



**MANAGEMENT DISCUSSION AND
ANALYSIS**

For the Year Ended February 28, 2023

As at June 26, 2023

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

INTRODUCTION

The following management's discussion and analysis (the "MD&A") of NEO Battery Materials Ltd. ("the Company" or "NEO") has been prepared as of June 26, 2023. The MD&A should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the year ended February 28, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). 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.sedar.com 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 13 and 14 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.

CORPORATE HIGHLIGHTS

Highlights of the Company's activities during the year ended February 28, 2023, and up to the date of the MD&A:

Corporate Updates

- On March 8, 2022, the Company completed a contract for its commercial plant's construction, design and permits with architectural firm. Additionally, the Company secured the engineering design contract for the NBMSiDE commercial plant.
- From March 17-19, 2022, the Company attended InterBattery 2022 and held numerous meetings with battery-related manufacturing and materials companies locally and internationally.
- On May 4, 2022, the Company present its electric vehicle silicon anode commercialization plan at the 2022 Annual Japan & Korea Pitch Session.
- On May 30, 2022, NBM Korea Co., ("Korea Co") the Company's subsidiary signed a Memorandum of Understanding ("MOU") with the Province of Gyeonggi. Korea Co will initially invest over the next 5 years, 24 billion KRW or CAD25 million to support the construction and expansion of silicon anode commercial plant located on a 107k sq. ft site in Oseong Foreign Investment Complex, Pyeongtaek City, Gyeonggi-do.
- In June 2022, the Company entered a Collaboration Agreement with ("CA") with Applied Carbon Nano Technology Ltd ("ACN"). The Company and ACN will cooperate in research and development of carbon nanotube coating technology for silicon anode materials.
- In August 2022, the Company has initiated the detailed design of the commercial manufacturing process, and equipment with long lead times are being concurrently procured through the selection of verified manufacturers.
- In August 2022, the Company has filed the key silicon anode technology patent to the World Intellectual Property Organization ("WIPO") to bolster NEO's international patent portfolio.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

- On September 6, 2022, the Company provided the updates that it will retain the capability to product its own coin full cells within the R&D Scale-up Centre; on-going sample evaluation and optimization with battery cell manufacturers, new CNT-based silicon anode material product development, and collaborative agreement with Yonsei University-industry Foundation.
- On October 21, 2022, the Company provided the updates that it has installed equipment for agile optimization of mass production process and products, new and additional materials evaluation for further-optimized silicon anode products, additional product series development with graphite and CNT, late stage of commercial plant design and permit submission timeline and recent corporate development activities.
- On November 30, 2022, the Company through its subsidiary NBM Korea Co, has submitted the construction permit application for Silicon Anode Commercial Plant to Pyeongtaek City, Gyeonggi Province.
- On December 29, 2022, the Company signed a memorandum of understanding (MOU) with an Asia-based producer of high-purity silicon powder through recycling silicon byproduct waste from solar photovoltaic cell and semiconductor manufacturing.
- On January 17, 2023, the Company received approval of construction permit for Silicon Anode Commercial Plant in Oseong Foreign Investment Zone, Pyeongtaek City.
- On February 10, 2023, the Company granted 1,300,000 stock options to the employees in its subsidiary NBM Korea Co at a price of \$0.40 with a 5-year term.
- On February 13, 2023, the Company signed Collaboration Agreement with NanoRial Technologies Ltd., a developer of Well Dispersed Cargon Nanotubes ("CNT") for lithium-ion battery performance improvement.
- On February 21, 2023, the Company held the Annual General and Special Meetings of Shareholders. All proposed agenda items including Change of Business ("COB") and re-domiciliation from British Columbia to Ontario were approved by the shareholders.
- On March 13, 2023, the Company incorporated its first subsidiary in US, NEO Battery Materials America, LLC under the provisions and requirement in the State of Delaware for its US business expansion.
- From March 17-19, 2023, the Company attended InterBattery 2023 and held numerous meetings with battery-related manufacturing and materials companies locally and internationally.
- On March 17, 2023, the Company announced that Spencer Huh, the CEO and Danny Huh, Corporate Development Manager, will participate in the Electric Vehicle & auto Tech Virtual Conference on March 30, 2023, presented by Maxim Group and hosted by M-Vest.
- In the fiscal year 2023, the Company invested approximately \$470,000 in lab equipment and lab furniture for its laboratory located in Yonsei University and prepaid commercial plant design fees of approximately \$672,000.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

Change of Business (the "COB")

- In April 2022, the Company submitted a change of business application to TSX Venture Exchange ("Exchange") to address its focus on becoming a battery materials developer instead of mineral exploration.
- On November 21, 2022, the Company received conditional approval from Exchange for proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer.
- On March 16, 2023, the Company was granted an extension till April 20, 2023 on the basis of a minimum financing for gross proceeds of \$3,900,000.
- On April 27, 2023, the Company was granted an extension till June 19, 2023 on the condition that the Company must continue to control NBM Korea posting-financing with a minimum of 51% interest.

Financing

- In July 2022, NBM Battery Materials Korea Co. (NBM Korea), the subsidiary of the Company, issued 517,657 common shares to Automobile & PCB Inc., which represents 40% of the issued and outstanding common shares of NBM Korea, for total aggregate proceeds of \$2,978,822.
- During fiscal year 2023, 1,858,333 and 20,000 stock options were exercised at a price of \$0.06 and \$0.20 per option, respectively, for total proceeds of \$115,500.
- In March 2023, 166,667 stock options were exercised at a price of \$0.06 per option for total proceeds of \$10,000.
- During fiscal year 2023, 1,399,999 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$224,000.
- In June 2023, 200,000 warrants were exercised at a price of \$0.16 per warrant for total proceeds of \$32,000.

OUTLOOK

On April 13, 2022, the Company commenced a change of business application with TSX Venture Exchange (the "Exchange"). In the past, the Company was a Vancouver-based junior resources company. The Company deems that a classification to a Tier 2 Technology issuer on the Exchange, instead of junior Mineral Exploration and Mining issuer, will reflect the Company's long-term goal and serve its shareholders the best interests. As a result, the transition is still in process and subject to the Exchange acceptance as of the date of the MD&A. The change of business application is currently being reviewed by the Exchange. On November 21, 2022, the Company received conditional approval from Exchange for proposed COB into an Industrial, Technology, or Life Sciences Tier 2 Issuer.

COLLABORATIVE DEVELOPMENT – YONSEI UNIVERSITY

The Company entered into a Collaborative Development Agreement (the "CDA") with Yonsei University ("Yonsei") for a 3-year term, starting May 2021, to conduct its research and development in its laboratory located in Yonsei, South Korea. Under the terms of the CDA, the Company and Yonsei will jointly develop nanocoating technology to enhance performance and durability of silicon anodes materials in lithium-ion batteries (LiBs). The Company is required to spend a total amount of KRW300 million (equivalent to CAD316,500) during the 3-year term (or KRW 100 million per year). Any potential IP rights developed from the collaboration will be wholly owned by the Company. On August 13, 2021, the Company entered an Addendum to the CDA to include an additional budget of KRW47 million (equivalent to CAD50,000).

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

INDUSTRIAL ADVICE AGREEMENT – YONSEI UNIVERSITY

On August 23, 2022, the Company, through NBM Korea, entered the Industrial Advice Agreement (the "Advice Agreement") with Yonsei to replace the CDA entered between the Company and Yonsei on May 10, 2021. The Advice Agreement has a term from August 1, 2022 to May 31, 2023 and under the terms of the agreement, Yonsei will provide technical support (technical guidance, management guidance, and design guidance, etc.) to NBM Korea. In addition, NBM Korea is required to incur research and development costs of approximate \$125,970 (KRW130 million) (completed).

LICENSING AGREEMENTS – YONSEI UNIVERSITY

On February 8, 2021, the Company entered into an Exclusive License Agreement with Yonsei (the "First Agreement") to obtain exclusive rights to use the three patents owned by Yonsei. The patents include "negative electrode active material for lithium secondary battery, method of preparing the same, and lithium secondary battery comprising the same", three-phase Titanium dioxide nanoparticles and method of manufacturing the same", and "silicon/polymer composite nanoparticles, anode for lithium secondary battery comprising the same, and method for manufacturing the silicon/polymer composite nanoparticles." Under the terms of the First Agreement, the Company has to pay an initial license fee of \$35,030 (paid), and the remaining license fee of \$267,887 will be due upon the first sale of the product produced on use of the patents.

On July 22, 2021, the Company entered into a second Exclusive License Agreement with Yonsei (the "Second Agreement") to obtain exclusive rights to use a separate patent owned by Yonsei. The patent is called "silicon composite for lithium secondary battery and manufacturing method thereof." Under the terms of the Second Agreement, the Company has to pay an initial license fee of \$10,000 (paid), and the remaining license fee of \$40,000 will be due upon the first sale of the product produced based on the use of the patent.

NBMSiDE PRODUCTS

On December 6, 2021, the Company launched its product named NBMSiDE, which is manufactured based on the use of the Company's proprietary nanocoating technology. The technology is a single-step, one-pot nanocoating process that will enable the Company to economically manufacture silicon anode active materials that will be used in the production of electric vehicles.

The Company aims to improve flexibility and specific capacity of the respective anode active material, increasing energy density and life span of LIBs in electric vehicles, consumer electronics, and energy storage applications. Utilizing lean and efficient process steps, the Company's unique single-stop process will enable cost effective and scalable production.

NBMSiDE™ SAMPLE EVALUATION PROGRESS

NEO is continuously undertaking NBMSiDE™ sample evaluation and product optimization with global battery cell manufacturers under NDAs. As different nanocoating materials, performance requirements, and silicon loadings are required, the silicon anode products are being finetuned with specifications requested from each cell manufacturer, creating lead times between delivery and performance testing. NEO Korea Co is progressing through sending optimized products for evaluation. Most recently, an initial coin cell test was completed with a non-Asia-based cell manufacturer that NEO has been engaged with for over 9 months since the NDA. Both companies have mutually agreed to advance to pouch cell testing, which is larger in capacity and format, and NEO will accordingly provide optimized silicon anode products to the manufacturer for further evaluation.

SITE FOR COMMERCIAL PLANT – OSEONG FOREIGN INVESTMENTS ZONE

On January 26, 2022, through its Korean subsidiary, the Company received an approval from Gyeonggi-do, the largest Economic Province in South Korea, to build its commercial plant on a 10-year lease term. The site is located in Oseong Foreign Investment Zone in Gyeonggi-do and approximately 106,700 square feet (or 2.5 acres). The Company is currently looking for a reliable partner to jointly build its commercial plant on the site to produce silicon anode of 240 metric tons per year.

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

The Production Building and the Research Office Building are in the late stages of architectural design, and the associated permits will be accordingly submitted to the relevant city in December 2022. The use of the Production Building will entail the installation of future NBMSiDE™ mass production lines and utility facilities, and the Research Office Building will house the current equipment, testing facilities, and personnel of the NBM Korea Scale-Up Centre located at Yonsei University.

The Company has submitted the plant's construction permit application to the City of Pyeongtaek through its South Korean subsidiary, NBM Korea. NEO's management and commercialization engineering team are currently in discussion with the city's construction and relevant departments and performing the necessary due diligence and regulatory work to gain permit approval. Upon the approval of the construction permit, the initial construction process from site clearance to basic civil engineering work will be carried out sequentially. On January 17, 2023, the Company received approval of a construction permit for Silicon Anode Commercial Plant in Oseong Foreign Investment Zone, Pyeongtaek City.

NEO BATTERY MATERIALS KOREA CO - SHARE ISSUANCE TO AUTOMOBILE & PCB INC ("A&P")

On July 1, 2022, NBM Korea, a wholly owned subsidiary of the Company entered the Investment Agreement with A&P. Pursuant to the terms of the agreement, NBM Korea issued 517,657 common shares at a price of KRW5,796 per common share to A&P for gross proceeds of 2,999,820,383 KRW (equivalent to CAD2,978,822). As a result, A&P represents 40% of the issued and outstanding shares of NBM Korea.

According to the agreement, the proceeds shall be used for operations of NBM Korea and shall not lent to a third party or shall not be used to purchase shares of any third party. A&P may conduct due diligence over the use of the proceeds by NBM Korea and the proceeds shall be deposited into and managed from a separate bank account of NBM Korea. Further, NBM Korea cannot transfer or collateralize any of these funds without the consent by A&P. NBM Korea cannot acquire an interest in another entity and cannot increase or decrease its capital or grant stock options to other parties. A&P is required to be consulted on the appointment or dismissal of the NBM Korea CEO.

EXPLORATION PROPERTIES INTEREST

In January 2021, the Company staked a few mining claims in Golden BC comprising a total of 467 hectares, along a strike with a quartzite bed, targeting silica in the quartzites. The Company is focusing on developing silicon-anode materials and no longer pursuing mining properties interests. During the year ended February 28, 2023, the Company wrote off the carrying amount of the mining claims.

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's audited financial statements years ended February 28, 2023, February 28, 2022, and February 28, 2021.

	February 28, 2023	February 28, 2022	February 29, 2021
Expenses	\$ 1,962,916	\$ 2,037,093	\$ 1,491,635
Other expenses (income)	(47,694)	27,586	165,560
Net loss and comprehensive loss	1,915,222	2,064,679	1,657,195
Basic and diluted loss per share	0.02	0.02	0.02
Total current assets	1,751,718	1,438,948	662,693
Total assets	3,127,852	1,723,802	746,367
Total current liabilities	179,236	178,286	1,568,733
Total liabilities	179,236	178,286	1,580,900

RESULTS OF OPERATIONS

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

For the three-month ended February 28, 2023

Significant items that contributed to the net loss and comprehensive loss for the period ended February 28, 2023 and February 28, 2022 were as follows:

- Advertising and marketing of \$16,011 (February 28, 2022- \$30,444)
- Consulting and management fees of \$98,635 (February 28, 2022- \$77,070)
- Investor relation of \$21,464 (February 28, 2022- \$19,101)
- Professional fees of \$80,761 (February 28, 2022- \$56,866)
- Payroll expenses of \$151,368 (February 28, 2022- \$45,563)
- Research and development costs of \$89,934 (February 28, 2022- \$47,577)
- Rent \$26,130 (February 28, 2022 - \$\$53,914)
- Corporate listing and filing fees \$19,153 (February 28, 2022 - \$5,722)

During the three-month period ended February 28, 2023, the Company incurred a net loss of \$558,789, compared to a net loss of \$387,754 for the same period in 2022. For the three-month period ended February 28, 2023, operating expense increased to \$570,263 from \$387,754 incurred in the same period in 2022.

The increase in operating expenses can be primarily attributed to higher payroll expenses which increased by \$105,805. Additionally, research and development costs and consulting and management fees increased by \$42,357 and \$21,565, respectively. These cost escalations were mainly driven by an increase in the number of employees hired and inflation-related increase in labor and material costs.

For the year ended February 28, 2023

Significant items that contributed to the net loss and comprehensive loss for the year ended February 28, 2023 and year ended February 28, 2022 were as follows:

- Advertising and marketing of \$46,664 (February 28, 2022- \$127,502)
- Consulting and management fees of \$470,177 (February 28, 2022- \$439,400)
- Corporate listing and filing fees of \$50,921 (February 28, 2022- \$91,227)
- Investor relation of \$48,602 (February 28, 2022 - \$92,895)
- Professional fees of \$241,865 (February 28, 2022- \$180,068)
- Payroll of \$489,558 (February 28, 2022- \$45,563)
- Research and development of \$304,527 (February 28, 2022 - \$132,713)
- Stock-based compensation of \$Nil (February 28, 2022- \$683,248)
- Corporate listing and filing fees \$50,921 (February 28, 2022 - \$91,227)

For the fiscal year ended February 28, 2023, the Company recorded a net loss of \$1,915,222, compared to a net loss of \$2,064,679 recorded in the same period in 2022. For the year ended February 28, 2023, the Company's operating expenses totaled \$1,962,916, compared to the operating expenses of \$2,037,093 in the prior year.

The operating expenses decreased during the current year because the Company did not record any amount of stock-based compensation as opposed to stock-based compensation of \$683,248 recognized in the prior year. The decrease then was partially offset by the increase of \$443,995 in payroll expenses as well as the increase of \$171,814 in research and development costs and \$61,797 in professional fees.

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2023, the Company's cash balance was \$1,626,408 (February 28, 2022 - \$1,247,750).

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

As at February 28, 2023, the Company had a working capital of \$1,572,482 (February 28, 2022 - \$1,260,662).

Management believes that its ability to continue as a going concern is highly dependent upon its ability to raise equity financing. The Company's operation is highly included by capital market environment, supply chain, inflation, geographic stability and global business environment in general. Given volatility in equity markets, global uncertainty in economic conditions, cost pressures and intensity in international business environment, management constantly reviews emerging technologies and equity markets to ensure that the Company maintain enough liquidity to support its growth strategy.

Liquidity Outlook

At present, the Company does not have any sources of generating revenues and its financial success is highly dependent on management's ability to develop its new nanocoating technology and raise capital through equity 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 nanocoating technology's application. 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, 2023 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. As at February 28, 2023, the Company had an accumulated deficit of \$28,339,456 (February 28, 2022 - \$28,345,399) and had a net loss of \$1,915,222 (February 28, 2023 - \$2,064,679).

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

Further business activities are dependent on the Company obtaining financing for any research and development, and construction of its 1st commercial plant for 2023 and beyond. Management believes that it will be able to raise additional capital in order to fund its R&D activities and its administrative expenditures. Although management has been successful in the past raising additional financing, there can be no assurance they will be successful in the future.

SUMMARY OF QUARTERLY RESULTS

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023**

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

	30-Feb-23	30-Nov-22	31-Aug-22	31-May-22	28-Feb-22	30-Nov-21	31-Aug-21	31-May-21
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and Comprehensive loss	558,789	321,176	569,875	465,382	393,329	342,910	848,703	494,432
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	3,127,852	3,380,676	3,700,169	1,310,710	1,674,592	2,038,750	1,098,775	1,088,962
Equity (deficiency)	2,948,616	3,268,738	3,546,414	1,088,257	1,496,306	1,900,669	954,579	782,058

Basic and diluted loss per share above is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.

RISKS FACTORS

The Company is engaged in the business of researching and developing silicon anode active materials and nanocoating technology. However, none of the Company's products (NBMSiDE) have been sold in a large quantity and is no guarantee that they will lead to significant commercialization. The timing and success of product sales and production are subject to various risks and uncertainties, which may affect the Company's profitability. Therefore, any forward-looking information is subject to known and unknown risks and uncertainties, including, but not limited to:

- Strong competition from other companies with more extensive financial, technical, and other resources.
- Uncertainty regarding the Company's ability to obtain the necessary funding, permits, and approvals for its product commercialization, as well as potential future tax or legislative changes that could cause delays or additional expenses.
- Uncertainty regarding the Company's ability to protect its patents, technology, and other important information for the development of its business.
- Risk of technology and patents becoming obsolete or unmarketable if the Company fails to adapt to changing technology and customer demands.
- Risk of confidentiality breaches despite confidentiality agreements signed with third parties, which could harm the Company's competitive position.
- Potential instability and unpredictability of world silicon prices and economic conditions, which could significantly impact the Company's operations.
- Risk of high price due to the inflation and volume volatility in Canadian and global securities markets.
- Risk of changes in accounting policies and methods affecting the Company's financial reporting.
- Risk of inadequate internal controls or failure to implement new or improved controls, which could harm the Company's results of operations or cause it to fail to meet its reporting obligations.
- Dependence on talented professionals, the ability to attract and retain key personnel, manage growth effectively, and integrate newly developed businesses or technologies.

**NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023**

- Dependency on the services of several key individuals, the loss of whom could significantly affect operations.
- Potential for conflicts of interest among officers and directors of the Company.
- Failure of obtaining the final approval from Exchange in Change of Business application.

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 its key management personnel or directors of the Company.

As at February 28, 2023 and February 28, 2022, there were no amounts due to related parties.

During the year ended February 28, 2023 and 2022, the Company paid the following amount to the officers and directors of the Company and an entity controlled by the CEO:

	February 28, 2023	February 28, 2022
Project related expenditure	\$ -	\$ 12,690
Management fees	315,226	197,900
Professional fees	93,810	62,405
Stock based compensation	-	448,753
	\$ 409,036	\$ 721,748

All

amounts paid to related parties for their services have been recorded at fair value.

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:

- 101,170,646 common shares issued and outstanding;
- 6,230,000 stock options outstanding and 4,930,000 stock options exercisable; and
- 7,041,668 warrants outstanding and exercisable.

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 financial statements for the year ended February 28, 2023.

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.

PRONOUNCEMENTS AFFECTING FINANCIAL STATEMENTS PRESENTATION OR DISCLOSURE

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. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, other receivables, and the short-term debt NEO deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

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, 2023, the Company had a working capital of \$1,572,482 (February 28, 2022 - working capital of \$1,260,662). Further information relating to liquidity risk is disclosed in Note 12 of the Company's consolidated financial statements for the year ended February 28, 2023.

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.

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 exploration and development of mineral properties and investigating other business opportunities. The Board of Directors has not established quantitative capital structure 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

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

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, 2023 compared to the years ended February 28, 2022. The Company is not subject to externally imposed capital requirements.

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, 2023.

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.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Neo Battery's general and administrative expenses and research and development costs is provided in the Company's year ended February 28, 2023, statement of operations contained in its consolidated financial statements for the year ended February 28, 2023. These statements are available on its SEDAR Page Site accessed through www.sedar.com.

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 mineral exploration 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.

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.

PROPOSED TRANSACTIONS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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 audited consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

CAUTION REGARDING FORWARD LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking" statements"). These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at www.sedar.com. Although the Company has attempted 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

NEO BATTERY MATERIALS LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS
Year Ended February 28, 2023

factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ADDITIONAL INFORMATION

Additional Information relating to NEO Battery Materials can be found on the Company website www.neobatterymaterials.com and on SEDAR at www.sedar.com or by contacting the Company at 10th Floor – 4711 Yonge Street, Vancouver, Toronto, Ontario, Canada, M2N 6K8, Tel: (604) 355-6463.