfill mass-volume orders from U.S. and NATO-based drone manufacturers and defense contractors.

Drone & Robotics Battery Development Program

On August 18, 2025, the Company introduced the Battery Foundry segment by initiating a new development program for high-performance batteries tailored for drones and unmanned aerial vehicles (UAV). Through this high-performance development program, the Company aims to deliver end-to-end battery solutions with high capacity, high power output, and fast charging capabilities to address the increasing performance needs of drone and UAV manufacturers. The Company's engineering team has initiated the design of two pouch-type lithium-ion battery cells in which NBMSiDE silicon anode products are integrated to enhance comprehensive performance.

On September 12, 2025, the Company received its first multi-year purchase order valued at $4.5 million CAD for high-performance battery products with an Asian manufacturer specializing in AI-powered mission flight control systems for drones and UAVs. In relation to the new high-performance development program, the Company has been commissioned to design and manufacture two advanced battery products tailored to the client's drone/UAV systems.

On October 21, 2025, the Company further received a purchase order of approximately KRW 2,500,000,000 over a targeted 24-month period from a South Korean industrial robotics company engaged in autonomous mobile robots (AMR), humanoid platforms, and mission-critical service robots. On November 5, 2025, the Company secured another KRW 3,000,000,000 purchase order and executed a joint product development agreement (JPDA) with a South Korean unmanned combat aerial vehicle manufacturer. Under a confidential project named "Project David", the Company will provide end-to-end battery solutions from design to commercial integration for the customer's multi-drone platform. The Company and its customers target to enhance flight time by at least 25% compared to current lithium-polymer batteries.

The Company is further committed to targeting and penetrating the military and defense drone sector. With global supply of drone batteries concentrated in China, the Company will strategically serve markets in North America and Europe where companies and governments are endeavoring to diversify supply and reduce geopolitical exposure. The Company has made inroads into the South Korean military and government through its Special Defense Advisors, Admiral Shim (Ret.) and Major General Choi (Ret.) and its partnership with the Korea Institute for Defense Industry ("KOIDI"), forming a joint task force to coordinate activities for military intelligence collection and deployment of the Company's battery products in commercial drones and UAS.

The Company successfully developed and manufactured its first high-performance battery cells designed for intelligence, surveillance, and reconnaissance (ISR) drones, delivering over 50% more capacity (measured in ampere-hours or Ah) and 40% greater energy density (measured in watt-hours-per-kilogram or Wh/kg) compared to a widely deployed commercial drone battery product. The performance improvement was achieved without altering the physical size or dimensions of the battery cell, allowing for drop-in replacements by drone end-users. In a live flight test conducted using a Korean drone customer's ISR product, the Company's drone cells delivered a 98% increase in average flight time, extending flight duration from on average 29.9 minutes to 59.2 minutes. Optimized cell design further enabled up to a 150% increase in charging rate, while minimizing the swelling issue by impeding internal resistance.

Since development, the Company has shipped commercial samples of its drone battery products to Korean drone manufacturers. The Company is further engaged with drone value chain partners in the U.S., Ukraine, Taiwan, Canada, Japan, Singapore, India, the Netherlands, and Estonia. The Company has additionally launched high-power and energy battery products engineered for First-Person View (FPV) strike drones or loitering munitions. The 6.5 Ah products delivered an 82% increase in energy density compared to a commercial Chinese pack, and in a simulated 250 km/h strike mission, the optimization translated into a 102.9% increase in flight range from 24.4 km to 49.5 km. The Company aims to actively support the defense and military organization that are incorporating large-scale stockpiling of FPV strike drones. As a dual-use strategy, the Company will target industrial applications including precision agriculture, logistics, and urban firefighting in tandem.

Through the Battery Foundry, the Company's business model anticipates a combination of revenues from commercial-grade electrode and cell contracting supply, prototyping services, and long-term manufacturing agreements from battery cell and electronics manufacturers. As production has initiated, management will focus on establishing a robust and repeatable sales pipeline and targeting larger geographic and downstream markets. The Company aims to achieve this priority by (i) firmly integrating into the military and defense ecosystem via the drone battery development program and (ii) executing visible capacity expansions at both the first factory and the expansion site.

Engineering Services – Battery Design, Development & Manufacturing Optimization

The Engineering Services segment will service battery cell companies and downstream original equipment manufacturers (OEM) seeking to develop and deploy new battery products into their respective markets. Leveraging in-house materials engineering expertise and components/cell design and processing know-how, the Company will provide consultative and technical services, including but not limited to materials/chemicals selection and procurement, electrode and cell architecture design, production optimization, including scrap-rate reduction and throughput enhancement, and customer qualification support. Through these services, the Company intends to help partners accelerate product development cycles, improve economics via manufacturing efficiency, and meet stringent performance and qualification standards.

Engineering Services will complement the Battery Foundry business by offering a vertically-integrated platform from design, development, testing, and validation. The Company targets to enable clients to commercialize emerging and next-generation battery technologies with improved quality assurance and cost efficiency.

Silicon Anode Technology, Products & Commercialization

The Company's technology development strategy utilizes a cost-oriented approach to enable the use of silicon as an anode material in lithium-ion batteries. The Company uses economical precursors called metallurgical-grade (MG) silicon and an energy-efficient, scalable wet-based manufacturing process. Eliminating high-cost and hazardous feedstocks like silane gas and energy-intensive processes such as chemical vapor deposition (CVD) enable the Company to produce its proprietary silicon anode products that are approximately 60 to 80% cost-effective compared to commercial or nascent products.

The use of MG silicon reduces both feedstock and operating costs, lowers environmental and safety risks, and allows for greater scalability due to higher production yields. Furthermore, with silicon recycling partners, closed-loop NBMSiDE® products are being developed via the integration of MG silicon recycled from semiconductor wafer and solar panel or photovoltaic cell waste. For its manufacturing process, the Company majorly synthesizes its products through a conventional mechanical pulverization and coating process used in various industrial applications.

The integration of low-cost raw materials, conventional equipment, and relatively non-complex, energy-efficient engineering methods creates a conducive environment of scalability and mass-producibility for the Company's silicon anode products. When scaling to semi-commercial and commercial volumes, the Company expects reduced capital intensity and expenditures, ease to replicate production lines across multiple sites, and flexibility to align production capacity with the growth of lithium-ion batteries and direct end-user demand compared to competitors.

NBMSiDE® Silicon Anode Products

The Company has launched five NBMSiDE products – P-100, C-100, P-200, P-300, and P-300N. Each product is tailored for different lithium-ion batteries depending on end-use applications, varying in coating material, particle size distribution, manufacturing costs, specific capacity (expressed in milliampere-hours per gram or mAh/g), capacity retention rate, initial Coulombic efficiency (ICE), and other relevant electrochemical and physical properties. Based on partner feedback, downstream demand, and internal test results, the Company is focused on optimizing and evaluating the P-100, P-200, and P-300N products.

Introduced in 2021, the P-100 product serves as a precursor for the P-200 and P-300N products and any other surface-coated silicon anode. P-100 is produced from the first stage of milling and size-controlling the MG silicon feedstock. Through precise pulverization and size classification, a native silicon oxide layer forms to provide preliminary protection during battery cycling. Although P-100 demonstrates elevated electrochemical performance compared to raw MG silicon materials, the Company solely uses this product portfolio for the manufacturing of subsequent products.

The P-200 product functionalizes MG silicon particles as a potential anode material for commercial-level batteries. P-200 employs a nanometer-thick, elastic polymer coating to limit volume expansion during lithiation or charging, reducing the elevated rate of irreversible capacity loss. P-200 products further stabilize degradation by mitigating the direct exposure between silicon particles and liquid electrolytes. P-200 product specifications and end-use applications are as follows:

- Initial specific capacity of 2,500 mAh/g, representing an average 78% increase in anode capacity compared to competing materials
- Initial Coulombic efficiency of over 88% with an ongoing 50-cycle Coulombic efficiency of ~98%

Considering the natural trade-off between capacity retention rate and initial capacity, the P-200 series will be implemented towards short-duration, high-capacity electronics systems, including but not limited to short-duration drones and autonomous systems, and high-power output electronics.

In March 2025, the P-300N series was launched through new composite material nanocoating layers. Key refinements in particle size distribution and shape control added to the protection against direct contact of the silicon material and liquid electrolyte. Reinforced coating layers aided in mechanical stress dissipation without compromising electrical conductivity. Compared to predecessor products, the P-300N recorded the highest 50-cycle average Coulombic efficiency of over 99.8%. Two P-300N variations have been formulated to respond to the different needs of end-use applications:

- High-Capacity Variant: Demonstrates initial specific capacity of 2,000 mAh/g with an average 50-cycle Coulombic efficiency of over 99.5%
- High-Stability Variant: Provides balance of cycle performance and capacity with an average 50-cycle Coulombic efficiency of over 99.8% with approximately 2,000 mAh/g in initial capacity

The P-300N series will be purposed for batteries with long cycle life, high-capacity requirements, including long-endurance drones/UAS, power tools, consumer electronics, robotics, EV, and energy storage for AI data centers and power grids.

NBMSiDE® Commercialization Strategy & Developments

The Company's commercialization strategy involves active battery integration and cycling tests for pilot- and commercial-level performance validation of its silicon anode products. From positive coin-cell level validation, the P-200 and P-300N series are now undergoing large-cell format testing in which single and multi-layer cells will be used to conduct long-term battery performance tests. After validating large-cell format performance, the Company will advance into further levels of technology readiness through demonstration in operational field tests, process-capability tightening, and commercial-level battery cells tests.

With global battery cell manufacturers, chemical material companies, and downstream OEMs, NEO Battery is engaged in product evaluations for external system-specific validation. Partner tests are undertaken with the purpose of securing advanced contracts and agreements, including joint development agreements, offtake supply arrangements, and purchase orders.

Advanced contracts and agreements are critical to the Company's advancement towards producing commercial volumes, establishing a robust distribution network, and generating first revenues. The Company plans to distribute its NBMSiDE products through direct sales and supply through establishing mass production facilities in South Korea, the United States, and Europe. As a low capital expenditure and high margin alternative, the Company further intends to explore potential licensing models for its proprietary silicon anode manufacturing process technology.

On October 2, 2025, the Company signed a 50-ton, multi-year offtake supply agreement and joint development agreement with a North American lithium-ion battery company specializing in performance-intensive, specialty applications, including drones, UAS, and defense-related mobile systems. The Company's battery will jointly develop and optimize P-200 and P-300N battery performance via system-integrated field tests in UAS and drones. With the ongoing efforts to onshore and friend shore the battery supply chain in North America, the Company has recognized an increased demand from various end-users to pre-emptively secure and procure high-performance battery materials and cells produced outside of China.

In parallel with proving large-cell performance, the Company intends to establish a semi-commercial facility capable of producing 20 tons per annum of silicon anode products to prove mass-producibility and initiate pre-production qualification runs. The Company retains specialized battery materials and cell engineers and operates a pilot manufacturing facility ("R&D Scale-Up Centre") that is being relocated to the Expansion Site in Gimje, South Korea. Silicon anode products are being customized, produced, tested, and optimized to meet the demands and specifications of each end-user application. The R&D Scale-Up Centre retains a production capacity of 4,000 kilograms per annum based on continuous processing.

The scale-up will first accommodate the increasing customer requirements for product supply, and concurrently, mass-producibility testing will be executed to optimize the manufacturing process from pilot- to commercial-scale production. Mass-producibility testing will ensure that NBMSiDE products can be manufactured in large volumes without compromising quality, performance, and economics, and the Company aims to integrate its silicon anode products within its own drone battery products. Following the 20-ton mass-producibility tests and material quality/performance validation, the Company intends to scale up production to the first commercial phase of 240 tons per annum.

2.3 CORPORATE HIGHLIGHTS (MARCH 1, 2025 – JUNE 26, 2026)

Highlights of the Company's activities during the year ended February 28, 2026 and up to the date of the MD&A:

Corporate Updates

- On March 18, 2025, the Company has introduced NBMSiDE® P-300N, an advanced silicon anode product with the highest capacity retention achieved to date. The P-300N is a mass-producible prototype optimized to enhance battery stability while maintaining low-cost production.

- On July 23, 2025, the Company received the Notice of Allowances for two patents regarding the P-100 and P-200 silicon battery materials from the Korean Intellectual Property Office ("KIPO"). KIPO stated that the patent application has been examined and approved for issuance.

- On September 12, 2025, the Company received its first, multi-year purchase order valued at $4.5 million CAD and secured a Joint Development Agreement for high-performance battery products with an Asian manufacturer specializing in AI-powered mission flight control systems for drones and UAVs.

- On October 2, 2025, the Company has announced the signing of a multi-year offtake agreement and a Joint Development Agreement with a North American lithium-ion battery company specializing in performance-intensive, speciality applications, including unmanned systems (UAS), drones, and defense-related mobile systems.

- On October 21, 2025, the Company received a KRW 2,500,000,000 purchase order from a South Korea-based industrial robotics company. The Company aims to co-develop under a Joint Development Agreement and supply high-energy density prototype and commercial battery packs for the partner's autonomous mobile robots (AMR), humanoid, and mission-critical service robots.

- On November 5, 2025, the Company received a CAD $3,000,000 purchase order and executed a Joint Product Development Agreement (JPDA) with a South Korea-based drone and unmanned combat aerial vehicle manufacturer (UCAV) under a project named "Project David".

- On November 10, 2025, the Company entered into a definitive lease agreement with ENPLUS Co., Ltd., to lease an operational battery manufacturing facility in Gimje Free Trade Zone. The Company has secured full use of the facility for an initial three-year term with a right of first refusal to renew under the same terms and conditions.

- On December 9, 2025, the Company received its first battery purchase orders for near-term delivery from a Fortune Global 500 Asian automotive OEM issued via ENPLUS. The Company is manufacturing bench-scale

products to support the OEM's qualification and evaluation activities, and successful delivery will mark the Company's first commercial output and revenues.

- On December 16, 2025, the Company secured its second battery purchase order from a North American Fortune 500 automotive OEM. Pilot-scale battery products are being produced and will be shipped promptly for the customer's integration testing in automotive applications.

- On January 29, 2026, the Company announced progress in its drone battery development, reporting that its prototype battery cells achieved higher capacity and energy density than comparable commercial drone cells of the same size. The Company manufactured and tested 48 prototype cells and proceeded to battery pack assembly with a manufacturing partner in South Korea. Further commercialization remains subject to field testing and customer validation.

- On February 4, 2026, the Company announced that NBM Korea Co. entered into an MOU with Korea Zinc Co. Ltd. and Taesung Co. Ltd. to develop and commercialize composite copper foil technology for high-performance batteries used in drones, robotics and micromobility. The collaboration is expected to include material optimization, prototype battery cell manufacturing, and field validation, subject to achieving technical performance milestones.

- On February 13, 2026, the Company closed the acquisition of a 3.2-acre expansion site in South Korea for commercial-scale drone and robotics battery cell manufacturing and silicon anode production. Capacities of 20 megawatt-hours (MWh) of prismatic and cylindrical cell production and 20 tons per annum (TPA) of silicon anodes are expected to be installed at the expansion site.

- On February 18, 2026, the Company completed a live field test of its NBM drone battery cells using a Korean OEM customer's commercial surveillance drone. The test demonstrated an average flight time increase from 29.9 minutes to 59.2 minutes compared with a commercial benchmark battery. The Company is advancing toward commercial readiness through battery management system integration, pack optimization, and further customer and government evaluations.

- On February 24, 2026, the Company entered into a strategic technology partnership with Zio Robot Co. Ltd., a South Korean AI logistics robotics company, to develop and integrate high-energy lithium-ion battery cells for Zio's autonomous mobile robot platforms. The partnership is expected to support prototype battery solutions aimed at improving energy density, payload capacity and operational runtime for logistics robotics applications.

- On April 1, 2026, the Company entered into a defense co-operation agreement with the Republic of Korea Army's 12th Infantry Division to support the integration and field evaluation of high-energy battery solutions for military drone and robotics platforms. The collaboration is expected to generate field performance data under live operating conditions and support future defense procurement discussions.

- On April 22, 2026, the Company entered into a defense technology partnership agreement with the Republic of Korea Army's Capital Mechanized Infantry Division to jointly develop high-energy, high-power battery technologies for military drones and unmanned systems. The partnership is expected to support field deployment, operator training and validation of the Company's battery technologies in mechanized military environments.

- On May 6, 2026, the Company entered into a defense partnership agreement with the Republic of Korea Army's Capital Defense Command to support battery supply and integration for defense drone and robotics units. The

agreement followed a live demonstration of the Company's high-energy drone batteries and is expected to support technical advisory, drone training, and potential adoption of Korea-made battery technology within defense applications.

- On May 13, 2026, the Company entered into a non-binding supply intent letter to supply high-performance drone batteries to a South Korean drone manufacturer for an undisclosed Republic of Korea Army program. The contemplated supply includes 7,584 drone battery packs, representing 45,504 battery cells, with expected delivery from July to October 2026 and an estimated contract value of at least KRW 1.5 billion. The arrangement remains subject to execution of a definitive supply agreement, including final pricing and payment terms.

2.4 FINANCING ACTIVITIES

- Option exercises: 145,000 stock options were exercised at $0.20, 200,000 stock options at $0.30, 150,000 stock options at $0.50, for a total of $164,000 in cash, as of the date of this report.
- 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 consists of one common share and one warrant exercisable at $0.75 for two years.
- 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 consists of one common share and one warrant exercisable at $0.75 for two years.
- 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 consists of one common share and one warrant exercisable at $0.80 for three years.
- 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 consists of one common share and one warrant exercisable at $0.80 CAD for three years.
- 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 consists of one common share and one warrant exercisable at $0.85 for three years.

2.4 HUMAN RESOURCES

- On April 25, 2025, the Company appointed Mr. Kenneth Hoffman, CFA, CIM, previously, the Global Head of Battery Materials at McKinsey & Company, to its Board of Directors.
- On June 5, 2025, Dr. Jun Sik Jeoung's full-time was appointed as Senior Vice President to prepare large-scale battery testing and production expansion
- On July 16, 2025, Mr. Seok Joung Youn was appointed as a Head of Manufacturing and Facility Operations.
- On February 10, 2026, the Company appointed retired four-star General Chang-Jun Ko, former acting Chief of Staff of the Republic of Korea Army, as an independent director.
- On February 18, 2026, Ms. Nancy Zhao was appointed as Chief Financial Officer of the Company, replacing Mr. Daniel Lim.

3. SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's audited financial statements years ended February 28, 2026, February 28, 2025, and February 29, 2024.

	February 28, 2026	February 28, 2025	February 29, 2024
Service revenue	$ **267,722**	$ -	$ -
Expenses	**8,884,774**	4,250,637	3,330,055
Other expenses	**552,885**	10,870	27,435
Net loss and comprehensive loss	**10,165,272**	4,300,845	3,509,596
Basic and diluted loss per share	**0.08**	0.03	0.07
Total current assets	**6,537,052**	595,979	1,120,288
Total assets	**15,361,409**	1,419,697	2,953,808
Total current liabilities	**3,594,576**	513,058	558,356
Total liabilities	**4,540,093**	654,089	725,427

4. RESULTS OF OPERATIONS

For the three months ended February 28, 2026

Significant items that contributed to the net loss and comprehensive loss for the periods ended February 28, 2026 and 2025 were as follows:

- Service revenue $267,722 (February 28, 2025 - $Nil)
- Cost of manufacturing $1,037,026 (February 28, 2025 - $Nil)
- Advertising and marketing of $169,037 (February 28, 2025 - $6,515)
- Consulting and management fees of $212,399 (February 28, 2025 - $51,613)
- Corporate listing and filing fees $50,670 recovery (February 28, 2025 - $16,478)
- Office and general $180,013 (February 28, 2025 – $23,046)
- Professional fees of $384,615 (February 28, 2025- $862,580)
- Payroll expenses of $180,530 (February 28, 2025 - $41,771 recovery)
- Research and development costs of $77,381 (February 28, 2025 - $251,909)
- Rent $18,283 recovery (February 28, 2025 - $19,739)
- Stock-based compensation $2,581,122 (February 28, 2025 – $582,624 recovery)
- Lease finance cost $59,451 (February 28, 2025 – Nil)

During the three-month period ended February 28, 2026, the Company incurred a net loss of $5,078,481, compared to a net loss of $721,247 for the three months ended February 28, 2025. The increase in operating expenses was $3,199,761, rising to $3,928,000 from $728,239 in the prior year's quarter.

The increase in operating expenses during the three-month period ended February 28, 2026 was mainly attributable to higher stock-based compensation ($3,163,746), payroll expenses ($222,301), advertising and marketing ($162,522), consulting and management fees ($160,786), and office and general expenses ($156,967). These increases reflected the Company's expanded operating activities in Korea, including increased staffing, administrative support, public company compliance activities, investor relations activities, and leasing and preparation of manufacturing facilities in Gimje, South Korea.

The Company also generated a negative gross margin during the quarter, as revenue of $267,722 was lower than cost of manufacturing of $1,037,026, resulting in a gross loss of $769,304. This was primarily due to the early-stage nature of the Company's commercial production activities, where production volumes remained limited while fixed manufacturing costs, labour, facility-related costs, and production setup costs continued to be incurred. As a result, manufacturing costs were not yet absorbed over a sufficient level of sales volume.

The increase in net loss was partially offset by decreases in professional fees ($477,965) and research and development costs ($174,528), as well as a recovery in corporate listing and filing fees compared with the prior quarter.

For the year ended February 28, 2026

Significant items that contributed to the net loss and comprehensive loss for the years ended February 28, 2026 and February 28, 2025 were as follows:

- Service revenue $267,722 (February 28, 2025 - $Nil)
- Cost of manufacturing $1,037,026 (February 28, 2025 - $Nil)
- Advertising and marketing of $295,294 (February 28, 2025- $43,141)
- Consulting and management fees of $757,344 (February 28, 2025- $463,843)
- Office and general $343,629 (February 28, 2025 – $69,899)
- Professional fees of $698,078 (February 28, 2025- $990,686)
- Payroll expenses of $915,582 (February 28, 2025 - $311,921)
- Research and development costs of $509,434 (February 28, 2025 - $318,483)
- Rent $93,700 (February 28, 2025 - $72,479)
- Travel $313,107 (February 28, 2025 - $58,915)
- Stock-based compensation $4,521,399 (February 28, 2025 - $1,536,632)
- Termination of lease $585,383 (February 28, 2025 - $Nil)

During the year ended February 28, 2026, the Company incurred a net loss of $10,206,963, compared to a net loss of $4,261,507 for the year ended February 28, 2025. The increase in operating expenses was $4,634,137, rising to $8,884,774 from $4,250,637 in the prior year.

The increase in operating expenses during the year ended February 28, 2026 was mainly attributable to higher stock-based compensation ($2,984,767), payroll expenses ($603,661), consulting and management fees ($293,501), office and general expenses ($273,730), travel expenses ($254,192), advertising and marketing ($252,153), research and development costs ($190,951), and depreciation and amortization ($72,754). These increases reflected the Company's expanded operating activities in Korea, including increased staffing, administrative and corporate support, investor relations and marketing activities, travel for business development and global conferences, and leasing and preparation of manufacturing facilities in Gimje, South Korea. The Company incurred a one-time loss to retrospective rent compensation of $585,383 upon termination of the land in Gyeonggi Province's Oseong Foreign Investment Zone.

The increase in rent was due to additional office and R&D space leased in South Korea. Stock-based compensation increased due to the grant of 8,729,240 stock options during the year with exercise prices ranging from $0.48 to $0.78, compared with 3,470,000 stock options granted in the prior year with exercise prices ranging from $0.55 to $0.94. The Company also granted 9,400,000 RSUs during the year, resulting the higher stock-based compensation for this fiscal year.

Discussion on manufacturing costs
For the year ended February 28, 2026, cost of sales totaled $1,037,026 (February 28, 2025 – $Nil), reflecting the Company's first year of commercial manufacturing operations at the Gimje Electrode Plant. The cost of sales comprised the following components:

Labor costs (salaries, wages, and bonuses) of $533,178, representing the largest component at approximately 51% of total cost of sales. These costs reflect the manufacturing workforce deployed at the Gimje facility following the commencement of production in November 2025, as well as performance bonuses tied to the initial production ramp-up.

Depreciation of the manufacturing right-of-use asset and tangible assets of $270,211, representing approximately 26% of total cost of sales. This non-cash charge relates to the depreciation of the Gimje Electrode Plant facility leased from ENPLUS Co., Ltd., allocated to manufacturing activities based on usage.

Electricity expense of $191,090, representing approximately 18% of total cost of sales. This reflects power consumption directly associated with operating the electrode manufacturing and cell assembly equipment at the Gimje facility. Outsourced manufacturing services of $40,712, comprising service fees, outsourced processing, and item-based outsourcing fees paid to third-party processors in connection with certain production steps at the Gimje facility. Rent expense of $1,835, relating to ancillary manufacturing space costs.

The negative gross margin of $769,304 reflects the early-stage nature of the Company's commercial operations, where production volumes in the initial quarter of operations were insufficient to absorb the fixed cost base — principally labor and facility depreciation — over a meaningful revenue base. Management expects the gross margin profile to improve as production volumes increase and the fixed cost base is spread over higher revenues.

The increase in net loss was partially offset by a decrease in professional fees ($292,608) compared with the prior year.

5. LIQUIDITY AND CAPITAL RESOURCES

		February 28, 2026		February 28, 2025
Cash and cash equivalent	$	**5,496,557**	$	369,694
Current assets, net of cash and cash equivalent		**1,040,495**		226,285
Non-current assets		**8,824,357**		823,718
Total assets		**15,361,409**		1,419,697
Current liabilities		**3,594,576**		513,058
Non-current liabilities		**945,517**		141,031
Shareholders' equity		**10,821,316**		765,608
Working capital		**2,942,476**		82,921

Total assets are comprised of cash, GST/VAT receivable, prepaids expenses, short-term loans receivable, trade receivable, refundable deposit, right-of-use assets, tangible assets, and intangible assets, as at the date of this report. Further, tangible assets have increased due to acquisition of land, facility, lab equipment, machine, furniture and fixtures. The Company also paid over $2 million in lease security deposits for its factory and employee accommodation leases during the year ended February 28, 2026.

Total liabilities at February 28, 2026 were higher than at February 28, 2025, primarily due to recognizing the $1,420,500 of A&P share repurchase liability, and higher long-term lease liabilities.

Review of Cash Flows

As at February 28, 2026, the Company had cash balance of $5,496,557, compared to $369,694 at February 28, 2025.

Operating Activities: Cash used in operating activities totaled $7,336,549 for fiscal year 2026, compared to $1,729,029 in fiscal year 2025. The increase is mainly due to the large amount of lease deposit for Gimje facility.

Financing Activities: The cash inflows from financing activities were $16,706,759 for fiscal year 2026, compared to $1,217,503 for fiscal year 2025. The increase is mainly due to the large amount of proceeds from private placements.

Investing Activities: The cash used in investing activities were $4,298,879 for fiscal year 2026, compared to $25,217 in fiscal year 2025. The increase is mainly due to the purchase of six vacant industrial buildings, and production machinery.

Liquidity Outlook

At present, the Company does not generate significant revenues and, its financial success is highly dependent on management's ability to develop its new silicon battery technology, establish a robust sales and customer pipeline in the drone, robotics and electronics industries, and raise capital through equity or debt financing.

Many factors influence the Company's ability to raise funds, including the health of the financial market, the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a few factors, including the silicon battery technology's application and the effectiveness of custom-designed lithium-ion battery products. Management believes it will be able to raise equity capital and/or debt as required in the long term but understands that there will be risks involved which may be beyond its control.

This outlook is based on the Company's current financial position and is subject to change if new business opportunities become available.

Going Concern

The consolidated financial statements for the year ended February 28, 2026 have been prepared based on the going-concern assumption, which means 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, has no sources of generating income, and there is no assurance that sufficient funding will be available to continue its operations. These material uncertainties may cast a significant doubt on the validity of the going concern assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain capital through the equity market. For the year ended February 28, 2026, the Company had an accumulated deficit of $49,026,012 (February 28, 2025 - $36,827,018) and had a net loss of $10,206,963 (February 28, 2025 - $4,261,507).

If the going concern assumption was not appropriate, then financial statement adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

Strategy and Risk Management

The continuity of the Company's operations hinges on securing its necessary financing for research and development, manufacturing, and beyond. Management remains confident in its ability to secure additional capital for funding both its R&D, manufacturing, and its administrative expenses. Although management has successfully raised capital in the past, there is no guarantee of continued success in the future.

6. SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial data reported by the Company for the previous eight quarters in Canadian dollars:

	28-Feb-26 ($)	30-Nov-25 ($)	31-Aug-25 ($)	31-May-25 ($)
Revenue	267,722	-	-	-
Cost of manufacturing	1,037,026	-	-	-
Net loss and comprehensive loss	4,900,652	2,759,696	1,027,845	1,477,079
Basic and diluted loss per share	(0.03)	(0.02)	(0.02)	(0.01)
Total assets	15,361,409	9,536,418	1,386,819	1,125,359
Total liabilities	4,540,093	1,164,877	1,075,459	934,678
Total equity	10,821,316	8,371,541	311,360	190,681

	28-Feb-25 ($)	30-Nov-24 ($)	31-Aug-24 ($)	31-May-24 ($)
Net loss and comprehensive loss	740,973	1,916,712	431,307	1,211,853
Basic and diluted loss per share	(0.00)	(0.02)	(0.01)	(0.01)
Total assets	1,419,697	2,490,985	1,924,112	2,310,430
Total liabilities	654,089	658,685	674,495	635,646
Total equity	765,608	1,832,300	1,249,617	1,674,784

Quarterly losses fluctuated between $431,307 to $5,078,481. Since Q1 2025, quarterly losses have generally remained above $1 million mark, except Q2 and Q4, 2025. The loss is above $5.0 million, in the most recent quarter of Q4 2026, primarily attributable to higher stock-based compensation, accrued rent, and negative gross margin of $769,304 (including depreciation on the manufacturing ROU asset). In Q4, 2026, the Company started the production of secondary batteries and recorded $267,722 in revenue. The Company incurred a one-time loss to retrospective rent compensation of $585,383 upon termination of the land in Gyeonggi Province's in Q4, 2026.

The Company's total assets fluctuated quarterly from $1,125,359 in Q1 2025, the lowest, to $15,361,409 in Q4 2026, the highest. The significant increase in assets in the most recent two quarters was primarily driven by the purchase of vacant industrial buildings on 2.5 acres with an additional 0.8 acres designated for future expansion, the proceeds from the private placements, the lease deposits for the Gimje Free Trade Zone facility, currently running production.

The Company's liabilities fluctuated quarterly from $635,646 in Q1 2025, to $4,540,093 in Q4 2026. The significant increase in liabilities in the most recent two quarters was primarily due to the long-term lease liability for Gimje Facility. In addition, during the most recent quarter, the Company accrued significant one-time charges, including approximately $1.4 million related to the contractual A&P repurchase obligation and retrospective rent compensation arising from the termination of the vacant land lease in Gyeonggi Province.

The Company's equity fluctuated quarterly from $190,681 in Q1 2026, the lowest, to $10,821,316 in Q4 2026, the highest. The significant increase in equity in the most two recent quarters was primarily driven by the private placement and stock-based compensation.

7. RISKS FACTORS

The Company is engaged in the pioneering field of silicon anode active materials and the relevant nanocoating technology for lithium-ion batteries. Our product, NBMSiDE, is in the developmental stage and has yet to be sold on a large commercial scale. While the Company has made progress toward commercialization of lithium-ion battery products under its Battery Foundry and Engineering Services business, future commercial success of our product and service offerings is uncertain, and its operations remain subject to numerous risks and uncertainties that could materially and adversely affect its business, financial condition, results of operations, cash flows, profitability, and future prospects. Forward-looking statements related to our business are inherently uncertain and subject to both known and unknown risks, including but not limited to:

- Early-Stage Commercialization and Revenue Risk: Although the Company has secured initial purchase orders, offtake arrangements, and vendor approvals, its products and services have only recently entered into early-stage commercialization. There can be no assurance that lab or prototype success, pilot-scale validation, or initial commercial orders will translate into sustainable revenues, repeat contracts, order fulfillment, or long-term customer relationships. Customer acceptance remains subject to ongoing qualification, performance validation, delivery timelines, execution capability, and evolving technical requirements. Failure to convert, realize, or fulfill current orders or arrangements could impair revenue growth expectations and liquidity. Up to the date of this report, the Company has not generated massive revenue from drone battery yet.

- Technology and Scale-Up Risks: The Company's silicon anode active materials and nanocoating technologies for lithium-ion batteries have yet to be commercially validated on a large scale. The success of our technologies is uncertain, as they continue to undergo continuous evaluation and testing at larger cell formats and increasing production volumes within the global battery supply chain. Scaling from pilot to semi-commercial operations to commercial production involves risks related to process and material reproducibility, yield consistency, quality control, equipment performance and efficacy, and general integration across materials, electrode manufacturing, and cell assembly. Any inability to achieve targeted performance metrics, cost targets, or manufacturing efficiencies at or towards scale could delay or limit commercialization, increase costs, or reduce competitiveness.

- Manufacturing and Execution Risk: The Company's operations depend on the successful and continued commissioning, operation, and expansion of manufacturing facilities, including leased and future sites in South Korea and planned expansion geographies. Risks include construction or commissioning delays, equipment and materials procurement difficulties, permitting issues, labour constraints, cost overruns, and operational inefficiencies and disruptions. Expansion plans are based on assumptions regarding demand, financing availability, technical readiness, and labour sufficiency, which may not materialize as expected or planned. Any delays or failures in executing current operations or installing expansions may adversely affect the Company's ability to meet customer demand and fulfill strategic plans.

- Supply Chain and Input Cost Risk: The Company relies on the availability of raw materials, chemicals, additives, equipment, and specialized components sourced from global suppliers. Supply chain disruptions, geopolitical tensions, trade controls and restrictions, inflationary pressures, or volatility in raw material and chemical prices could increase production costs, constrain output, reduce yields, create backlog, and impair delivery schedules. While the Company seeks to diversify and mitigate geographic concentration risk by establishing non - Chinese supply chains, alternative sourcing may result in higher costs, limited availability, or lowered purchasing power.

- Market Adoption and Competition Risk: The markets for silicon-enhanced batteries, high-performance batteries, and advanced energy storage solutions are relatively competitive and subject to technological changes. The Company competes with established battery manufacturers, emerging technology firms, and new market entrants that may have significantly greater financial and technical resources. There is a risk that competing technologies, alternatives chemistries, or incremental performance and cost improvements to incumbent solutions could reduce demand for the Company's products or limit targeted pricing and margins. The Company's technologies may also become obsolete or not marketable if the products fail to innovate and keep pace with industry advancements.

- Regulatory, Trade and Geopolitical Risk: The Company operates in jurisdictions subject to evolving regulatory regimes governing batteries, advanced materials and technologies, environmental

compliance, export controls, and security-sensitive information and technologies. Changes in trade policy, tariffs, foreign investment rules, or national security regulations – particularly those affecting drones, UAS, and non - Chinese battery supply chains – could alter customer demand, restrict market access or operational capabilities, or increase compliance costs. Regulatory approvals and permits required for manufacturing, delivery, and expansion may be delayed or denied, adversely affecting operations, financials, and timelines.

- Customer Concentration and Counterparty Risk: Initial commercialization efforts involve a limited number of customers. Revenue realization is dependent on counterparties fulfilling contractual obligations, maintaining vendor status, and accepting delivered products. The loss of a key customer, termination or non-renewal of a contract, failure to achieve technical milestones, or customer financial distress could materially impact revenues, cash flows, and general working capital.

- Human Resource Risk: The Company's success is highly dependent on its technical, engineering, and executive personnel. Competition for experienced battery engineers, technicians, and operational leaders is intense throughout the global industry. The loss of key personnel, inability to attract qualified talent, or challenges in managing organizational structure and growth could affect operational continuity and manufacturing execution.

- Intellectual Property and Confidentiality Risk: The Company's competitive position is affected by its ability to protect its intellectual property, proprietary processes, and trade secrets. While patents and confidentiality agreements are in place, there can be no assurances that intellectual property rights will not be challenged, circumvented, or invalidated, or that confidential information will not be disclosed, breached, or misappropriated. Any such risks could reduce competitive advances and negatively affect operations and commercialization efforts.

- Financial and Economic Considerations: The volatile nature of global economic conditions and interest rates, along with inflation and market volatility in Canadian and global securities markets, poses significant risks to our operations. Our financial health is also contingent upon our ability to maintain robust accounting practices and internal controls. Any inadequacies or failures in these areas could harm our operational results and compliance with reporting obligations. There is also no assurance that additional financing will be available on acceptable terms, or at all. Adverse capital market conditions, share price volatility, dilution, or increased cost of capital could limit the Company's ability to execute its business plan and strategies.

- Non-Compliance with Securities Law: As a company listed on the TSXV, we are subject to strict regulatory requirements. Failure to comply with applicable securities laws and regulations can lead to sanctions, fines, or other penalties imposed by regulatory bodies such as the Ontario Securities Commission (OSC). These penalties could adversely affect our financial condition and our ability to continue operations. Non-compliance with securities laws increases the risk of legal challenges from shareholders and other stakeholders. Litigation can be costly and time-consuming, and adverse outcomes can have a substantial financial impact on our business.

8. RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel with authority and responsibility for planning, directing and controlling activities of the Company. The Company has determined that its key management personnel is comprised of the Company's Board of Directors and officers, and the entities controlled by the key management personnel.

As at February 28, 2026 and February 28, 2025, there were $184,848 and $38,758, respectively, balances due to related parties.

During the year ended February 28, 2026, Automobile & PCB Inc. ("A&P"), an entity that owns 20% interest of Korea Co, 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 KRW1,500,000,000 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. The Company made a partial payment on redemption amount of $283,656 (KRW300 Million). As at February 28, 2026, the carrying value of the share repurchase liability is $1,420,500, and the investment termination contemplated under the Confirmation Agreement has not been completed.

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

During the year 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/director fees	**875,618**	487,880
Professional fees	**159,933**	110,183
	1,035,551	598,063

9. OUTSTANDING SHARE DATA

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

As at the date of the MD&A, there are:

- 154,392,934 common shares issued and outstanding;
- 13,419,240 stock options outstanding and 10,507,620 stock options exercisable; and
- 35,147,424 warrants outstanding and exercisable.

10. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the audited consolidated annual financial statements for the year ended February 28, 2026. 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.

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.

11. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

12. PROUNCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE AND FINANCIAL RISKS

The Company has reviewed the accounting standards or amendments to existing accounting standards that have been issued but have future effective dates and determined that these are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market price risk.

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 one customer. 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.

The Company holds a registered security interest in movable property at the Gimje Electrode Plant as security for its refundable lease deposit. 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 current obligations as they come due. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash outflows to ensure that there is sufficient capital in order to meet short-term obligations.

As of February 28, 2026, the Company had a working capital of $2,942,476 (February 28, 2025 - working capital of $82,921). Further information relating to liquidity risk is disclosed in Note 11 of the Company's consolidated financial statements for the year ended February 28, 2026.

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.

Interest Rate Risk

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

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 increased exposure to Korean won due to the expansion of Korea Co.'s operations, including refundable lease deposits, right-of-use assets, lease liabilities, and related operating activities. The Company does not currently use derivative instruments to hedge its foreign currency risk.

13. MANAGEMENT OF CAPITAL

In the management of capital, the Company considers cash, working capital and shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of silicon anode materials for lithium-ion batteries. The Board of Directors has not established quantitative capital structure and criteria management but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.

- Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

- The Company may issue new equity, incur additional debt, for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

- The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

- There were no changes in the Company's approach to capital management for the year ended February 28, 2026, compared to the year ended February 28, 2025. The Company is not subject to externally imposed capital requirements.

14. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the information provided in the MD&A and the audited consolidated financial statements for the year ended February 28, 2026.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures "(DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's reporting standards.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P

and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

15. ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses and research and development costs is provided in the Company's year ended February 28, 2026, statement of operations contained in its condensed consolidated interim financial statements for the year ended February 28, 2026. These statements are available on its SEDAR PLUS Page Site accessed through www.sedarplus.ca.

16. DIVIDENDS

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for battery production and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

17. NATURE OF THE SECURITIES

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

18. PROPOSED TRANSACTIONS

At the present time, there are no other proposed transactions that require to be disclosed.

19. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

20. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the condensed consolidated interim financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

21. CAUTION REGARDING FORWARD LOOKING INFORMATION

This MD&A includes "forward-looking information" or "forward-looking statements" as defined by applicable securities laws. The purpose of including forward-looking statements is to provide information about the current expectations and

plans of management, enabling investors and others to gain a better understanding of the Company's business plans, financial performance, and condition.

All statements in this MD&A, except for statements of historical fact, pertaining to the Company's strategy, future operations, financial position, prospects, plans, and management's objectives, are considered forward-looking statements. These statements are typically identified by words such as "plan," "expect," "estimate," "intend," "anticipate," "target", "believe," or variations thereof, as well as statements indicating that certain actions, events, or results "may," "could," "would," "might," or "will" be taken, occur, or be achieved. Specifically, this MD&A contains forward-looking statements related to the Company's intentions concerning its business and operations, its expectations regarding capital raising and business growth, its growth strategy and opportunities, anticipated industry trends and challenges, the perceived value and potential of the Company's patents, trademark, permit, preliminary feasibility studies and other development study results, budgets, strategic plans, market price for silicon anode materials, permitting and other timelines, as well as government regulations and relations.

Forward-looking information is based on certain assumptions and other important factors that, if untrue, could significantly impact the Company's actual results, performance, or achievements in comparison to future results, performance, or achievements expressed or implied by such information or statements. There is no guarantee that such information or statements will prove to be accurate. Key assumptions underlying the Company's forward-looking information include its ability to raise additional financing when needed and on reasonable terms, achieve current development, and other objectives regarding its nanocoating technology, and demand for NBMSiDE and other products, obtain necessary licenses and governmental approvals, attract and retain key personnel, as well as general business and economic conditions, including competitive conditions in the Company's market.

Readers are cautioned that the above list does not cover all factors and assumptions that may have been utilized. Additionally, forward-looking statements are subject to various risks and uncertainties that could have a significant adverse effect on the Company's business, financial condition, results of operations, and growth prospects. Some of the risks and uncertainties that could cause actual results to differ materially from the expressed forward-looking statements include no revenue generated in the past, risks related to nano coating technology development progress, market acceptance, commercialization hurdles, and operating costs, the Company's dependence on the success of the commercial plant, challenges in funding and constructing the plant, obtaining resources from governmental authorities, compliance with environmental and safety regulations, access to equipment, maintenance, reliance on key personnel and business relationships, growth strategy, obtaining insurance, occupational health and safety risks, adverse publicity, third-party risks, disruptions to business operations, reliance on technology and information systems, litigation risks, tax risks, unforeseen expenses, public health crises, climate change, general economic conditions, commodity prices and exchange rate risks, lithium demand, share price volatility, public company obligations, competition risk, dividend policy, policies and legislation, force majeure, and technological changes.

While the Company believes that its expectations are based on reasonable assumptions and has made efforts to identify important factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements, there may be other factors that result in actions, events, or results not meeting the anticipated, estimated, or intended outcomes. Therefore, these risks should be carefully considered, although they are not exhaustive. If any of these risks or uncertainties materialize, actual results may vary materially from those anticipated in the forward-looking statements provided herein. Due to the inherent risks, uncertainties, and assumptions associated with forward-looking statements, readers should exercise caution and avoid undue reliance on them.

The forward-looking statements in this document are presented to assist investors in understanding the Company's expected financial and operational performance and results as of the periods covered in the Company's plans and objectives. They may not be suitable for other purposes. The assumptions mentioned above and described in greater detail in the "Risk Factors" section of this MD&A should be carefully considered by readers.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law. The Company qualifies all of its forward-looking statements with these cautionary statements.

22. ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDARPLUS at www.sedarplus.ca or by contacting the Company at 10th Floor - 4711 Yonge Street, Toronto, Ontario, Canada, M2N 6K8, Tel: (437) 451-7677.