



Financial Statements

For the years ended
December 31, 2023 and 2022

**NIO STRATEGIC METALS INC.
MANAGEMENT'S REPORT**

Management's comments on Financial Statements for the years ended December 31, 2023 and 2022

The accompanying financial statements of NIO STRATEGIC METALS INC. (the "Corporation") are the responsibility of management and have been approved by the Board of Directors.

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and necessarily include some amounts that are based on management's best estimates and judgements.

A system of administrative, internal accounting and disclosure controls have been developed and are maintained by management to provide reasonable assurance that assets are safeguarded, and that financial information is accurate and reliable.

The Board of Directors must ensure that management fulfils its financial reporting responsibilities and is ultimately responsible for reviewing and approving the financial statements. The Audit Committee meets regularly with management to discuss the financial reporting issues. The Committee also reviews the annual financial statements and the external auditors' report and reports its findings to the Board for consideration when approving the financial statements for issuance to the Corporation's shareholders. The auditors appointed by the shareholders have full access to the Audit Committee, with or without management being present.

The financial statements as at December 31, 2023 and 2022 and for the years then ended have been audited by the auditors, Audacie Inc.

(signed) *Hubert Marleau*
Hubert Marleau, President and CEO

(signed) *Bruno Dumais*
Bruno Dumais, CPA, Chief Financial Officer

INDEPENDENT'S AUDITOR REPORT

To the shareholders of
NIO STRATEGIC METALS INC.,

Opinion

We have audited the accompanying financial statements of NIO STRATEGIC METALS INC. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and comprehensive loss, statements of changes in shareholders deficiency and statements of cash flows for the years then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is David Bédard.

The image shows a handwritten signature in black ink. The word "Audacie" is written in a cursive script, followed by a superscripted "1" and the word "inc." in a smaller, simpler font. A horizontal line is drawn under the signature.

Chartered Professional Accountant Corporation

Brossard (Quebec)
April 29, 2024

¹ CPA auditor, public accountancy permit No. A128615

NIO STRATEGIC METALS INC.

Statements of Financial Position
(in Canadian dollars)

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalent		\$ 1,304,411	\$ 1,636,519
Receivables	4	77,080	26,426
Prepaid	5	17,722	81,508
Total current assets		1,399,213	1,744,453
Non-current assets			
Land		506,887	506,887
Total non-current assets		506,887	506,887
Total assets		\$ 1,906,100	\$ 2,251,340
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 105,403	\$ 256,590
Current maturity of long-term debt	8	500,000	30,000
Total current liabilities		605,403	286,590
Non-current liability			
Long-term debt	8	–	500,000
Total non-current liability		–	500,000
Total liabilities		605,403	786,590
Equity			
Share capital	10	20,980,963	20,295,543
Warrants	11	–	645,987
Contributed surplus		2,279,388	1,753,582
Deficit		(21,959,654)	(21,230,362)
Total equity		1,300,697	1,464,750
Total liabilities and equity		1,906,100	\$ 2,251,340

Subsequent event 8

The notes are an integral part of these financial statements.

On behalf of the Board:

(signed) Hubert Marleau, Director

(signed) Hubert Vallée, Director

NIO STRATEGIC METALS INC.

Statements of Loss and Comprehensive Loss
For the years ended December 31, 2023 and 2022
(in Canadian dollars, unless otherwise stated)

	Note	2023	2022
Revenue		\$ 12,100	\$ 11,468
Operating expenses			
Professional fees		179,932	188,633
Exploration expenses, net of a tax credit of \$ nil (2022 - \$61,534)		127,680	(61,534)
Office and administration		90,398	77,202
Directors' fees		37,399	35,576
Mining rights		64,527	188,680
Stock exchange, authorities, and shareholders relations		49,998	37,363
Rent		13,085	12,129
Taxes and permits		9,947	6,985
Travel and business development		92,381	31,881
Insurance		18,421	19,711
Telecommunications and website		1,846	948
Maintenance		–	800
Share-based compensation	13	72,965	140,610
Bank charges		492	860
Total operating expenses		759,071	679,844
Net operating loss		(746,971)	(668,376)
Finance and other expenses (gain)			
Finance costs		30,025	61,554
Interest income		(47,704)	–
Gain on debt settlement	7	–	(242,732)
Loan forgiveness		–	(10,000)
Total finance and other expenses (gain)		(17,679)	(191,178)
Net loss and comprehensive loss		\$ (729,292)	\$ (477,198)
Loss per outstanding common share	12		
Basic		\$ (0.01)	\$ (0.01)
Diluted		(0.01)	(0.01)
Basic weighted average number of shares		76,592,200	72,520,119
Diluted weighted average number of shares		76,592,200	72,520,119

The notes are an integral part of these financial statements.

NIO STRATEGIC METALS INC.

Statements of Changes in Shareholders' Equity
For the years ended December 31, 2023 and 2022
(in Canadian dollars, unless otherwise stated)

	Share capital		Contributed surplus	Warrants	Deficit	Total
	Number	Amount				
Balance as at January 1, 2023	75,718,338	\$20,295,543	\$ 1,753,582	\$ 645,987	\$(21,230,362)	\$ 1,464,750
Net loss and comprehensive loss	–	–	–	–	(729,292)	(729,292)
Shares issued upon warrants exercise (net of issuance cost of \$ 4,805)	4,142,334	685,420	–	(193,146)	–	492,274
Expiration of warrants	–	–	452,841	(452,841)	–	–
Share-based compensation	–	–	72,965	–	–	72,965
Balance as at December 31, 2023	79,860,672	\$20,980,963	\$ 2,279,388	\$ –	\$(21,959,654)	\$ 1,300,697

	Share capital		Contributed surplus	Warrants	Deficit	Total
	Number	Amount				
Balance as at January 1, 2022	51,894,868	\$16,989,649	\$ 1,612,972	\$ 650,037	\$(20,753,164)	\$(1,500,506)
Net loss and comprehensive loss	–	–	–	–	(477,198)	(477,198)
Share-based compensation	–	–	140,610	–	–	140,610
Issuance costs	–	(29,392)	–	(4,050)	–	(33,442)
Issuance of shares under a debt conversion agreement (note 7)	23,823,470	3,335,286	–	–	–	3,335,286
Balance as at December 31, 2022	75,718,338	\$20,295,543	\$ 1,753,582	\$ 645,987	\$(21,230,362)	\$ 1,464,750

The notes are an integral part of these financial statements.

NIO STRATEGIC METALS INC.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

	Note	2023	2022
Cash flows related to operating activities			
Net loss		\$ (729,292)	\$ (477,198)
Adjustments for:			
Share-based compensation	12	72,965	140,610
Loan forgiveness		–	(10,000)
Gain on debt conversion	7	–	(242,732)
Net changes in non-cash operating items	14	(81,055)	315,992
Net cash related to operating activities		(737,382)	(273,328)
Cash flows related to financing activities			
Shares issuance	10	435,274	–
Repayment of long-term debt	8	(30,000)	
Issuance costs of units		–	(33,442)
Net cash related to financing activities		405,274	(33,442)
Net change in cash		(332,108)	(306,770)
Cash - Beginning of the period		1,636,519	1,943,289
Cash - End of the period		\$ 1,304,411	\$ 1,636,519
Supplemental information	14		

The notes are an integral part of these financial statements.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

1. Reporting entity and going concern

Nio Strategic Metals Inc. (the "Company") is domiciled in Canada. The address of the Company's registered office is 1, Place Ville-Marie, Suite 1670, Montreal, Quebec. The Company, incorporated under the Quebec *Business Corporation Act* on August 29, 1995, holds an exploration niobium property in Oka, Quebec and an exploration iron property in the James Bay area, Quebec. The Company is a publicly traded company listed on the TSX Venture Exchange (the "TSX-V") under the symbol "NIO".

On May 6, 2022, the Company approved its name change for Nio Strategic Metals. The change confirmed the Company's intention to expend its activities to source strategic metals and minerals essential to advancing modern life and national security in beneficially environmental, social and ethical manner.

The Company is in a development stage and has mineral exploration and development properties in the province of Quebec. The Company does not capitalize the exploration and evaluation expenses. The Oka mining property consists of mining rights comprised of 98 claims covering 5,429 acres and the Great Whale property consists of surface and mining rights comprised of 63 claims covering 7,687 acres on the Hudson Bay territory. Substantially, all the Company's efforts are currently devoted to financing, developing and obtaining permits for its niobium property in Oka.

Financial statements have been prepared on a going concern basis which supposed that the Company will pursue its activities in a foreseeable future and will be able to realize its assets or discharge its obligations in the ordinary course of operations. The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The Company does not have any revenues coming from its operations that would enable the Company to discharge its obligations in the ordinary course of its operations. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in the ordinary course of operations.

With respect to the niobium property in Oka, the Company has determined in 1999 that the property contains ore resources which provide a conceptual indication of the potential of the property. The Company's application is under study with the Quebec Ministry of Sustainable Development, Environment and Parks ("MDDEP") and the community of Oka to obtain all permits, certificates and other authorizations to allow the Company to operate the niobium property. Management is currently working to obtain all the required permits and authorization to develop the Oka property.

In March 2022, \$ 2,345,000 in principal and \$ 1,233,018 accrued interest owing under the terms of a secured debenture initially issued by the Company to Nio-Metals on February 19, 2013 has been converted into an aggregate of 23,823,470 common shares of the Company.

The Company's ability to meet its commitments as they come due, including the final acquisition of properties and the development of mining projects, depends on its ability to obtain the necessary financing. These factors raise the existence of a material uncertainty that could cast significant doubt on the Company's ability to continue as a going concern. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on April, 24, 2024.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in Canadian dollars, unless otherwise stated, which the Company's functional currency is.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include, but are not limited to:

Going concern

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

Black & Scholes valuation

The calculation of the fair value of units, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Company, expected volatility, expected life and expected forfeiture rates, which could affect the Company's results if the current estimates change. Expected volatility was based on the Company's historical volatility.

3. Significant accounting policies

The accounting policies set out below were applied consistently to all years presented in these financial statements.

a) Cash and cash equivalent:

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Refundable credit on mining duties and refundable tax credit related to resources:

The Company could be entitled to refundable credits on duties for losses under the Mining Tax Act. Those refundable credits on duties for losses are applicable on exploration costs incurred in the Province of Quebec.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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Furthermore, the Company could be entitled to refundable tax credits for resources for mining companies on qualified exploration expenditures incurred.

The credits are recorded against the exploration costs incurred as stated in IAS 20, Government Assistance, when a notice of assessment is received due to the uncertainty around the timing and amount of any tax credits (\$ nil in 2023, \$ 61,534 in 2022)

c) Land:

Land is recognized at cost. The carrying amount is reviewed at least at each financial year-end. Gains or losses arising on the disposal of the land is determined as the difference between the disposal proceeds and the carrying amount of the assets and is recognized in the statement of loss and comprehensive loss.

When the land is no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts and the difference is immediately recognized in the statement of loss and comprehensive loss.

d) Mining properties and exploration and evaluation expenses:

Mining properties and exploration and evaluation expenses include mining properties and other exploration and evaluation costs. Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore for, mine, extract and sell all minerals from such claims. Costs incurred include appropriate technical and administrative overheads.

All exploration and evaluation costs are expensed as incurred.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops expensing exploration and evaluation costs for that area and record the amounts either as tangible or intangible mining assets under development according to the nature of the assets.

e) Deferred Income Tax and Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Warrants

The Company accounts for warrants using the fair value method. Under this method, the value of warrants is measured at fair value at the grant date using the Black-Scholes option pricing model, using management's assumptions and recorded as share capital when the warrants are exercised. Warrants are reclassified as contributed surplus when they expire.

Warrants that are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as equity.

Warrants that include a contractual obligation to deliver cash or do not meet the fixed requirements of IAS 32 are classified as financial liabilities.

g) Contributed surplus:

Contributed surplus is used to record the accumulated fair value of stock options recognized as share-based payments. Contributed Surplus is increased by the fair value of these items on vesting and is reduced by the corresponding amounts when options are exercised.

h) Leases:

Leases contracts which contain the legal form of a lease are classified as either finance or operating leases. Finance leases represent leases that transfer substantially all of the risks and rewards of ownership of the leased asset. To assess whether a contract transfer substantially all the risks and rewards of ownership of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than \$ 8,000). The lease payments associated with these leases are classified as operating lease and are recognized as an expense on a straight-line basis over the lease term.

i) Net finance costs:

Net finance costs comprise interest income on funds invested, interest expense using the effective interest method.

j) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in contributed surplus, over the year that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

k) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

l) Financial instruments:

Classification and measurement

Financial assets are classified and valued according to three categories: at amortized cost, at fair value through other comprehensive loss ("FVTOCL") and at fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured according to two categories either at amortized cost or at FVTPL.

In accordance with IFRS 9, derivatives embedded in contracts where the host contract is a financial asset falling within the scope of the standard are not separated, but the hybrid financial instrument as a whole is valued for the purposes of ranking.

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(in Canadian dollars, unless otherwise stated)

The following table provides a summary of the financial instruments of the Company:

Financial Instruments	Category
Cash and cash equivalent	Amortized cost
Receivables, with the exception of sales tax receivable	Amortized cost
Accounts payable and accrued liabilities, with the exception of payroll benefits payable	Amortized cost
Long-term debt	Amortized cost

After their initial recognition, the financial assets are not reclassified, unless the Company detects a change in the economic model that it follows for the management of financial assets and that it reassesses the classification of its financial assets.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument in question. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has substantially transferred all of the risks and rewards of ownership. A financial liability is derecognized in the event of extinction, termination, cancellation or expiration.

Financial assets and liabilities are offset and the net balance is presented in the statement of financial position when there is a legally enforceable right to offset the amounts recognized and an intention either to settle on a net basis or to realize the asset and settle liabilities simultaneously.

At the time of initial recognition, the Company classifies its financial instruments according to the following categories, depending on the purposes for which the instruments were acquired:

Financial assets and liabilities designated at fair value through profit or loss (FVTPL)

Financial instruments in this category include assets voluntarily classified in this category and are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of loss and comprehensive loss.

Financial assets or liabilities at amortized cost

Financial assets or liabilities are initially measured at fair value net of transaction costs. Then they are measured at amortized cost using the effective interest method, unless they are accompanied by an embedded derivative. In such cases, the Company designates the entire hybrid instrument as at fair value through profit or loss.

The financial liabilities are classified as current or non-current based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Impairment of financial assets

At each reporting date of the statement of financial position, the Company assesses whether there is objective evidence that a financial asset, except for those at fair value through profit or loss, is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated.

If such evidence exists, the Company recognizes an impairment loss, as follows:

Impairment loss is the difference between the amortized cost of the loan or receivable and the present value of discounted future cash flows estimated at the original instrument's effective interest

NIO STRATEGIC METALS INC.

Notes to the Financial Statements

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rate. The carrying amount of the financial asset is reduced by this amount either directly or through the use of a reserve account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the impairment loss decreases and it can be related objectively to an event occurring after the impairment devaluation.

m) Impairment of non-financial assets:

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment, and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, an asset or a cash-generating unit are reviewed for impairment. In addition, when technical feasibility and commercial viability of extracting a mineral resource are proven, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

An impairment loss is recognized in net loss for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

The impairment loss reduces the asset or is allocated pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset or cash generating unit's recoverable amount exceeds its carrying amount.

n) Government grants

A government grant (including subsidies) is recognized when there is reasonable assurance it will be received, and all related conditions will be complied with. The Company recognizes government grants in profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate. During the year, an amount of \$ nil (\$ 10,000 in 2022) was recognized as a loan forgiveness.

o) Adoption of new accounting standards:

The Company has adopted the following new standard and amendment to standards and interpretations, with a date of initial application of January 1, 2023, and have been applied in preparing these financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendment to IAS 12 - Income taxes

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as leases.

The adoption of these amendments did not have a significant impact on the financial statements.

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4. Receivables

	2023	2022
Sales tax receivable	\$ 5,858	\$ 25,226
Subscriptions receivable (note 10)	57,000	–
Other receivables	14,222	1,200
	\$ 77,080	\$ 26,426

5. Prepaid

Prepaid expenses consist mostly of payment of rights on mining properties.

Oka property:

The Oka mining property consists of surface and mining rights comprised of 98 claims (98 in 2022) covering 5,429 acres (5,429 in 2022).

Great Whale property:

The Company owns surface and mining rights for the iron property of Great Whale comprising 63 claims (98 in 2022) covering 7,687 acres (11,964 in 2022) on the Hudson Bay territory.

6. Accounts payable and accrued liabilities

	2023	2022
Accounts payable and accrued liabilities	\$ 74,322	\$ 217,947
Accrued payable to a director	–	4,426
Accrued interest	10,027	22,603
Payroll benefits payable	21,054	11,614
	\$ 105,403	\$ 256,590

7. Debenture

On February 19, 2013, the Company completed a private placement with Nio-Metals Holdings LLC ("Nio-Metals") pursuant to which Nio-Metals subscribed for a unit comprising of \$ 1,200,000 aggregate principal amount of a secured subordinated debenture of the Company (the "Debenture") and 1,000,000 warrants to purchase common shares, representing aggregate gross proceeds of \$ 1,200,000. The Debenture bear interest at an annual rate of 10%, payable quarterly as originally set to mature August 19, 2015 and got extended until December 30, 2021, subject to the ability of the Company to repay them at any time without penalty. The warrants expired on February 19, 2015. The Debenture was secured by all property and assets of the Company.

Since 2016, the Company amended the debenture to consider various cash injections totaling \$ 1,145,000.

In March 2022, the Company converted the Debenture with a nominal value of \$ 2,345,000 and the accrued interest totalling \$ 1,233,018 into 23,823,470 common shares of the Company. Under IFRIC 19, a gain on debt settlement of \$ 242,732 was recorded by the Company during 2022.

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8. Long-term debt

	2023	2022
Loan, 6%, unsecured, interest payable quarterly starting In September 2021, maturing in March 2024 ^(a)	\$ 500,000	\$ 500,000
Loan, without interest, secured by the Federal government, reimbursed in December 2023	-	30,000
	\$ 500,000	\$ 530,000
Current portion	(500,000)	(30,000)
	\$ -	\$ 500,000

^(a)In 2021, the Company entered into an agreement with Nio-Metals for an unsecured bridge loan facility of \$ 500,000 (the "Bridge Loan"). The Bridge Loan has a 24-month term to maturity, bears interest of 6% per annum payable quarterly, starting in September 2021, and is not convertible. The Bridge Loan may be repaid at any time prior to maturity without penalty. In March 2022, the Company and the lender agreed to extend the maturity date from March 2023 to March 2024.

On April 24, 2024, Nio-Metals and the Company amended the value of the Bridge Loan to \$ 450,000 following a \$ 50,000 cash reimbursement from the Company; and extended the maturity date to April 30, 2025, subject to no other condition.

9. Income and mining taxes

Effective income tax expense differs from income tax expense computed based on the combined federal and provincial income tax rate of 26.5% (2022 - 26.5%) as a result of the following:

	2023	2022
Loss before income and mining tax	\$ (729,292)	\$ (477,198)
Tax recovery using the Company's domestic tax rate	(193,262)	(126,457)
Tax effect of temporary differences and others	35,978	34,533
Non-deductible share-based compensations	19,336	37,262
Tax free government assistance	-	(18,852)
Current year losses for which no deferred tax assets is recognized	137,948	73,514
	\$ -	\$ -

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

	2023	2022
Non-capital losses carry forwards	\$ 2,636,976	\$ 2,498,027
Tax basis of exploration expenses in excess of carrying value	950,624	916,788
Tax basis of mining properties	115,790	94,981
Financing cost	43,660	63,076
Tax basis of capital assets in excess of carrying value	8,023	8,023
Capital losses carry forwards	1,020	1,020
	\$ 3,755,092	\$ 3,581,915

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The non-capital losses expire as follows:

	Federal	Quebec
2026	\$ 227,582	\$ 227,582
2027	328,025	328,025
2028	461,358	461,358
2029	449,845	449,845
2030	430,422	430,422
2031	1,051,711	1,051,711
2032	951,827	951,827
2033	910,315	910,315
2034	737,928	737,928
2035	660,158	660,158
2036	514,841	514,841
2037	460,302	460,302
2038	488,689	488,689
2039	449,795	445,914
2040	412,563	412,563
2041	615,968	614,729
2042	277,410	277,410
2043	521,190	521,190
	\$ 9,949,929	\$ 9,944,809

The Company also has available unrecognized exploration tax credits of \$ 150,360 (2022 - \$ 164,208), which will expire between 2024 and 2033.

10. Share capital

The number of shares issued and outstanding as at December 31, 2023 was 79,860,672 (2022 - 75,718,338). The Company is authorized to issue an unlimited number of common shares, without par value.

During the year, the Company issued 4,142,334 common shares of the Company following the exercise of the common share purchase warrant with net proceeds of \$ 492,274, from which \$ 57,000 has not been received by the Company at the date of these financial statements (note 4).

11. Warrants

The number of warrants outstanding as at December 31, 2023 was nil (2022 - 13,968,750).

The weighted average exercisable price for the warrants outstanding as at December 31, 2023 was \$ nil (2022 - \$ 0.12). The average time until maturity was 0.79 year as at December 31, 2022.

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Changes in the warrants were as follows during the year:

	2023		2022	
	Number of warrants	Weighted average Exercisable price	Number of warrants	Weighted average Exercisable price
Balance at beginning	13,968,750	\$ 0.12	13,968,750	\$ 0.12
Exercised	4,142,334	\$ 0.12	–	\$ –
Expired	9,826,416	\$ 0.12	–	\$ –
Balance at the end	–	–	13,968,750	\$ 0.12

12. Net loss per share

The calculation of basic net loss per share at December 31, 2023 was based on the loss attributable to common shareholders which corresponds to the loss for the year of \$ 729,292 (2022 - \$ 477,198) and a weighted average number of common shares of 76,592,200 (2022 - 72,520,119).

The calculation of diluted net loss per share at December 31, 2023 is the same as the basic net loss per share as all options had an anti-dilutive effect (2022 - same).

13. Share-based payments

Under the stock option plan, the Company may grant options to directors, officers and consultants to purchase common shares provided that the aggregate number of shares subject to such option may not exceed 10% of the issued and outstanding common shares at the time of any option grant on a rolling basis. The exercise price of each option is determined by the Board of Directors and is required not to be lower than the discounted market price based on last closing market price of the common shares before the date of the grant of the option. The options vest immediately upon issuance and their life may not exceed 5 years. All options are recorded at fair value when granted.

The plan must receive shareholder and TSX-V approval annually at the Company's annual general meeting of shareholders. The number of exercisable stock options outstanding fluctuated as follows as at:

	As at December 31, 2023		As at December 31, 2022	
	Number of stock options	Weighted average Exercisable price	Number of stock options	Weighted average Exercisable price
Balance at beginning	3,750,000	\$ 0.15	3,550,000	\$ 0.15
Granted	700,000	0.15	200,000	0.15
Balance at the end	4,450,000	\$ 0.15	3,750,000	\$ 0.15

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Some options were granted by the Company during the previous year and the value of each option is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2023	2022
Number of options granted	700,000	200,000
Risk-free interest rate	3.28%	2.74%
Expected dividend yield	0.00%	0.00%
Expected volatility	104.59%	113.82%
Expected term	5 years	5 years

The estimated fair value of the options granted during the year ended December 31, 2023 is \$ 48,352 (2022 - \$ 11,890). This amount is amortized and charged to earnings as the rights to exercise are vested.

The calculation of the earnings per diluted weighted average share for the year excluded, as they were anti-dilutive, the impact of 4,450,000 stock options (2022 - 3,750,000).

Share-based compensation expense for the period ended December 31, 2023, totaled \$ 72,965 (2022 - \$ 140,610) and was credited to the contributed surplus.

The following table summarizes certain information on outstanding stock options as:

				December 31, 2023	
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$		(in years)	\$		\$
0.15	4,450,000	3.09	0.15	3,916,667	0.15

				December 31, 2022	
Options outstanding				Options exercisable	
Exercise price range	Number of options	Weighted average remaining contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$		(in years)	\$		\$
0.15	3,750,000	3.83	0.15	2,433,333	0.15

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14. Additional information

The net changes in non-cash operating items as at December 31 were as follows:

	2023	2022
Receivables	\$ 6,346	\$ 87,797
Prepays	63,786	180,544
Accounts payable and accrued liabilities	(151,187)	47,651
	\$ (81,055)	\$ 315,992

The non-cash transactions for the year were as follows:

	2023	2022
Expired warrants reclassified to contributed surplus	\$ 193,146	\$ –
Exercised warrants into shares	452,841	–
Fair value of shares issued on debenture conversion	–	2,185,916
Fair value of shares issued on interest accrued	–	1,146,370
Compensation of subscription receivable against accrued payable to an officer	–	10,000
Subscription receivables	57,000	–

Cash and cash equivalents as at December 31 consist of the following:

	2023	2022
Cash at bank in hand	\$ 543,537	\$ 1,635,519
Short-term deposit	760,874	–
	\$ 1,304,111	\$ 1,635,519

Additional information:

	2023	2022
Interest received	45,618	–
Interest paid	42,575	31,225

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15. Financial instruments and financial risk management

a) Financial instruments fair value as at:

	December 31, 2023		December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets (amortized costs)				
Cash and cash equivalent	\$1,304,411	\$ 1,304,411	\$ 1,636,519	\$ 1,636,519
Receivables, except for sales tax receivable	71,222	71,222	1,200	1,200
	\$ 1,375,633	\$ 1,375,633	\$1,637,719	\$ 1,637,719
Financial liabilities (amortized costs)				
Accounts payable and accrued liabilities (except for payroll benefits payable)	84,349	84,349	244,976	244,976
Long-term debt	500,000	500,000	530,000	530,000
	\$ 584,349	\$ 584,349	\$ 774,976	\$ 774,976

In determining fair value, the Company uses observable data based on different levels which are defined as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities;
- Second level includes data that are not based on observable inputs other than quoted prices included in the first level; and
- Third level includes data that are not based on observable market data.

The carrying value of cash and cash equivalent, receivables (except for sale tax receivable), accounts payable and accrued liabilities (except for payroll benefits payable) are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. The carrying value of the long-term debt were accounted at amortized cost, and its fair value approximates its carrying value (Level 2).

b) Risks overview:

The Company has exposure to the following risks from its use of financial instruments. The Company's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge these risks.

i) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and receivables (except for sale tax receivable). Cash and cash equivalents are maintained with high-credit, quality financial institutions. The maximum credit risk is equivalent to the book value.

ii) Liquidity risk:

Management serves to maintain a sufficient amount of cash and to ensure that the Company has at its disposal sufficient sources of financing such as private placements. The Company

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establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

The following are the contractual maturities of the financial liabilities' amounts:

	0 - 12 months	13 - 24 months	More than 24 months
Accounts payable and accrued liabilities (except for payroll benefits payable)	\$ 84,349	\$ -	\$ -
Long-term debt	500,000	-	-
	\$ 584,439	\$ -	\$ -

iii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of variations in market interest rates. The Bridge Loan issued by the Company bear fixed-rate interest. As a result, the Company is not exposed to significant cash flow interest rate risk for the year ended December 31, 2023.

16. Related party transactions

Key management personnel compensation

Key management personnel correspond to the directors and the corporate officers of the Company.

During the year, the Company incurred the following expenses with key management personnel:

	2023	2022
Management fees included in office and administration	\$ 93,618	\$ 77,202
Professional fees paid to an officer	33,238	48,000
Professional fees paid to a corporation controlled by a director	-	35,000
Directors' fees	37,399	35,576
Share-based compensation	69,256	130,571

The Company has the following amounts owing to a Major shareholder as at December 31:

	2023	2022
Loan	\$ 500,000	\$ 500,000
Accrued interest	10,027	22,603

During the year, interest expenses of \$ 30,025 (2022 - \$ 57,058) were incurred on the loan and debentures, of which \$ 42,575 were paid (2022 - \$ 31,225).

17. Capital disclosures

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

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The Company's capital items are the following as at:

	2023	2022
Cash and cash equivalent	\$ 1,304,411	\$ 1,636,519
Long-term debt	500,000	530,000
Share capital	20,980,963	20,295,543

The Company manages its capital structure and adjusts it in accordance with the objectives, as well as considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new debentures, shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last year.