NEO BATTERY MATERIALS LTD.

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended November 30, 2024 and November 30, 2023

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

Assets		November 30, 2024		February 29, 2024
Current Assets:				
Cash and cash equivalents	**$**	**759,237**	$	941,976
Prepaid expenses (Note 6)		**93,907**		154,717
Sales tax and other receivables (Note 5)		**22,136**		23,595
		875,280		1,120,288
Non-Current Assets:				
Tangible Assets (Note 7)		**655,113**		819,244
Intangible assets (Note 8)		**57,149**		55,439
Prepaid expenses – long term (Note 6)		**750,387**		762,401
Right-of-use asset (Note 9)		**153,056**		196,436
Total Assets	**$**	**2,490,985**	$	2,953,808

Liabilities and Equity				
Current Liabilities:				
Accounts payable and accrued liabilities (Note 11)	**$**	**490,561**	$	509,681
Lease liability – current portion (Note 9)		**36,003**		48,675
		526,564		558,356
Lease liability – long term (Note 9)		**141,656**		167,071
Total Liabilities		**668,220**		725,427
Shareholders' Equity:				
Share capital (Note 12)		**26,908,480**		26,060,019
Reserves (Note 12)		**11,197,744**		8,891,949
Accumulated other comprehensive income		**34,470**		54,082
Deficit		**(36,308,394)**		(32,949,382)
		1,832,300		2,056,668
Non-controlling interest ("NCI") (Note 4)		**(9,535)**		171,713
Total Shareholders' Equity		**1,822,765**		2,228,381
Total Liabilities and Equity	**$**	**2,490,985**	$	2,953,808

Nature of Operations and Going Concern (Note 1)
Contingency (Note 15)
Subsequent Events (Note 16)

Approved by the Board of Directors on January 28, 2025:

"*Spencer Sung Bum Huh*", Director "*Larry Okada*", Director

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

NEO Battery Materials Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	For the Three Months Ended November 30,		For the Nine months Ended November 30,	
	2024	2023	**2024**	2023
Expenses				
Amortization and depreciation (Note 7 & 8)	**$ 56,020**	$ 45,730	**$ 166,993**	$ 120,792
Amortization of ROU asset (Note 9)	**13,708**	6,249	**40,921**	8,332
Advertising and marketing	**7,382**	89,251	**36,626**	103,592
Consulting and management fees (Note 13)	**138,308**	163,525	**412,230**	478,186
Corporate listing and filing fees	**10,434**	10,046	**22,484**	69,129
Investor relations	**4,921**	38,993	**54,069**	71,855
Office and general	**18,920**	30,622	**46,853**	59,851
Payroll expenses	**128,698**	214,937	**353,692**	624,501
Professional fees (Note 13)	**334**	89,447	**128,106**	205,799
Rent (non-lease portion)	**15,372**	20,261	**52,740**	63,515
Research and development	**21,334**	24,137	**66,574**	111,100
Stock-based compensation (Note 12)	**1,486,860**	-	**2,119,256**	-
Travel	**4,467**	16,473	**21,854**	104,517
Loss from operations	**(1,906,758)**	(749,671)	**(3,522,398)**	(2,021,169)
Other income (expenses)				
Interest and miscellaneous income	**6,404**	146	**7,356**	899
Interest expense – lease (Note 9)	**(7,060)**	(1,659)	**(22,397)**	(2,258)
Loss on foreign exchange	**(974)**	2,583	**(2,821)**	(8,666)
Unrealized gain (loss) on marketable securities	**-**	2	**-**	(2,580)
Write-off of debt	**-**	1,830	**-**	4,410
Total other income (expenses)	**(1,630)**	(2,902)	**(17,862)**	(8,195)
Net loss for the period	**(1,908,388)**	(749,769)	**(3,540,260)**	(2,029,364)
Foreign currency translation (expense)	(8,324)	-	(19,612)	-
Comprehensive loss for the period	**$ (1,916,712)**	$ (746,769)	**$ (3,559,872)**	$ (2,029,364)
Net loss attributable to				
Controlling equity holders of the Company	**(1,847,585)**	(595,443)	**(3,359,012)**	(1,506,628)
Non-controlling interest (Note 4)	**(60,803)**	(151,326)	**(181,248)**	(522,736)
	(1,908,388)	(746,769)	**(3,540,260)**	(2,029,364)
Loss per share attributable to controlling equity holders of the Company:				
Basic and diluted	**$ (0.02)**	$ (0.01)	**$ (0.03)**	$ (0.02)
Weighted average number of common shares outstanding	**115,928,561**	102,352,747	**115,879,106**	101,472,965

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

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

	For Nine months Ended November 30, 2024	November 30, 2023
Operating Activities:		
Net loss for the period	**$ (3,540,260)**	$ (2,029,364)
Adjustment for items which do not involve cash:		
Amortization (Note 7 & 8)	**166,993**	120,792
Amortization of ROU asset (Note 9)	**40,921**	8,332
Interest expense – lease liability (Note 9)	**22,397**	2,258
Unrealized loss on marketable securities	**-**	2,580
Stock-based compensation	**2,119,256**	-
Income tax expense	**215**	-
Changes in non-cash working capital components:		
Accounts payable and accrued liabilities	**(19,335)**	348,045
Prepaid expenses	**72,824**	(334)
Sales tax and other receivables	**1,459**	(8,110)
	(1,135,530)	(1,555,801)
Investing Activities:		
Additions to equipment and furniture	**(9,946)**	(229,239)
Additions to intangible assets	**(4,891)**	(2,461)
	(14,837)	(231,700)
Financing Activities:		
Exercise of warrants	**77,000**	72,000
Exercise of options	**158,000**	28,000
Private placement – shares issued for cash	**800,000**	3,643,795
Share issuance cost	**-**	(41,823)
Principal portion of lease liability	**(38,514)**	(9,768)
	996,486	3,067,488
Effect of exchange rate changes on cash	**(28,8858)**	-
Net changes in cash and cash equivalents	**(153,881)**	1,904,703
Cash and cash equivalents - beginning of the period	**941,976**	1,626,408
Cash and cash equivalents - end of the period	**$ 759,237**	$ 3,531,111

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

NEO Battery Materials Ltd.

Condensed Consolidated Interim Statements of Changes in Equity
For the Nine Months Ended November 30, 2024 and November 30, 2023
(Unaudited - Expressed in Canadian Dollars)

	SHARE CAPITAL			ACCUMULATED OTHER COMPREHENSIVE	ACCUMULATED	TOTAL FOR	NON-CONTROLLING	
	SHARES	AMOUNT	RESERVES	LOSS ("AOCL")	DEFICIT	OWNER	INTEREST	TOTAL EQUITY
		$	$	$	$	$	$	$
Balance – February 28, 2023	100,803,979	22,838,207	7,605,731	(213,523)	(28,339,456)	1,890,959	1,057,657	2,948,616
Exercise of stock options	166,667	19,933	(9,933)	-	-	10,000	-	10,000
Exercise of stock warrants	200,000	42,340	(10,340)	-	-	32,000	-	332,000
Net loss for the period	-	-	-	-	(911,185)	(911,185)	(371,410)	(1,282,595)
Balance - November 30, 2023	101,170,646	22,900,480	7,585,458	(213,523)	(29,250,641)	1,448183	686,247	1,708,021
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**
Exercise of stock warrants (Note 12)	**260,000**	**49,924**	**27,076**	**-**	**-**	**77,000**	**-**	**77,000**
Exercise of stock options (Note 12)	**645,000**	**162,883**	**(4,883)**	**-**	**-**	**158,000**	**-**	**158,000**
Issuance of shares for cash (Note 12)	**2,000,000**	**635,654**	**164,346**	**-**	**-**	**800,000**	**-**	**800,000**
Stock options compensation (Note 12)	**-**	**-**	**2,119,256**	**-**	**-**	**2,119,256**	**-**	**2,119,256**
Foreign currency translation	**-**	**-**	**-**	**(19,612)**	**-**	**(19,612)**	**-**	**(19,612)**
Net loss for the period	**-**	**-**	**-**	**-**	**(3,359,012)**	**(3,359,012)**	**(181,248)**	**(3,540,260)**
Balance - November 30, 2024	**118,362,506**	**26,908,480**	**11,197,744**	**34,470**	**(36,308,394)**	**1,832,300**	**(9,535)**	**1,822,765**

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

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 Ontario. The Company is listed on the TSX Venture Exchange ("TSX.V" or the "Exchange") under the symbol "NBM". The Company focuses on developing silicon anode materials for lithium-ion batteries in electric vehicles, electronics, and energy storage systems.

In the most recent Annual and Special Meeting dated on February 21, 2023, the Company's shareholder approved the Continuation of the Company from British Columbia to Ontario. The head office, principal address of the Company is located at 10th Floor – 4711 Yonge Street, Toronto, Ontario, Canada, M2N 6K8. The Company's registered address is TD North, 77 King St W tower suite 700, Toronto, ON M5K 1G8.

On April 13, 2022, the Company commenced a "Change of Business" (the "COB") application with the Exchange. In the past, the Company was a Vancouver-based junior resource company with exploration in North America. The Company deems that a classification to a Tier 2 Technology issuer on the Exchange instead of a junior Mineral Exploration and Mining issuer will better reflect the Company's long-term goal and serve its shareholders' best interests. On December 27, 2023, the Company filed the Filing Statement for COB that prepared in accordance with Exchange's policy 5.2. On January 9, 2024, the Exchange accepted COB filing application; and effective on January 11, 2024, the common shares of the Company resumed trading on Exchange.

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

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to continue operations. These material uncertainties may cast a significant doubt on the validity of this assumption. As at November 30, 2024, the Company had an accumulated deficit of $36,308,394 (February 29, 2024 - $32,949,382), a net loss for the period ended November 30, 2024 of $3,540,026 (November 30, 2023 - $2,029,364) and a working capital of $348,716 (February 28, 2024 – working capital of $561,932).

If the going concern assumption is not appropriate for these consolidated financial statements, adjustments could be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance
These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 29, 2024.

2. Basis of Preparation - *continued*

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on January 28, 2025.

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

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

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

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled directly by the Company being Neo Battery Material Korea Co ("Korea Co") and NEO Battery Materials America, LLC. All significant intercompany transactions and balances have been eliminated for consolidation purpose.

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

Critical Accounting Estimates and Judgements
The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The incremental rate of borrowing used in the measurement of the lease liability was based on estimated interest rate the Company would borrow at from arm's-length third parties as at the dates of adopting IFRS 16 and entering into its current long-term office lease.

ii) The inputs used in accounting for stock-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.

iii) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

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.

2. Basis of Preparation – *continued*

v) The assessment of the Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

3. New Accounting Standard Issued

Certain new accounting standards and interpretations have been published that are either applicable in the current year or not mandatory for the current period. The Company has assessed these standards, including amendments to IAS 1 – Non-current liabilities and Covenants, and determined a reclassification of the convertible notes from long-term to current liabilities is not applicable to the Company's consolidated financial statements.

In addition, Lease Liability in a Sale and Leaseback (Amendment to IFRS 16 Leases) - is effective January 1, 2024. The adoption of this amendment did not have an impact on the Company's consolidated financial statements.

Lastly, IFRS 18 Presentation and Disclosure in Financial Statements was issued by the IASB in April 2024, with mandatory application of the standard in annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact of IFRS 18 on its consolidated financial statements. No standards have been early adopted in the current period.

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 KRW5,796 per common share for aggregate gross proceeds of KRW2,999,820,383 (equivalent to CAD $2,978,822). Upon closing of the Investment Agreement, A&P acquired 40% of the issued and outstanding common shares of Korea Co, leaving the Company with a 60% ownership interest in Korea Co on an issued and outstanding basis.

The Company controls and therefore includes the accounts of NEO Korea Co in these consolidated financial statements. A non-controlling interest ("NCI") of $1,363,322 was recognized as being equal to 40% of the net assets of NEO Korea Co immediately after completion of the Investment Agreement. As funds are expended by NEO Korea Co, it is anticipated that losses will arise in that entity, which will reduce the collective NCI amount, recorded within equity, by its pro-rata share of such losses. The Company's share of such losses would be included within its expenses on a consolidated basis. Likewise on a consolidated basis the losses of NEO Korea Co attributable to the NCI would reduce the Company's reported loss.

On January 29, 2024, the Company entered Purchase Agreement with A&P. Upon the terms of Purchase Agreement, the Company acquired 258,829 issued and outstanding shares of Korea Co, at a price of KRW6,491 per share (CAD$6.60 per share), for aggregate purchase price of 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.

As at November 30, 2024, the details of the NCI movement are as follows:

(Unaudited - Expressed in Canadian Dollars)

4. Non-controlling Interest – *continued*

Non-controlling interest as at February 28, 2023	$	1,057,657
Net loss of NEO Korea Co attributable to the non-controlling interest (40%) prior to execution of Purchase Agreement (March 1, 2023 – January 29, 2024)		(639,072)
Non-controlling interest prior to the execution of Purchase Agreement		418,585
Adjustment for NCI		
Consideration of acquiring 20% in net asset		(1,708,707)
Indicating a gain on selling 20% net asset for NCI party		1,489,964
		(218,743)
Non-controlling interest value – immediately after execution of acquisition of 20% as at January 29, 2024		199,842
Net loss of NEO Korea Co attributable to the non-controlling interest (20%) (January 30 – February 29, 2024)		(28,129)
Non-controlling interest as at February 29, 2024	$	171,713
Net loss of NEO Korea Co attributable to the non-controlling interest (20%) (March 1 – November 30, 2024)		(181,248)
Non-controlling interest as at November 30, 2024	$	**(9,535)**

5. Sales Tax and Other Receivables

As at November 30, 2024, the balance of sales tax (GST & VAT) and other receivables is $22,136 (February 29, 2024 - $23,595).

6. Prepaid Expenses

	November 30, 2024 ($)	February 29, 2024 ($)
Prepaid Expenses - current		
Insurance	**3,355**	4,463
Rent	**76,767**	119,945
Vendors	**13,785**	30,309
Short-term prepaid	**93,907**	154,717
Prepaid Expenses – long term		
Insurance – long term (a)	**18,698**	21,229
Vendors (b)	**731,689**	741,172
Long-term prepaid	**750,387**	762,401
Total	**844,294**	917,118

(a) Includes an insurance payment made to guarantee the deposit held for building the Company’s commercial plant in South Korea for the period from March 1, 2024 to February 28, 2032.
(b) Includes payments made to building and process design fees for the Company’s commercial plant in South Korea. Construction of the Company’s commercial plant has not yet begun.

(Unaudited - Expressed in Canadian Dollars)

7. Tangible Assets

		Equipment		Furniture & Fixture		Vehicle		Total
Cost:								
February 28, 2023		662,817		3,134		-		665,951
Additions		232,715		185,549		19,579		437,843
Foreign exchange effect		(7,070)		(176)		(285)		(7,531)
February 29, 2024	$	888,462	$	188,507	$	19,294	$	1,096,263
Additions		4,012		5,976		-		9,946
Foreign exchange effect		(11,368)		(2,411)		(247)		(14,026)
November 30, 2024	**$**	**881,106**	**$**	**192,030**	**$**	**19,047**	**$**	**1,092,183**
Accumulated Depreciation:								
February 28, 2023		(110,881)		(627)		-		(111,508)
Additions		(160,941)		(4,934)		(2,919)		(168,794)
Foreign exchange effect		3,181		77		25		3,283
February 29, 2024	$	(268,641)	$	(5,484)	$	(2,894)	$	(277,019)
Additions		(132,207)		(28,744		(2,861)		(163,812)
Foreign exchange effect		3,612		108		41		3,761
November 30, 2024	**$**	**(397,236)**	**$**	**(34,120)**	**$**	**(5,714)**	**$**	**(437,070)**
Net Book Value:								
February 28, 2023		551,936		2,507		-		554,443
February 29, 2024		619,821		183,023		16,400		819,244
November 30, 2024		**483,870**		**157,910**		**13,333**		**655,113**

8. Intangible Assets

As at November 30, 2024, the Company has been issued or has pending twelve intellectual property rights including patents and trademarks. For the purpose of calculating amortization, the intangible assets are being amortized over periods ranging from 15 to 17 years.

The net book value of the Company’s intangible assets is as follows:

(Unaudited - Expressed in Canadian Dollars)

8. Intangible Assets – *continued*

		Patents		Trademark		Total
Cost:						
February 28, 2023		60,095		1,472		61,567
Additions		2,885		1,054		3,939
February 29, 2024	$	62,980	$	2,526	$	65,506
Additions		4,891		-		4,891
November 30, 2024	**$**	**67,871**	**$**	**2,526**	**$**	**70,397**
Accumulated Amortization:						
February 28, 2023		(6,153)		(50)		(6,203)
Additions	$	(3,717)	$	(147)	$	(3,864)
February 29, 2024	$	(9,870)	$	(197)	$	(10,067)
Additions		(3,057)		(124)		(3,181)
November 30, 2024	**$**	**(12,927)**	**$**	**(321)**	**$**	**(13,248)**
Net Book Value:						
February 28, 2023	$	53,942	$	1,422	$	55,364
February 29, 2024	$	53,110	$	2,329	$	55,439
November 30, 2024	**$**	**54,944**	**$**	**2,205**	**$**	**57,149**

9. Right-Of-Use Asset & Lease Liability

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

During the year ended February 29, 2024, the Korea Co entered into two office space lease agreements located in Gyeonggi Technopark, South Korea, with a term of 18 and 23 months, respectively, both expiring June 30, 2025. The lease payments are discounted using an interest rate of 15%, which is the Company's incremental borrowing rate.

(Unaudited - Expressed in Canadian Dollars)

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

Right-of-Use Assets		
Balance, February 28, 2023	$	167,901
Additions		65,662
Amortization expense		(34,307)
Foreign exchange effect		(2,820)
Balance, February 29, 2024		196,436
Amortization expense		(40,921)
Foreign exchange effect		(2,459)
Balance, November 30, 2024	**$**	**153,056**

Lease Liabilities		
Balance, February 28, 2023	$	177,863
Additions		65,662
Interest expense		29,991
Lease payments		(54,725)
Foreign exchange effect		(3,045)
Balance, February 29, 2024		215,746
Interest expense		22,397
Lease payments		(57,772)
Foreign exchange effect		(2,713)
Balance, November 30, 2024	**$**	**177,658**
Current Portion	**$**	**36,003**
Non-current Portion	**$**	**141,656**

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

		As at November 30, 2024
Less than 12 months	$	**50,770**
Greater than 12 months		**220,492**
Undiscounted lease payments	**$**	**271,262**

10. Financial Risk and Capital Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash and cash equivalents is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

(Unaudited - Expressed in Canadian Dollars)

10. Financial Risk and Capital Management - *continued*

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding.

Foreign currency risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at November 30, 2024, the Company had negligible financial assets or liabilities denominated in a foreign currency.

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

Capital management
The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the year ended February 29, 2024.

The three levels of the fair value hierarchy are as follows:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities in active markets;
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active market; quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- **Level 3** – Unobservable inputs which are supported by little or no market activity.

As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Cash and cash equivalents and marketable securities are measured at fair value using Level 1 inputs. The Company's marketable securities are valued based on the closing trading price of the shares on public stock exchange at the quarter-end date.

11. Accounts Payable and Accrued Liabilities

	November 30, 2024 ($)	February 29, 2024 ($)
Trade payables	**345,831**	336,846
Accrued liabilities	**144,730**	172,835
Total	**490,561**	509,681

12. Share Capital

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

Share Issuance - Private Placements

Nine months Ended November 30, 2024

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 $800,000. Each unit consisted of one common share and one-half of one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.75 per common share for 24 months from the closing date of the private placement. Under the fair value method, $164,345.86 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: 3.05% risk-free interest rate, 2 years of expected life, 120.59% volatility and 0% dividend rate.

Year Ended February 29, 2024

On November 24, 2023, the Company completed a non-brokered private placement of 11,386,860 units at a price of $0.32 per unit for gross proceeds of $3,643,795. Each unit consisted of one common share and one common share warrant, with each warrant entitling the holder to purchase one common share at a price of $0.75 per common share for 24 months from the closing date of the private placement. In connection with the private placement, the Company paid cash commissions of $9,352 and issued 29,225 finder's warrants, fair valued at $3,693, entitling the holder to purchase one common share at a price of $0.75 per common share until November 24, 2025. Under the relative fair value method, $927,680 of the proceeds were allocated to warrants. The fair value of the warrants and finder's warrants was calculated using the Black-Scholes Option Pricing Model with the following assumptions: 4.31% risk-free interest rate, 2 years of expected life, 133.73% volatility and 0% dividend rate.

Share Issuance - Exercise of Warrants

Nine months Ended November 30, 2024

During the nine months ended November 30, 2024, 200,000 and 60,000 warrants were exercised at a price of $0.16 and $0.75 per warrant, respectively, for total proceeds of $77,000. Upon the exercise of the warrants, $27,076 of the fair value of the warrants recorded was transferred from share capital to reserves.

Year Ended February 29, 2024

During the year ended February 29, 2024, 1,700,000 warrants were exercised at a price of $0.16 per warrant for total proceeds of $272,000. Upon the exercise of the warrants, $87,890 of the fair value of the warrants recorded was transferred from reserves to share capital.

Share Issuance - Exercise of options

During the nine months ended November 30, 2024, 425,000, 150,000, and 70,000 stock options were exercised at a price of $0.20, $0.30, and $0.40, respectively, per share for total proceeds of $158,000. Upon the exercise of the options, $4,883 of the fair value of the options recorded was transferred from reserves to share capital.

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - *continued*

Year Ended February 29, 2024

During the year ended February 28, 2024, 1,466,667 and 100,000 stock options were exercised at a price of $0.06 and $0.20 per share, respectively, for total proceeds of $108,000. Upon the exercise of the options, $106,193 of the fair value of the options recorded was transferred from reserves to share capital.

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, February 28, 2023	**7,241,668**	**0.16**
Issued	11,416,085	0.75
Exercised	(1,700,000)	0.16
Balance, February 29, 2024	16,957,753	0.56
Issued	1,000,000	0.75
Exercised	(260,000)	0.75
EExpired	(5,341,668)	0.16
Balance, November 30, 2024	**12,356,085**	**0.75**

As at November 30, 2024, outstanding warrants are as follows:

Expiry Date	Exercise Price ($)	Number of Warrants	Weighted Average Life Remaining (Years)
November 24, 2025	0.75	11,356,085	0..98
October 28, 2026	0.75	1,000,000	1.91
Balance, November 30, 2024	0.75	**12,356,085**	1.06

Stock Options

The Board has previously established a rolling Stock Option Plan (the “Plan”) for directors, employees, and consultants of the Company, which reserves for issuance up to 10% of the Company's outstanding common shares. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12-month period and no more than 2% of the optioned shares may be issued to any one individual in any 12-month period. The policies of the TSX Venture exchange require such stock option plans to be approved annually by the Company's shareholders by way of an ordinary resolution. Shareholder approval shall be sought at the next AGM for the Stock Option Plan, as such, any options issued prior to such approval shall not be exercisable until such approval is granted by shareholders.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the Company for reasons other than death. In the case of death, the expiry becomes one year after the death of an optionee. Pursuant to the policies of the TSX.V, options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - *continued*

Stock Options - *continued*

Stock Options Granted

Nine months Ended November 30, 2024

During the nine months ended November 30, 2024, the Company granted 120,000, 2,000,000, and 1,350,000 stock options to its directors, officers, employees, and consultants, on October 28, 2024, November 14, 2024, and November 25, 2024, respectively. These options are exercisable at a price of $0.40, $0.55, and $0.94 per option and will be expired on October 28, 2029, November 14, 2029, and November 25, 2029, respectively. Most of options were vested on the grant date except 950,000 options vested on March 25, 2025. Of the total 3,470,000 options, 1,350,000 were granted to related parties. The Company measured the fair value of these options at $2,007,193 using Black-Sholes Option Pricing Model based on the assumptions provided in the table below.

Year Ended February 29, 2024

During the year ended February 29, 2024, the Company granted 5,760,000 stock options to its directors, officers, employees, and consultants. The options are exercisable at a price of $0.30 per option and expire on January 19, 2029. The options vest on April 19, 2024. Of the total 5,760,000 options, 2,800,000 were granted to related parties. The Company measured the fair value of these options at $1,128,612 using Black-Sholes Option Pricing Model based on the assumptions provided in the table below.

	October 28, 2024	**November 21, 2024**	**November 25, 2024**	February 29, 2024
Risk-free interest rate	3.04%	3.12%	3.57%	3.18%
Expected life	5 years	5 years	5 years	5 years
Volatility	125.53%	121.33%	114.58%	120.73%
Expected dividend yield	Nil	Nil	Nil	Nil

During the nine months ended November 30, 2024, the Company recorded stock-based compensation of $2,119,256 (November 30, 2023 - $nil).

Stock option transactions are summarized as follows:

	Number of Options	**Weighted Average Exercise Price ($)**
Balance, February 28, 2023	6,396,667	0.30
Corrected (1)	200,000	0.06
Granted	5,760,000	0.30
Cancelled	(2,410,000)	0.48
Exercised	(1,566,667)	0.07
Balance, February 29, 2024	8,380,000	0.28
Granted	3,470,000	0.70
Cancelled	(1,200,000)	0.28
Exercised	(645,000)	0.24
Balance, November 30, 2024	10,005,000	0.43

(Unaudited - Expressed in Canadian Dollars)

12. Share Capital - *continued*

Stock Options - *continued*

Stock Options Granted - continued

(1) Corrected 200,000 stock options – The Company reinstated 200,000 stock options during the year as part of a settlement agreement entered into with a former employee. Subsequently, the stock options were exercised by the former employee.

As at November 30, 2024, stock options outstanding and exercisable are as follows:

Expiry Date	Weighted Average Exercise Price ($)	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Life (Years)
February 10, 2026	0.20	1,365,000	1,365,000	1.20
May 13, 2026	0.20	50,000	50,000	1.45
May 25, 2026	0.20	30,000	30,000	1.48
June 1, 2026	0.20	100,000	100,000	1.50
July 30, 2026	1.00	50,000	50,000	1.66
February 10, 2028	0.40	300,000	60,000	3.20
January 19, 2029	0.30	4,710,000	4,710,000	4.14
October 28, 2029	0.40	50,000	50,000	4.91
November 14, 2029	0.55	2,000,000	2,000,000	4.96
November 25, 2029	0.94	1,350,000	400,000	4.99
	0.28	10,005,000	8,815,000	3.93

13. Related Party Transactions

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

As at November 30, 2024 and February 29, 2024, there were $51,200 and $nil, respectively, balances due to related parties.

During the nine months ended November 30, 2024 and 2023, the Company paid the following amounts to the officers and directors of the Company:

	November 30, 2024 ($)	November 30, 2023 ($)
Management fees	**367,547**	341,032
Professional fees	**89,035**	67,500
	456,582	408,532

14. Segmented Information

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

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

15. Contingency

The Company is from time to time, involved in legal proceedings arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of the operations of the Company.

16. Subsequent Events

Subsequent to November 30, 2024:

- 450,000 stock options were exercised at a price of $0.30 per option for total proceeds of $135,000.
- 130,000 stock options were exercised at a price of $0.20 per option for total proceeds of $26,000.
- 50,000 stock options were exercised at a price of $0.40 per option for total proceeds of $20,000.
- 95,250 warrants were exercised at a price of $0.75 per warrant for total proceeds of $71,437.50.

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