

STRATEGIC RESOURCES

STRATEGIC RESOURCES INC.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2021

(Unaudited)

TSX-V: SR



www.strategic-res.com

**STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

Unaudited

(expressed in Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 1,313,569	\$ 2,228,090
Receivables	4	16,288	11,778
Prepaid expenses		4,561	6,630
Total current assets		1,334,418	2,246,498
Non-current assets			
Environmental deposits		37,743	25,753
Exploration and evaluation assets	5(a)	3,784,752	3,279,357
Total assets		\$ 5,156,913	\$ 5,551,608
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 36,947	\$ 26,613
Total liabilities		36,947	26,613
EQUITY			
Share capital	7	20,625,735	20,108,235
Contributed surplus – warrants		4,864,517	4,864,517
Contributed surplus – options		3,080,829	2,910,797
Accumulated other comprehensive (loss) income		(6,355)	10,130
Accumulated deficit		(23,444,760)	(22,368,684)
Total equity		5,119,966	5,524,995
Total liabilities and equity		\$ 5,156,913	\$ 5,551,608

Going concern (Note 2(b))
Commitments (Note 16)

APPROVED BY THE DIRECTORS

“Scott Hicks”

CEO and Director

“Mark Serdan”

Director

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Expenses					
Exploration and evaluation ("E&E") expenditures	5(b)	\$ 92,231	\$ 49,504	\$ 231,896	\$ 194,906
Pre exploration and evaluation expenditures		-	2,903	471	10,352
Fees, salaries and other employee benefits	9	209,154	191,666	595,420	574,590
General and administration ("G&A")		41,344	37,468	130,419	97,306
Professional fees		56,050	18,612	121,616	111,109
		(398,779)	(300,153)	(1,079,822)	(988,263)
Other income (expenses)					
Impairment		-	(61,010)	-	(61,010)
Interest income and other		1,073	-	3,645	2,677
Foreign exchange gain (loss)		13	(108)	101	(139)
		1,086	(61,118)	3,746	(58,472)
Net loss for the period		(397,693)	(361,271)	(1,076,076)	(1,046,735)
Other comprehensive income (loss)					
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		1,475	3,928	(16,485)	13,931
Total comprehensive loss for the period		\$ (396,218)	\$ (357,343)	\$ (1,092,561)	\$ (1,032,804)
Loss per share – basic and diluted	10	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding – basic and diluted	10	42,585,372	33,267,137	41,455,030	31,998,945

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

	Note	Nine months ended September 30,	
		2021	2020
Operating activities			
Loss for the period		\$ (1,076,076)	\$ (1,046,735)
Adjustment for non-cash items:			
Impairment	5(a)	-	61,010
Share-based payment	8(a)	170,032	189,105
Deduct: interest income		(423)	(2,677)
Net changes in non-cash working capital items:			
Receivables		(4,510)	14,613
Prepaid expenses		2,069	23,283
Accounts payable and accrued liabilities		10,334	(11,987)
Net cash utilized in operating activities		(898,574)	(773,388)
Investing activities			
Acquisition of exploration and evaluation assets	5(a)	-	(229,690)
Environmental deposits		(13,469)	(2,900)
Interest received		423	2,677
Net cash utilized in investing activities		(13,046)	(229,913)
Financing activities			
Shares issued on exercise of warrants		-	99,999
Net cash provided by financing activities		-	99,999
Decrease in cash and cash equivalents		(911,620)	(903,302)
Effect of foreign exchange on cash and cash equivalents		(2,901)	6,066
Cash and cash equivalents, beginning of period		2,228,090	1,209,221
Cash and cash equivalents, end of period	3	\$ 1,313,569	\$ 311,985

Non-cash investing and financing activities: see Notes 5(a) and 7 for details of common shares issued to acquire exploration and evaluation assets.

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

	Note	Share Capital		Contributed Surplus		Other Comprehensive Income (Loss)	Accumulated Deficit	Total
		Number of shares	Amount	Warrants	Options			
Balance, December 31, 2019		31,147,258	\$ 17,075,709	\$ 4,870,766	\$ 2,577,839	\$ (3,400)	\$ (19,000,229)	\$ 5,520,685
Shares issued – Silasselkä Property	5(a), 7	1,916,667	479,167	-	-	-	-	479,167
Exercise of warrants	7	434,780	106,248	(6,249)	-	-	-	99,999
Share-based payment	8(a)	-	-	-	189,105	-	-	189,105
Foreign currency translation adjustment		-	-	-	-	13,931	-	13,931
Net loss		-	-	-	-	-	(1,046,735)	(1,046,735)
Balance, September 30, 2020		33,498,705	\$ 17,661,124	\$ 4,864,517	\$ 2,766,944	\$ 10,531	\$ (20,046,964)	\$ 5,256,152
Balance, December 31, 2020		40,668,705	\$ 20,108,235	\$ 4,864,517	\$ 2,910,797	\$ 10,130	\$ (22,368,684)	\$ 5,524,995
Shares issued – Silasselkä Property	5(a), 7	1,916,667	517,500	-	-	-	-	517,500
Share-based payment	8(a)	-	-	-	170,032	-	-	170,032
Foreign currency translation adjustment		-	-	-	-	(16,485)	-	(16,485)
Net loss		-	-	-	-	-	(1,076,076)	(1,076,076)
Balance, September 30, 2021		42,585,372	\$ 20,625,735	\$ 4,864,517	\$ 3,080,829	\$ (6,355)	\$ (23,444,760)	\$ 5,119,966

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

STRATEGIC RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Strategic Resources Inc. (“Strategic” or the “Company”) is a publicly listed company incorporated under the Ontario Business Corporations Act on October 25, 2004 and continued under the British Columbia Business Corporations Act on June 7, 2016. The Company is listed on the TSX-Venture Exchange (“TSXV”), having the symbol SR.V. Strategic and its wholly owned subsidiaries (collectively referred to as the “Group”) are engaged in the acquisition, exploration and development of vanadium and other metals used in batteries and the electrification of the economy. The Group is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The Company’s head office and principal business address is Suite 410, 625 Howe Street, Vancouver, British Columbia, V6C 2T6. The Company’s registered and records office is located at Suite 2900, 595 Burrard Street, Vancouver, British Columbia, V7X 1J5.

2. BASIS OF PREPARATION, GOING CONCERN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These condensed consolidated interim financial statements of the Group for the three and nine months ended September 30, 2021 and 2020, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information and disclosures required in full annual financial statements and should be read in conjunction with the Group’s annual financial statements as at December 31, 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These condensed consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 15, 2021.

(b) Going concern

These condensed consolidated interim financial statements have been prepared on the going concern basis which assumes that the Group will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. The Group has incurred cumulative losses of \$23,444,760 as at September 30, 2021 and has reported a net loss of \$1,076,076 for the nine months ended September 30, 2021. The ability of the Group to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Group’s assets, the successful development of the Group’s mineral property interests or a combination thereof. The Group believes that, based on forecasts and the ability to reduce expenditures if required, it will be able to continue as a going concern for the foreseeable future. However, the Group will continue to incur losses in the development of its mineral exploration projects and as noted above, the Group will require additional funding in the future. As the COVID-19 pandemic remains ongoing, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and capital markets are not known at this time. While the Company believes that it will be able to raise additional funds and/or reduce expenditures to continue as a going concern there is no assurance that the Group will be successful in obtaining additional funding at an acceptable cost as and when needed, or at all and there can be no assurance that management’s plans will be successful. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Group’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern. Such adjustments could be material.

(c) Significant accounting policies

The significant accounting policies that have been applied, on a consistent basis, in the preparation of these condensed consolidated interim financial statements are included in the Group’s audited financial statements for the year ended December 31, 2020. Those accounting policies have been used throughout all periods presented in the condensed consolidated interim financial statements.

STRATEGIC RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

2. BASIS OF PREPARATION, GOING CONCERN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results are likely to differ from these estimates. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses in these condensed consolidated interim financial statements are discussed below.

Determination of functional currency: The determination of functional currency for each company in the Group requires an analysis of various indicators which IFRS splits between primary and additional indicators. The primary factors include analyzing (a) the currency that mainly influences sales prices for goods and services, (b) the currency of the country whose competitive forces and regulations mainly determine the sales price of its goods and services and (c) the currency that mainly influences labour, material and other costs of providing goods or services. Management further reviewed the additional factors for consideration under IFRS which included examining (a) the currency of financing activities, (b) the currency in which receipts from operating activities are usually retained, (c) whether the activities of foreign operations are carried out as an extension of the Company or operate with a large degree of autonomy, (d) whether transactions between entities is a high or low proportion of the foreign operation's activities, (e) whether cash flows from activities of a foreign operation directly affect the cash flows of the Company and (f) whether cash flows from the activities of the foreign operation are sufficient to service existing and normally expected debt obligations. Management determined that the functional currency for Strategic and its Canadian subsidiaries is the Canadian dollar while the functional currency for its Finnish subsidiary is the Euro and its Peruvian subsidiary is the U.S. Dollar.

Exploration and evaluation assets: The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that such acquisition costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable resources exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available. The carrying value of these assets is detailed at Note 5(a).

Share-based payments: The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based payment calculation value.

(e) Standards issued but not yet effective

The Group has not early adopted any amendment, standard or interpretation that has been issued by the International Accounting Standards Board but that is not yet effective, nor has it identified any such standard or interpretation that is expected to have a material impact on the Group's consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents, by currency, at September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
Cash at bank and in hand denominated in Canadian dollars	\$ 74,645	\$ 210,472
Cash at bank and in hand denominated in U.S. dollars	3,474	1,347
Cash at bank and in hand denominated in Euros	34,126	15,600
Cash at bank and in hand denominated in Peruvian Soles	493	614
Cash equivalents (GIC) denominated in Canadian dollars	1,200,831	2,000,057
	\$ 1,313,569	\$ 2,228,090

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Unaudited

(expressed in Canadian dollars)

4. RECEIVABLES

The Group's receivables are as follows:

	September 30, 2021	December 31, 2020
Recoverable goods and services tax (Canada)	\$ 8,545	\$ 7,601
Recoverable VAT (Finland)	4,433	3,735
Other	3,310	442
	\$ 16,288	\$ 11,778

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

(a) Exploration and evaluation assets

At September 30, 2021, the Group holds an option agreement for a vanadium project in Finland and certain mineral concession reservations in Finland. The carrying values of the projects held are summarized below as at September 30, 2021:

	Mustavaara	Silasselkä	TOTAL
Balance, December 31, 2020	\$ 234,120	\$ 3,045,237	\$ 3,279,357
Acquisition cost: common shares issued	-	517,500	517,500
Foreign exchange adjustments	(12,105)	-	(12,105)
Balance, September 30, 2021	\$ 222,015	\$ 3,562,737	\$ 3,784,752

Mustavaara Project ("Mustavaara")

In February 2020 the Company successfully applied for mineral reservations over the Mustavaara mine area in Finland and signed a definitive agreement with the bankruptcy estate of Ferrovan Oy ("Ferrovan") to acquire all of the intellectual property, core samples and storage facilities associated with Mustavaara for €150,000. An initial payment of €50,000 (\$72,870) was made on February 7, 2020 with the remaining balance due on closing of the agreement with Ferrovan. The final payment of €100,000 (\$156,820) and agreement with Ferrovan were completed on July 28, 2020.

Silasselkä Project ("Silasselkä")

Effective June 10, 2019, the Company concluded a property option and joint venture agreement with Aurion Resources Ltd. ("Aurion") (the "Aurion Agreement") for Silasselkä which comprised 7 claims, 4 exploration licenses and 2 exploration reservations in northern Finland. Under the terms of the Aurion Agreement, the Company could acquire up to a 100% interest in Silasselkä through a two stage earn-in process. The first earn-in to acquire a 75% stake in Silasselkä required: (i) issuing 3,000,000 common shares of the Company and a payment of \$500,000 to Aurion (completed during the year ended December 31, 2019); (ii) issuing an additional 1,916,667 common shares of the Company to Aurion and spending \$1,000,000 of exploration expenditures on Silasselkä before June 10, 2020; and (iii) issuing an additional 1,916,667 common shares of the Company to Aurion and spending an additional \$1,000,000 of exploration expenditures on Silasselkä before June 10, 2021. The second earn-in was to be achieved once the Company had acquired a 75% interest in Silasselkä, whereby it could increase its interest to 100% by issuing an additional 1,166,666 common shares of the Company to Aurion and spending an additional \$1,000,000 of exploration expenditures before June 10, 2022. A finder's fee of 387,000 common shares of the Company was paid in connection with the Aurion Agreement.

On June 16, 2020, the Company agreed to a revision of the terms of the Aurion Agreement whereby Aurion agreed to waive the required expenditures on the project totalling \$3,000,000 and simplified the earn-in to a single option to earn 100% on completion of all required share issuances. 1,916,667 common shares of the Company were issued to Aurion on each of June 10, 2020 and June 10, 2021. In order to complete the earn-in on the Aurion Agreement, the Company will be required to issue an additional 1,166,666 common shares by June 10, 2022.

Under the terms of the Aurion Agreement, and in the event that the Company finalizes the earn-in, if it is determined within a five-year period from that date that Silasselkä contains at least 300,000 ounces of gold in the indicated mineral resource category or better, then the Company will issue 3,000,000 common shares to Aurion.

STRATEGIC RESOURCES INC.
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Unaudited

(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(a) Exploration and evaluation assets (continued)

Silasselkä Project (continued)

A third party holds a 3% net smelter royalty ("NSR") on Silasselkä and other mineral properties owned by Aurion. Until the end of November 2020, Aurion had the right to buy the 3% NSR from the holder for €4,000,000. Following the expiry of this right, Aurion has, for a period of ten years, a right of first refusal to match the amount should a party wish to purchase the NSR. After ten years, Aurion can purchase 1% of the NSR for €4,000,000. In the event Aurion acquires any or all of this NSR, the Company will have the option to purchase up to one-half of such NSR, as it pertains to the Silasselkä property, on a proportionate value basis.

Akanvaara Project ("Akanvaara")

Effective June 10, 2019, the Company concluded a property option and joint venture agreement with Magnus Minerals Oy ("Magnus") (the "Magnus Agreement") for Akanvaara which comprised an exploration permit and a reservation in northern Finland. Under the terms of the Magnus Agreement, the Company could acquire up to a 100% interest in Akanvaara through a two stage earn-in process. The first earn-in to acquire a 70% interest in Akanvaara required: (i) issuing 2,500,000 common shares of the Company and a payment of \$143,750 being made to Magnus (both completed during the year ended December 31, 2019); (ii) spending \$750,000 of exploration expenditures on Akanvaara before June 10, 2021; and (iii) granting a 0.7% NSR to Magnus. On November 25, 2020, the Company provided 30 days notice to Magnus that it was terminating the Magnus Agreement. Accordingly, the carrying value of Akanvaara was expensed to \$Nil in the fourth quarter of 2020.

Peruvian Claims

The Group obtained mineral claims across six discrete land packages in Peru. During the year ended December 31, 2020, the Company wrote-down the carrying value of the mineral claims to \$Nil given the very limited expenditures on the claim areas in the year and minimal spend expected in the foreseeable future. The validity of the Peruvian claims expired on June 30, 2021 as the Company determined it would not renew the claims by omitting to make the annual concession fee payments due as at that date.

(b) Exploration and evaluation expenditures

The Group's exploration and evaluation expenditures on its projects for the three and nine months ended September 30, 2021 and 2020 are detailed in the tables below.

	Three months ended September 30, 2021				
	Mustavaara	Silasselkä	Akanvaara	Peru	TOTAL
Metallurgical	\$ 35,026	\$ -	\$ -	\$ -	\$ 35,026
Mineral rights / access	-	37,650	-	-	37,650
Project management	19,555	-	-	-	19,555
Costs incurred during the period	\$ 54,581	\$ 37,650	\$ -	\$ -	\$ 92,231
Cumulative E&E incurred, beginning of period	\$ 425,722	\$ 248,101	\$ 514,608	\$ 24,938	\$ 1,213,369
E&E incurred during the period	54,581	37,650	-	-	92,231
Cumulative E&E incurred, end of period	\$ 480,303	\$ 285,751	\$ 514,608	\$ 24,938	\$ 1,305,600

	Three months ended September 30, 2020				
	Mustavaara	Silasselkä	Akanvaara	Peru	TOTAL
Geological consulting / staff	\$ 37,149	\$ 352	\$ 117	\$ 1,450	\$ 39,068
Mineral rights / access	-	-	9,300	-	9,300
Project management	1,136	-	-	-	1,136
Costs incurred during the period	\$ 38,285	\$ 352	\$ 9,417	\$ 1,450	\$ 49,504
Cumulative E&E incurred, beginning of period	\$ 73,655	\$ 169,421	\$ 504,956	\$ 23,488	\$ 771,520
E&E incurred during the period	38,285	352	9,417	1,450	49,504
Cumulative E&E incurred, end of period	\$ 111,940	\$ 169,773	\$ 514,373	\$ 24,938	\$ 821,024

STRATEGIC RESOURCES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2021 and 2020

Unaudited

(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(b) Exploration and evaluation expenditures (continued)

	Nine months ended September 30, 2021				TOTAL
	Mustavaara	Silasselkä	Akanvaara	Peru	
Assays / Sampling	\$ 1,380	\$ -	\$ -	\$ -	\$ 1,380
Geological consulting / staff	48,002	9,058	-	-	57,060
Metallurgical	74,947	-	-	-	74,947
Mineral rights / access	-	51,502	-	-	51,502
Project management	43,229	-	-	-	43,229
Reports	3,778	-	-	-	3,778
Costs incurred during the period	\$ 171,336	\$ 60,560	\$ -	\$ -	\$ 231,896
Cumulative E&E incurred, beginning of period	\$ 308,967	\$ 225,191	\$ 514,608	\$ 24,938	\$ 1,073,704
E&E incurred during the period	171,336	60,560	-	-	231,896
Cumulative E&E incurred, end of period	\$ 480,303	\$ 285,751	\$ 514,608	\$ 24,938	\$ 1,305,600

	Nine months ended September 30, 2020				TOTAL
	Mustavaara	Silasselkä	Akanvaara	Peru	
Assays / Sampling	\$ 20,169	\$ -	\$ 24,220	\$ -	\$ 44,389
Field office	1,784	3,656	361	-	5,801
Geological consulting / staff	76,265	7,675	3,438	1,450	88,828
Mineral rights / access	6,427	26,264	14,733	-	47,424
Project management	5,968	199	314	-	6,481
Transportation and accommodation	1,327	328	328	-	1,983
Costs incurred during the period	\$ 111,940	\$ 38,122	\$ 43,394	\$ 1,450	\$ 194,906
Cumulative E&E incurred, beginning of period	\$ -	\$ 131,651	\$ 470,979	\$ 23,488	\$ 626,118
E&E incurred during the period	111,940	38,122	43,394	1,450	194,906
Cumulative E&E incurred, end of period	\$ 111,940	\$ 169,773	\$ 514,373	\$ 24,938	\$ 821,024

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	September 30, 2021		December 31, 2020	
Trade payables	\$	13,537	\$	18,220
Accrued liabilities		23,410		8,393
	\$	36,947	\$	26,613

7. SHARE CAPITAL

Authorized: Unlimited common shares, without par value.

Issued and fully paid:	Number of Common Shares		Amount
Balance, December 31, 2019	31,147,258	\$	17,075,709
Shares issued – Silasselkä Property (a)	1,916,667		479,167
Shares issued on exercise of warrants (b)	434,780		106,248
Balance, September 30, 2020	33,498,705	\$	17,661,124

STRATEGIC RESOURCES INC.
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Unaudited

(expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

	Number of Common Shares		Amount
Balance, December 31, 2020	40,668,705	\$	20,108,235
Shares issued – Silasselkä Property (c)	1,916,667		517,500
Balance, September 30, 2021	42,585,372	\$	20,625,735

- (a) In connection with the Aurion Agreement to acquire Silasselkä (see Note 5(a)), on June 10, 2020, the Company issued 1,916,667 shares to Aurion at a value of \$0.25 per common share, being the closing price of the shares on the TSX-V on the day of issuance.
- (b) In August 2020, 434,780 warrants were exercised at an exercise price of \$0.23 per common share for total proceeds of \$99,999. The previously recognized contributed surplus amount relating to these warrants was reclassified from contributed surplus - warrants to share capital in the amount of \$6,249.
- (c) On June 10, 2021, the Company issued 1,916,667 shares to Aurion at a value of \$0.27 per common share, being the closing price of the shares on the TSX-V on the day of issuance.

8. WARRANTS AND SHARE-BASED PAYMENTS

The reserves recorded in equity on the Company's condensed consolidated interim statements of financial position include "contributed surplus – warrants" and "contributed surplus – options". Contributed surplus - options is used to recognize the fair value of option instruments granted by the Company and contributed surplus - warrants is used to recognize the fair value of warrant instruments issued by the Company.

(a) Stock options

The Company has a stock option plan (the "Plan") whereby the Company may grant options to directors, officers, employees and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the total number of issued and outstanding shares on the date options are granted. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Options are exercisable over periods of up to ten years as determined by the Board and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%. The amount of the discount varying with market price in accordance with the policies of the TSX Venture Exchange. The Plan contains no vesting requirements except that options granted to consultants performing investor relations activities are to vest in a minimum of 12 months with no more than one-quarter of the options vesting in any three-month period.

During the nine months ended September 30, 2021, the Company granted 100,000 stock options (nine months ended September 30, 2020 – Nil) to an employee at a weighted average exercise price of \$0.30 and expiry date of April 14, 2026. The weighted average fair value of the options granted in the nine months ended September 30, 2021 was estimated at \$0.18 per option at the grant date using Black-Scholes. The vesting schedule of the options granted in the nine months ended September 30, 2021 was 1/3 on the grant date, 1/3 one year after the grant date and 1/3 two years after the grant date. The fair value used to calculate the compensation expense related to the stock options granted in the nine months ended September 30, 2021 was estimated using Black-Scholes with the following assumptions:

Risk-free interest rate	0.77%
Expected dividend yield	-
Expected stock price volatility	73%
Expected option life in years	5
Expected rate of forfeiture	0 – 5%

The share price and exercise price used in determining share-based payment amounts are equal to the closing share price and exercise price on the day that stock options are granted, in accordance with the Plan. Option pricing models such as Black-Scholes require the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. Volatility is determined based upon historical volatility of the Company's common shares, generally for a period equal to the expected life of the stock options.

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8. WARRANTS AND SHARE-BASED PAYMENTS (continued)

(a) Stock options (continued)

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the three and nine months ended September 30, 2021, in the amounts of \$56,114 and \$170,032, respectively, have been recorded in the consolidated statement of comprehensive loss and have been included in Note 9 re fees, salaries and other employee benefits (three and nine months ended September 30, 2020 - \$63,495 and \$189,105, respectively).

(b) Outstanding stock options

Stock options and weighted average exercise prices are as follows for the reporting periods presented:

	Three months ended September 30,			
	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning and end of period	3,155,000	\$ 0.29	2,015,000	\$ 0.25

	Nine months ended September 30,			
	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,055,000	\$ 0.29	2,015,000	\$ 0.25
Options granted	100,000	0.30	-	-
Outstanding, end of period	3,155,000	\$ 0.29	2,015,000	\$ 0.25

At September 30, 2021, the Company had outstanding stock options, including weighted average remaining contractual life, as follows:

Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
2,015,000	October 21, 2024	3.06	\$ 0.25	1,343,338	\$ 0.25
1,040,000	November 19, 2025	4.14	\$ 0.37	346,669	\$ 0.37
100,000	April 14, 2026	4.54	\$ 0.30	33,334	\$ 0.30
3,155,000		3.46	\$ 0.29	1,723,341	\$ 0.27

(c) Warrants

The Company has, from time to time, issued share purchase warrants as part of units issued in private placements for cash and in connection with loans. No warrants were granted or issued during the nine months ended September 30, 2021 and 2020.

Issued as part of units in private placements

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to the warrants.

Issued in connection with loans

The proceeds from the issuance of loans are allocated between loans payable and warrants based on the residual value method whereby the proceeds are allocated to loans payable based on the fair value of the loans payable and any residual value is allocated to the warrants.

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8. WARRANTS AND SHARE-BASED PAYMENTS (continued)

(c) Warrants (continued)

The following table summarizes warrants activity for the three and nine months ended September 30, 2021 and 2020:

	Three and nine months ended September 30,		2020	
	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,585,000	\$ 0.55	434,780	\$ 0.23
Exercised	-	-	(434,780)	-
Outstanding, end of period	3,585,000	\$ 0.55	-	\$ -

Warrants outstanding at September 30, 2021 are as follows:

Warrants Outstanding				Warrants Exercisable	
Number of Warrants	Expiry Date	Weighted average life (years)	Exercise Price	Number of Warrants	Exercise Price
3,585,000	April 20, 2022	0.55	\$ 0.55	3,585,000	\$ 0.55

9. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Fees and salaries	\$ 147,210	\$ 126,270	\$ 413,665	\$ 378,810
Social security	5,830	1,901	11,723	6,675
Share-based payment (Note 8(a))	56,114	63,495	170,032	189,105
	\$ 209,154	\$ 191,666	\$ 595,420	\$ 574,590

10. LOSS PER SHARE

The calculation of basic and diluted loss per common share is based on the following data:

	Three months ended September 30,		2020	
	2021		2020	
Net loss	\$ (397,693)		\$ (361,271)	
Weighted average number of common shares outstanding (basic and diluted)	42,585,372		33,267,137	
Loss per share – basic and diluted	\$ (0.01)		\$ (0.01)	
	Nine months ended September 30,		2020	
	2021		2020	
Net loss	\$ (1,076,076)		\$ (1,046,735)	
Weighted average number of common shares outstanding (basic and diluted)	41,455,030		31,998,945	
Loss per share – basic and diluted	\$ (0.03)		\$ (0.03)	

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10. LOSS PER SHARE (continued)

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

All of the stock options and warrants currently issued (see Note 8) were anti-dilutive for the three and nine month periods ended September 30, 2021 and 2020.

11. CAPITAL RISK MANAGEMENT

It is the Company's objective when managing capital to safeguard its ability to continue as a going concern in order that it may continue to explore and develop its mineral properties and continue its operations for the benefit of its shareholders. The Company's objectives when managing capital are to:

- (a) continue the exploration and development of its mineral properties;
- (b) support any expansion plans; and
- (c) maintain a capital structure which optimizes the cost of capital at acceptable risk.

The Company considers its equity, which includes common shares, contributed surplus – warrants, contributed surplus – options, other comprehensive income / loss and accumulated deficit as capital. The Company intends to spend existing working capital by carrying out its planned acquisition, exploration and development activities on mineral properties and continuing to pay administrative costs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure the Company may issue new common shares. In order to facilitate analysis and management of its capital requirements, the Company prepares and updates annual budgets (as needed) to ensure that its acquisition and exploration operations can continue to progress. Budgets, once finalized, are approved by the Board. There have not been any changes to the Company's capital management objective, policies and processes compared to the prior year. The Company is not subject to any externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

(a) Categories of financial assets and financial liabilities

The Group's financial assets and financial liabilities are categorized as follows:

	Note	Category	September 30, 2021	December 31, 2020
Cash and cash equivalents	3	Amortized cost	\$ 1,313,569	\$ 2,228,090
Receivables	4	Amortized cost	3,310	442
Environmental deposits		Amortized cost	37,743	25,753
Accounts payable and accrued liabilities	6	Amortized cost	36,947	26,613

The recorded amounts for cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments and/or the market interest rate being earned or charged thereon. Income earned on the Group's cash and cash equivalents has been disclosed in the consolidated statements of comprehensive loss under the caption "interest income and other."

(b) Categories of financial assets and financial liabilities

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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13. FINANCIAL INSTRUMENT RISKS

The Group is exposed to various risks in relation to financial instruments. The main types of risk are credit risk, liquidity risk and market risk. These risks arise from the normal course of the Group's operations and all transactions undertaken are to support the Group's ability to continue as a going concern. The risks associated with financial instruments and the policies on mitigation of such risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit Risk

The Group considers that its cash and cash equivalents, receivables and environmental deposits are exposed to credit risk, representing maximum exposure of \$1,354,622 at September 30, 2021 (December 31, 2020 - \$2,254,285). Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk on its cash is minimized by maintaining these assets with high-credit quality financial institutions. At September 30, 2021, the Group's cash and cash equivalents were held at four financial institutions (December 31, 2020 – four financial institutions).

(b) Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they become due. The Group manages liquidity risk by ensuring that it has sufficient cash available to meet its obligations. These requirements are met through a combination of cash on hand, disposition of assets, accessing capital markets and loans.

At September 30, 2021, the Group's current liabilities consisted of accounts payable and accrued liabilities of \$36,947 which are due primarily within three months from the period end. The Group's cash and cash equivalents of \$1,313,569 at September 30, 2021, were sufficient to pay for the current liabilities.

(c) Market Risks

The significant market risk exposures to which the Group is exposed are interest rate risk, currency risk and price risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Group will fluctuate because of changes in market interest rates. Based on the Group's cash and cash equivalents as at September 30, 2021, and assuming that all other variables remained constant, a 1% increase or decrease in interest rates would result in an increase or decrease of approximately \$13,000 in the Group's interest income on an annual basis.

Currency Risk

The functional currency of the Company and its subsidiaries is the Canadian dollar, Euro or U.S. dollar, respectively. The Group's reporting currency is the Canadian dollar. The carrying amounts of financial assets and financial liabilities denominated in currencies other than the functional currency for each subsidiary are subject to fluctuations in the underlying foreign currency exchange rates. Gains and losses on such items are included as a component of net loss for the period.

The Group is exposed to currency risks arising from fluctuations in foreign exchange rates primarily among the U.S. dollar, Euro and Peruvian Sol and the degree of volatility of these rates. The Group does not use derivative instruments to reduce its exposure to foreign exchange and currency risks. The Group's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

The table below shows the impact that a 1% fluctuation in foreign currency rates would have on the Group's consolidated loss, comprehensive loss and equity based upon the assets held at September 30, 2021.

Financial Instrument Type	Canadian Dollar	Currency	+/- 1% Fluctuation	
Cash	\$ 493	Peruvian Sol	\$ 5	\$ (5)
Cash	637	U.S. dollar	6	(6)
Accounts payable and accrued liabilities	(9,226)	Euro	(92)	92
Accounts payable and accrued liabilities	(1,800)	U.S. dollar	(18)	18
Total	\$ (9,896)		\$ (99)	\$ 99

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13. FINANCIAL INSTRUMENT RISKS (continued)

(c) Market Risks (continued)

Other Price Risk

The Group did not hold any financial instruments that had direct exposure to other price risks at September 30, 2021.

14. SEGMENTED DISCLOSURE

Operating segment

The Group has one operating segment, being the acquisition, exploration and evaluation of mineral assets.

Geographic segments

The Group's assets, liabilities, expenses and other income by geographic area as at and for the periods ended September 30, 2021 and 2020 are as follows:

	September 30, 2021			
	Canada	Finland	Peru	Total
Current assets	\$ 1,292,278	\$ 38,722	\$ 3,418	\$ 1,334,418
Environmental deposits	-	37,743	-	37,743
Exploration and evaluation assets	-	3,784,752	-	3,784,752
Total assets	\$ 1,292,278	\$ 3,861,217	\$ 3,418	\$ 5,156,913
Current liabilities	\$ 11,922	\$ 24,006	\$ 1,019	\$ 36,947
Total liabilities	\$ 11,922	\$ 24,006	\$ 1,019	\$ 36,947

	December 31, 2020			
	Canada	Finland	Peru	Total
Current assets	\$ 2,225,487	\$ 19,335	\$ 1,676	\$ 2,246,498
Environmental deposits	-	25,753	-	25,753
Exploration and evaluation assets	-	3,279,357	-	3,279,357
Total assets	\$ 2,225,487	\$ 3,324,445	\$ 1,676	\$ 5,551,608
Current liabilities	\$ 13,055	\$ 13,558	\$ -	\$ 26,613
Total liabilities	\$ 13,055	\$ 13,558	\$ -	\$ 26,613

	Three months ended September 30, 2021			
	Canada	Finland	Peru	Total
Expenses	\$ 247,030	\$ 150,655	\$ 1,094	\$ 398,779
Other (income) expenses	(1,087)	(3)	4	(1,086)
Net loss for the period	\$ 245,943	\$ 150,652	\$ 1,098	\$ 397,693

	Three months ended September 30, 2020			
	Canada	Finland	Peru	Total
Expenses	\$ 231,517	\$ 66,415	\$ 2,221	\$ 300,153
Other expenses	102	-	61,016	61,118
Net loss for the period	\$ 231,619	\$ 66,415	\$ 63,237	\$ 361,271

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14. SEGMENTED DISCLOSURE (continued)

Geographic segments (continued)

	Nine months ended September 30, 2021			
	Canada	Finland	Peru	Total
Expenses	\$ 741,681	\$ 335,129	\$ 3,012	\$ 1,079,822
Other (income) expenses	(3,758)	(3)	15	(3,746)
Net loss for the period	\$ 737,923	\$ 335,126	\$ 3,027	\$ 1,076,076

	Nine months ended September 30, 2020			
	Canada	Finland	Peru	Total
Expenses	\$ 721,215	\$ 262,762	\$ 4,286	\$ 988,263
Other (income) expenses	(2,575)	-	61,047	58,472
Net loss for the period	\$ 718,640	\$ 262,762	\$ 65,333	\$ 1,046,735

15. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS

Information about subsidiaries

The consolidated financial statements include the following subsidiaries:

	Country of Incorporation	% Equity interest at	
		September 30, 2021	December 31, 2020
Strategic Resources (Finland) Inc.	Canada	100	100
Strategic Resources (Peru) Inc.	Canada	100	100
Strategic Explorations Oy	Finland	100	100
Minera Strategic Peru S.A.C.	Peru	100	100

Related party expenses and balances

The Group incurred the following expenses with related parties:

Company	Nature of transactions	Three months ended September 30,	
		2021	2020
Miedzi Copper Corp	G&A	\$ 17,401	\$ 16,844
Miedzi Copper Corp	E&E (geological consulting)	-	1,450
Miedzi Copper Corp	Pre E&E	-	2,904
Hathaway Consulting Ltd.	Fees	21,000	21,000
Into the Blue Management Inc.	Fees	27,000	27,000
Lyle E Braaten Law Corp.	Fees	22,470	22,470
		\$ 87,871	\$ 91,668

Company	Nature of transactions	Nine months ended September 30,	
		2021	2020
Miedzi Copper Corp	G&A	\$ 49,671	\$ 45,518
Miedzi Copper Corp	E&E (geological consulting)	-	1,450
Miedzi Copper Corp	Pre E&E	-	2,904
Lumina Gold Corp	G&A	-	549
Hathaway Consulting Ltd.	Fees	63,000	63,000
Into the Blue Management Inc.	Fees	81,000	81,000
Lyle E Braaten Law Corp.	Fees	67,410	67,410
		\$ 261,081	\$ 261,831

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15. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS (continued)

Related party expenses and balances (continued)

Miedzi Copper Corp. and Lumina Gold Corp are considered companies related by way of directors, officers and shareholders in common. Hathaway Consulting Ltd., Into the Blue Management Inc. and Lyle E Braaten Law Corp. are related by way of being owned by directors or officers of the Company. Related party transactions are recognized at the amounts agreed between the parties. Outstanding balances are unsecured and settlement occurs in cash. There were no amounts due to related parties as at September 30, 2021 and December 31, 2020.

Key management personnel compensation

Key management of the Group are the directors and officers of Strategic and their remuneration includes the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Short-term benefits (i)	\$ 112,410	\$ 91,470	\$ 309,265	\$ 274,410
Share-based payments (ii)	46,158	47,897	136,805	142,653
Total remuneration	\$ 158,568	\$ 139,367	\$ 446,070	\$ 417,063

(i) Short-term benefits include fees and salaries.

(ii) Share-based payments amounts equate to the share-based payment expense during the period as expensed in the consolidated statements of comprehensive loss.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or long-term benefits during the periods ended September 30, 2021 and 2020.

16. COMMITMENTS

As at September 30, 2021, the Group has entered into agreements that are not recognized as right-of-use assets and that include rental agreements, that require minimum payments in the aggregate as follows:

Due within one year	\$ 11,657
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