

# STRATEGIC RESOURCES

STRATEGIC RESOURCES INC.



**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2022

TSX-V: SR



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## Independent Auditor's Report

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To the Shareholders of Strategic Resources Inc.

### Opinion

We have audited the consolidated financial statements of Strategic Resources Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### 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 Consolidated 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 consolidated 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***Assessment of impairment indicators on Exploration and Evaluation Assets ("E&E Assets")***

##### *Description of the key audit matter*

At each reporting date, management assesses the Company's E&E Assets for indicators of impairment in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*. This assessment involves judgement, including whether the rights to tenure for the areas of interest are current, and the Company's ability and intention to continue to evaluate and develop the area of interest. We have therefore considered this a Key Audit Matter due to the judgement involved in the assessment of indicators of impairment.

Please refer to Notes 3(f) and (g) to the consolidated financial statements for the Company's E&E Assets accounting policy, and Note 3(s) which details the critical judgements used in assessing the impairment of exploration and evaluation assets.



#### *How the key audit matter was addressed in the audit*

Our audit procedures included but were not limited to:

- obtaining and reviewing management's assessment of impairment indicators under IFRS 6,
- obtaining an understanding of the current exploration program and any associated risks through discussions with management and review of technical reports,
- assessing that the Company's right to tenure for the areas of interest are current, which included obtaining supporting documentation and performing title search for the mining licenses,
- considering the Company's ability and intention to continue to evaluate the area of interest, which included performing an assessment of the Company's cash flow forecast models, discussions with management as to the intentions and strategy of the Company, and comparison of these to other audited information.

#### **Other Information**

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

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, 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 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Mark Zastre.

*BDO Canada LLP*

Chartered Professional Accountants  
Vancouver, British Columbia  
March 29, 2023

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

(expressed in Canadian dollars)

	Note	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 128,847	\$ 961,111
Receivables	5	21,946	12,372
Prepaid expenses		41,327	8,086
<b>Total current assets</b>		<b>192,120</b>	<b>981,569</b>
<b>Non-current assets</b>			
Environmental deposits		39,760	36,697
Exploration and evaluation assets	6(a)	4,106,273	3,778,602
<b>Total assets</b>		<b>\$ 4,338,153</b>	<b>\$ 4,796,868</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 254,157	\$ 27,537
<b>Total liabilities</b>		<b>254,157</b>	<b>27,537</b>
<b>EQUITY</b>			
Share capital	8	21,293,667	20,625,735
Contributed surplus – warrants		4,864,517	4,864,517
Contributed surplus – options		3,069,692	3,200,373
Accumulated other comprehensive loss		(16,514)	(15,273)
Accumulated deficit		(25,127,366)	(23,906,021)
<b>Total equity</b>		<b>4,083,996</b>	<b>4,769,331</b>
<b>Total liabilities and equity</b>		<b>\$ 4,338,153</b>	<b>\$ 4,796,868</b>

Going concern (Note 2(c))  
 Commitments (Note 18)  
 Post-reporting date events (Note 19)

APPROVED BY THE DIRECTORS

*“Scott Hicks”*

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 CEO and Director

*“Mark Serdan”*

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 Director

*See Accompanying Notes to the Consolidated Financial Statements*

**STRATEGIC RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**For the years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

	<b>Note</b>	<b>Year ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
<b>Expenses</b>			
Exploration and evaluation ("E&E") expenditures	6(b)	\$ 191,110	\$ 274,793
Pre exploration and evaluation expenditures		1,275	471
Fees, salaries and other employee benefits	10	757,307	917,581
General and administration ("G&A")		121,853	170,708
Professional fees		150,176	178,403
Loss from operations		(1,221,721)	(1,541,956)
<b>Other income (expenses)</b>			
Interest income and other		3,236	4,520
Foreign exchange (loss) gain		(2,860)	99
		376	4,619
<b>Net loss for the year</b>		<b>(1,221,345)</b>	<b>(1,537,337)</b>
<b>Other comprehensive loss</b>			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(1,241)	(25,403)
<b>Total comprehensive loss for the year</b>		<b>\$ (1,222,586)</b>	<b>\$ (1,562,740)</b>
Loss per share – basic and diluted	11	\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted	11	43,368,402	41,739,938

See Accompanying Notes to the Consolidated Financial Statements

**STRATEGIC RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2022 and 2021

(expressed in Canadian dollars)

	Note	Year ended December 31,	
		2022	2021
<b>Operating activities</b>			
Loss for the year		\$ (1,221,345)	\$ (1,537,337)
Adjustment for non-cash items:			
Share-based payment	9(a)	138,776	289,576
Deduct: interest income		(3,237)	(4,282)
Net changes in non-cash working capital items:			
Receivables		(9,574)	(594)
Prepaid expenses		(33,241)	(1,456)
Accounts payable and accrued liabilities		46,482	924
<b>Net cash utilized in operating activities</b>		<b>(1,082,139)</b>	<b>(1,253,169)</b>
<b>Investing activities</b>			
Environmental deposits		(2,772)	(13,469)
Interest received		3,237	4,282
<b>Net cash provided by (utilized in) investing activities</b>		<b>465</b>	<b>(9,187)</b>
<b>Financing activities</b>			
Shares issued on exercise of stock options	8	270,250	-
Share issue costs	8	(18,304)	-
<b>Net cash provided by financing activities</b>		<b>251,946</b>	<b>-</b>
Decrease in cash and cash equivalents		(829,728)	(1,262,356)
Effect of foreign exchange on cash and cash equivalents		(2,536)	(4,623)
Cash and cash equivalents, beginning of year		961,111	2,228,090
<b>Cash and cash equivalents, end of year</b>	<b>4</b>	<b>\$ 128,847</b>	<b>\$ 961,111</b>

**Non-cash investing and financing activities:** see Notes 6 and 8 for details of shares issued to acquire exploration and evaluation assets. In addition, \$180,138 relating to share issue costs is included in accounts payable and accrued liabilities at December 31, 2022.

*See Accompanying Notes to the Consolidated Financial Statements*



**STRATEGIC RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

	Note	Share Capital		Contributed Surplus		Other Comprehensive Income (Loss)	Accumulated Deficit	Total
		Number of shares	Amount	Warrants	Options			
<b>Balance, December 31, 2020</b>		40,668,705	\$ 20,108,235	\$ 4,864,517	\$ 2,910,797	\$ 10,130	\$ (22,368,684)	\$ 5,524,995
Shares issued – Silasselkä Property	6, 8	1,916,667	517,500	-	-	-	-	517,500
Share-based payment	9(a)	-	-	-	289,576	-	-	289,576
Foreign currency translation adjustment		-	-	-	-	(25,403)	-	(25,403)
Net loss		-	-	-	-	-	(1,537,337)	(1,537,337)
<b>Balance, December 31, 2021</b>		42,585,372	\$ 20,625,735	\$ 4,864,517	\$ 3,200,373	\$ (15,273)	\$ (23,906,021)	\$ 4,769,331
Shares issued – Silasselkä Property	6, 8	1,166,666	326,667	-	-	-	-	326,667
Exercise of stock options	8, 9(a)	1,081,000	539,707	-	(269,457)	-	-	270,250
Share issue costs	8	-	(198,442)	-	-	-	-	(198,442)
Share-based payment	9(a)	-	-	-	138,776	-	-	138,776
Foreign currency translation adjustment		-	-	-	-	(1,241)	-	(1,241)
Net loss		-	-	-	-	-	(1,221,345)	(1,221,345)
<b>Balance, December 31, 2022</b>		44,833,038	\$ 21,293,667	\$ 4,864,517	\$ 3,069,692	\$ (16,514)	\$ (25,127,366)	\$ 4,083,996

*See Accompanying Notes to the Consolidated Financial Statements*

**STRATEGIC RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

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**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.

On December 13, 2022, Strategic entered into an arm’s length share exchange agreement with BlackRock Metals Inc. (“BlackRock”) (the “Share Exchange Agreement”) pursuant to which Strategic will acquire all of the outstanding shares in BlackRock for shares of Strategic (the “Transaction”). The Transaction will constitute a reverse takeover of Strategic. Upon completion of the Transaction, BlackRock will become a wholly-owned subsidiary of Strategic. Strategic will continue to trade on the TSXV under its current name. See Note 19 for matters related to the Transaction that have occurred subsequent to December 31, 2022.

**2. BASIS OF PREPARATION AND GOING CONCERN**

**(a) Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors (“Board”) on March 29, 2023.

**(b) Basis of preparation**

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

**(c) Going concern**

These consolidated 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 \$25,127,366 as at December 31, 2022 and has reported a net loss of \$1,221,345 for the year ended December 31, 2022. The ability of the Company 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 Company believes that, based on forecasts, the ability to reduce expenditures if required, and the Company’s historical and anticipated ability to raise additional funding, it will be able to continue as a going concern for the foreseeable future. However, the Company will continue to incur losses in the development of its mineral exploration projects and, as noted above, the Company will require additional funding in the future.

The COVID-19 pandemic continues to impact world affairs as do geopolitical events such as the conflict between Russia and Ukraine. These events have led to rising global inflation and an increasingly negative economic outlook as central banks around the world have increased interest rates. 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 Company will be successful in obtaining additional funding at an acceptable cost as and when needed, or at all. 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 consolidated 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 Company be unable to continue as a going concern. Such adjustments could be material.

**STRATEGIC RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Overall considerations**

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

**(b) Basis of consolidation**

These consolidated financial statements include the financial statements of Strategic and its wholly owned subsidiaries which are controlled by the Company. Control is achieved when Strategic (as the parent company) is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Strategic controls an investee if, and only if, the Company has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

**(c) Presentation currency and foreign currency translation**

Functional currencies of the Company's individual entities represent the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates at the financial position date. Foreign exchange differences arising on translation are recognized in earnings except for monetary items that are designated as part of the Group's net investment of a foreign operation. These are recognized in other comprehensive income (loss) until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

In preparing the Company's consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates at the statement of financial position date. Revenues and expenses of foreign operations are translated into Canadian dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive income (loss).

If the Company or any of its investments dispose of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net loss.

See Note 3(s) for details around the functional currency for each company within the Group.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly-liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

**(e) Exploration and evaluation licenses**

All direct costs related to the acquisition of mineral property interests (E&E Assets) are capitalized into exploration and evaluation assets (an intangible asset) on a property-by-property basis. License costs paid in connection with a right to explore in an exploration area, for a period in excess of one year, are capitalized and amortized over the term of the license.

**STRATEGIC RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Acquisition of mineral property interests**

The Group treats the acquisition of a mineral property interest as either a business combination or asset purchase. The determination of treatment is based upon an assessment of factors at the time of acquisition. A business combination is a transaction in which control over one or more businesses is obtained. A business is defined as an integrated set of activities and assets that is capable of creating outputs which provide a positive economic return to stakeholders. If the integrated set of activities and assets is in the exploration or development stage and therefore does not have outputs, the Group considers other factors to determine if the assets are a business. These include, but are not limited to, whether the set of activities and assets: (a) has planned principal activities; (b) has identified mineral reserves and processes needed to generate the inputs required for output production; (c) is pursuing a plan to produce outputs; and (d) will be able to sell the produced outputs.

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business.

Business acquisitions are accounted for using the acquisition method, in which the acquired assets and liabilities are recorded at fair value at the date of acquisition. Direct costs associated with a business combination are expensed as incurred.

Acquisitions in which a business is not acquired are treated as an asset purchase. Under an asset purchase, the fair value of the consideration provided is allocated to the individual fair value of assets and liabilities assumed at the time of acquisition.

The costs of acquisition for an asset acquisition are deferred and capitalized as exploration and evaluation assets on the statement of financial position in the period they are incurred. In the event the acquisition is not completed, these costs would be immediately expensed.

**(g) Exploration and evaluation expenditures**

Exploration and evaluation activities prior to acquiring an interest in a mineral concession area, including costs associated with applying for new mineral concession, are charged to operations as pre exploration and evaluation expenditures. Subsequent to acquisition of the interest in a mineral property, exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

Although the Group has taken steps to verify the title to the exploration and evaluation assets in which it has an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the Group's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**(h) Environmental Deposits**

Cash which is subject to contractual restrictions on use is classified separately as deposits. Security deposits required to be made to regulatory bodies, such as environmental or reclamation deposits, are classified as deposits.

**(i) Leases**

*Lease definition*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Group has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

**STRATEGIC RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Leases (continued)**

*Measure of right-of-use ("ROU") assets and lease obligations*

At lease commencement, the Group recognizes a ROU asset and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Group's property and equipment. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted at either the rate implicit in the lease or using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Group is reasonably certain to exercise.

The lease obligation is subsequently 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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

*Recognition exemptions*

The Group has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated statement of comprehensive loss. The Company has assessed its office and storage lease arrangements and concluded they do not constitute the ability to direct the use of the underlying premises in the context of IFRS 16.

**(j) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

**(k) Decommissioning, restoration and similar liabilities ("asset retirement obligation" or "ARO")**

The Group recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and decommissioning of equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for an ARO is recognized at its present value in the period in which it arises. Upon initial recognition of the liability, the corresponding ARO is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the ARO, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2022 and 2021, the Group did not have any asset retirement obligations.

The Group is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge or hazardous material and other matters. The Group may be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and also on properties in which it has previously had an interest.

**STRATEGIC RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

(expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Decommissioning, restoration and similar liabilities (“asset retirement obligation” or “ARO”) (continued)**

The Group believes it conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Group is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Group.

**(l) Financial Instruments**

*Non-derivative financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at FVTPL - Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any expected credit loss provision. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

*Financial Liabilities*

Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Group measures all its financial liabilities as subsequently measured at amortized cost.

**(m) Impairment of assets**

*Impairment of financial assets at amortized cost*

The Group recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For other receivables the Group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company’s receivables and financial assets the Group has no material loss allowance as at December 31, 2022 and 2021.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Impairment of assets (continued)**

*Non-financial assets*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. For exploration and evaluation assets (and tangible assets related thereto such as equipment), the Group considers the following indicators of impairment: (i) whether the period for which the Group has the right to explore has expired in the period or will expire in the near future, and is not expected to be renewed; (ii) substantive expenditures on further exploration for and evaluation of mineral resources is neither budgeted nor planned; (iii) exploration and evaluation have not led to the discovery of commercially viable mineral resources and activities are to be discontinued; (iv) sufficient data exists to indicate that, although a development in the area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and (v) other factors that may be applicable such as a significant drop in metal prices or deterioration in the availability of equity financing. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

Assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

**(n) Taxes**

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 income.

*Current tax*

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*

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on 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 at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Taxes (continued)**

*Deferred tax (continued)*

A deferred tax asset is recognized for unused tax losses, tax credits 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 sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

*Sales tax*

Expenses and assets are recognized net of the amount of sales tax except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with an amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**(o) Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Group. Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Earnings (loss) per share**

Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of shares outstanding or committed to issue for the relevant year.

Diluted earnings (loss) per common share is computed by dividing the net income (loss) applicable to common shareholders by the sum of the weighted average number of common shares outstanding or committed plus all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**(q) Share-based payments**

The Company has a stock option plan under which it grants stock options to directors, employees, consultants and service providers.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.



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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Share-based payments (continued)**

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise the fair value is credited to share capital, along with the cash consideration, with an offsetting reduction in the share-based payment reserve.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**(r) Warrants**

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit or in connection with loans. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants.

**(s) 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 consolidated financial statements are discussed below.

*Judgments*

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 was 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 6(a).

*Estimates and assumptions*

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Changes in accounting policies**

There were no new accounting standards and interpretations effective from January 1, 2022, that had an impact on the Group's financial statements.

**(u) 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.

**4. CASH AND CASH EQUIVALENTS**

The Group's cash and cash equivalents, by currency, at December 31, 2022 and 2021 were as follows:

	December 31, 2022		December 31, 2021	
Cash at bank and in hand denominated in Canadian dollars	\$	113,185	\$	176,965
Cash at bank and in hand denominated in U.S. dollars		450		1,585
Cash at bank and in hand denominated in Euros		15,212		31,737
Cash at bank and in hand denominated in Peruvian Soles		-		824
Cash equivalents (GIC) denominated in Canadian dollars		-		750,000
	\$	128,847	\$	961,111

**5. RECEIVABLES**

The Group's receivables are as follows:

	December 31, 2022		December 31, 2021	
Recoverable goods and services tax (Canada)	\$	17,577	\$	7,805
Recoverable VAT (Finland)		4,369		4,329
Other		-		238
	\$	21,946	\$	12,372

**6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES**

**(a) Exploration and evaluation assets**

At December 31, 2022, the Group holds two vanadium projects in Finland. The carrying values of the projects held are summarized below as at December 31, 2022 and 2021:

	Mustavaara		Silasselkä		TOTAL	
Balance, December 31, 2020	\$	234,120	\$	3,045,237	\$	3,279,357
Acquisition costs:						
Common shares issued		-		517,500		517,500
Foreign exchange adjustments		(18,255)		-		(18,255)
Balance, December 31, 2021	\$	215,865	\$	3,562,737	\$	3,778,602
Acquisition costs:						
Common shares issued		-		326,667		326,667
Foreign exchange adjustments		1,004		-		1,004
Balance, December 31, 2022	\$	216,869	\$	3,889,404	\$	4,106,273

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**6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(a) Exploration and evaluation assets (continued)**

*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.

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 and 1,166,666 common shares were issued to Aurion on June 10, 2022 to complete the earn-in requirements.

Under the terms of the Aurion Agreement, if it is determined within a five-year period from June 10, 2022, 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.

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.

**(b) Exploration and evaluation expenditures**

The Group's exploration and evaluation expenditures on its projects for the years ended December 31, 2022 and 2021 are detailed in the tables below.

	Year ended December 31, 2022		
	Mustavaara	Silasselkä	TOTAL
Environmental	\$ 71,712	\$ -	\$ 71,712
Geological consulting / staff	14,964	2,233	17,197
Mineral rights / access	-	73,220	73,220
Permitting	28,981	-	28,981
<b>Costs incurred during the year</b>	<b>\$ 115,657</b>	<b>\$ 75,453</b>	<b>\$ 191,110</b>
Cumulative E&E incurred, beginning of year	\$ 488,513	\$ 320,438	\$ 808,951
E&E incurred during the year	115,657	75,453	191,110
<b>Cumulative E&amp;E incurred, end of year</b>	<b>\$ 604,170</b>	<b>\$ 395,891</b>	<b>\$ 1,000,061</b>

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**6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)**

**(b) Exploration and evaluation expenditures (continued)**

	Year ended December 31, 2021		
	Mustavaara	Silasselkä	TOTAL
Assays / sampling	\$ 1,380	\$ -	\$ 1,380
Geological consulting / staff	48,002	9,058	57,060
Metallurgical	74,947	-	74,947
Mineral rights / access	-	86,189	86,189
Permitting	4,104	-	4,104
Project management	47,335	-	47,335
Reports	3,778	-	3,778
Costs incurred during the year	\$ 179,546	\$ 95,247	\$ 274,793
Cumulative E&E incurred, beginning of year	\$ 308,967	\$ 225,191	\$ 534,158
E&E incurred during the year	179,546	95,247	274,793
Cumulative E&E incurred, end of year	\$ 488,513	\$ 320,438	\$ 808,951

**7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

	December 31, 2022	December 31, 2021
Trade payables	\$ 208,010	\$ 17,820
Accrued liabilities	46,147	9,717
	\$ 254,157	\$ 27,537

**8. SHARE CAPITAL**

**Authorized:** Unlimited common shares, without par value.

<b>Issued and fully paid:</b>	Number of Common Shares	Amount
Balance, December 31, 2020	40,668,705	\$ 20,108,235
Shares issued re Silasselkä Property (a)	1,916,667	517,500
Balance, December 31, 2021	42,585,372	\$ 20,625,735
Shares issued re Silasselkä Property (b)	1,166,666	326,667
Shares issued on exercise of stock options (c)	1,081,000	539,707
Share issue costs re BlackRock Transaction (d)	-	(198,442)
Balance, December 31, 2022	44,833,038	\$ 21,293,667

(a) In connection with the Aurion Agreement (see Note 6(a)), 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.

(b) On June 10, 2022, the Company issued 1,166,666 shares to Aurion at a value of \$0.28 per common share, being the closing price of the shares on the TSX-V on the day of issuance.

(c) In October and November 2022, 1,081,000 stock options were exercised at an exercise price of \$0.25 per common share for total proceeds of \$270,250. The previously recognized contributed surplus amount relating to these stock options was reclassified from contributed surplus - options to share capital in the amount of \$269,457.

(d) In connection with the Transaction (see Notes 1 and 19), the Company incurred share issue costs of \$198,442 during the year ended December 31, 2022.

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**9. WARRANTS AND SHARE-BASED PAYMENTS**

The reserves recorded in equity on the Company's consolidated 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.

The Company granted no stock options during the year ended December 31, 2022. During the year ended December 31, 2021, the Company granted 960,000 stock options to directors, officers, employees and consultants at a weighted average exercise price of \$0.35 and expiry dates of April 14, 2026 and November 16, 2026. The weighted average fair value of the options granted in the year ended December 31, 2021 was estimated at \$0.23 per option at the grant date using Black-Scholes. The vesting schedule of the options granted in 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 is estimated using Black-Scholes with the following assumptions:

	Year ended December 31, 2021
Risk-free interest rate	0.77 – 1.44%
Expected dividend yield	-
Expected stock price volatility	73 – 89%
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.

Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the year ended December 31, 2022, in the amount of \$138,776 (2021 - \$289,576) has been recorded in the consolidated statement of comprehensive loss and has been included in fees, salaries and other employee benefits (Note 10).

**(b) Outstanding stock options**

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

	Year ended December 31,			
	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	4,015,000	\$ 0.30	3,055,000	\$ 0.29
Options granted	-	-	960,000	0.35
Options exercised	(1,081,000)	0.25	-	-
<b>Outstanding, end of year</b>	<b>2,934,000</b>	<b>\$ 0.32</b>	<b>4,015,000</b>	<b>\$ 0.30</b>

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**9. WARRANTS AND SHARE-BASED PAYMENTS (continued)**

**(b) Outstanding stock options (continued)**

The weighted average share price at the date of exercise for share options exercised in 2022 was \$0.255.

For each reporting period, the Company had outstanding stock options, including weighted average remaining contractual life, as follows:

December 31, 2022					
Options Outstanding				Options Exercisable	
Number of Options	Expiry Date	Weighted average life (years)	Exercise Price	Number of Options	Exercise Price
934,000	October 21, 2024	1.81	\$ 0.25	934,000	\$ 0.25
1,040,000	November 19, 2025	2.89	\$ 0.37	1,040,000	\$ 0.37
100,000	April 14, 2026	3.29	\$ 0.30	66,667	\$ 0.30
860,000	November 16, 2026	3.88	\$ 0.35	573,337	\$ 0.35
<b>2,934,000</b>		<b>2.85</b>	<b>\$ 0.32</b>	<b>2,614,004</b>	<b>\$ 0.32</b>

  

December 31, 2021					
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	2.81	\$ 0.25	2,015,000	\$ 0.25
1,040,000	November 19, 2025	3.89	\$ 0.37	693,337	\$ 0.37
100,000	April 14, 2026	4.29	\$ 0.30	33,334	\$ 0.30
860,000	November 16, 2026	4.88	\$ 0.35	286,670	\$ 0.35
<b>4,015,000</b>		<b>3.57</b>	<b>\$ 0.30</b>	<b>3,028,341</b>	<b>\$ 0.29</b>

**(c) Warrants**

The Company has issued share purchase warrants as part of units issued in private placements for cash and from time to time, in connection with a loans. No warrants were granted or issued during the years ended December 31, 2022 and 2021.

*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.

The following table summarizes warrants activity for the years ended December 31, 2022 and 2021:

	Year ended December 31,			
	2022	2021		2021
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning and end of year	3,585,000	\$ 0.55	3,585,000	\$ 0.55

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**9. WARRANTS AND SHARE-BASED PAYMENTS (continued)**

**(c) Warrants (continued)**

Warrants outstanding at December 31, 2022 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, 2023	0.30	\$ 0.55	3,585,000	\$ 0.55

On February 22, 2022, the Company extended the expiry date on its 3,585,000 outstanding warrants for a period of one year (from April 20, 2022 to April 20, 2023). All other terms and conditions, including the exercise price of the warrants remained unchanged.

Warrants outstanding at December 31, 2021 were 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	0.30	\$ 0.55	3,585,000	\$ 0.55

**10. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS**

	Year ended December 31,	
	2022	2021
Fees and salaries	\$ 594,837	\$ 608,275
Social security	23,694	19,730
Share-based payment (Note 9(a))	138,776	289,576
	\$ 757,307	\$ 917,581

**11. LOSS PER SHARE**

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

	Year ended December 31,	
	2022	2021
Net loss	\$ (1,221,345)	\$ (1,537,337)
Weighted average number of common shares outstanding (basic and diluted)	43,368,402	41,739,938
Loss per share – basic and diluted	\$ (0.03)	\$ (0.04)

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. 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 year, if dilutive. For periods in which a net loss is reported, potentially dilutive common share equivalents such as stock options and warrants are excluded from the weighted average number of common shares outstanding during the period because they are anti-dilutive.

All of the stock options and warrants currently issued (see Note 9) were anti-dilutive for the years ended December 31, 2022 and 2021.

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**12. 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.

**13. FINANCIAL INSTRUMENTS**

**(a) Categories of financial assets and financial liabilities**

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

	Note	Category	December 31, 2022	December 31, 2021
Cash and cash equivalents	4	Amortized cost	\$ 128,847	\$ 961,111
Receivables	5	Amortized cost	-	238
Environmental deposits		Amortized cost	39,760	36,697
Accounts payable and accrued liabilities	7	Amortized cost	254,157	27,537

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.

**14. 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 \$168,607 (December 31, 2021 - \$998,046). 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 December 31, 2022, the Group's cash and cash equivalents were held at two financial institutions (December 31, 2021 – four financial institutions).



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**14. FINANCIAL INSTRUMENT RISKS (continued)**

**(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 December 31, 2022, the Group's current liabilities consisted of accounts payable and accrued liabilities of \$254,157 which are due primarily within three months from the period end. The Group's cash and cash equivalents of \$128,847 at December 31, 2022, were not sufficient to pay for the current liabilities. See Note 19 for post-reporting date events that addressed the Company's liquidity risk.

At December 31, 2021, the Group's current liabilities consisted of accounts payable and accrued liabilities of \$27,537 which were due primarily within three months from the period end. The Group's cash and cash equivalents of \$961,111 at December 31, 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 as at December 31, 2022 and 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 \$1,300 and \$9,700, respectively, 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 December 31, 2022.

Financial Instrument Type	Canadian Dollar	Currency	+/- 1% Fluctuation
Cash	\$ 450	U.S. Dollar \$	5 \$ (5)

*Other Price Risk*

The Group did not hold any financial instruments that had direct exposure to other price risks at December 31, 2022 and 2021.

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**15. 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 years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022			
	Canada	Finland	Peru	Total
Current assets	\$ 171,362	\$ 20,758	\$ -	\$ 192,120
Environmental deposits	-	39,760	-	39,760
Exploration and evaluation assets	-	4,106,273	-	4,106,273
<b>Total assets</b>	<b>\$ 171,362</b>	<b>\$ 4,166,791</b>	<b>\$ -</b>	<b>\$ 4,338,153</b>
Current liabilities	\$ 239,203	\$ 14,954	\$ -	\$ 254,157
<b>Total liabilities</b>	<b>\$ 239,203</b>	<b>\$ 14,954</b>	<b>\$ -</b>	<b>\$ 254,157</b>

  

	December 31, 2021			
	Canada	Finland	Peru	Total
Current assets	\$ 943,044	\$ 36,750	\$ 1,775	\$ 981,569
Environmental deposits	-	36,697	-	36,697
Exploration and evaluation assets	-	3,778,602	-	3,778,602
<b>Total assets</b>	<b>\$ 943,044</b>	<b>\$ 3,852,049</b>	<b>\$ 1,775</b>	<b>\$ 4,796,868</b>
Current liabilities	\$ 13,227	\$ 14,310	\$ -	\$ 27,537
<b>Total liabilities</b>	<b>\$ 13,227</b>	<b>\$ 14,310</b>	<b>\$ -</b>	<b>\$ 27,537</b>

  

	Year ended December 31, 2022			
	Canada	Finland	Peru	Total
Expenses	\$ (872,006)	\$ (348,317)	\$ (1,398)	\$ (1,221,721)
Other income (expenses)	3,254	11	(2,889)	376
<b>Net loss for the year</b>	<b>\$ (868,752)</b>	<b>\$ (348,306)</b>	<b>\$ (4,287)</b>	<b>\$ (1,221,345)</b>

  

	Year ended December 31, 2021			
	Canada	Finland	Peru	Total
Expenses	\$ (1,115,553)	\$ (422,032)	\$ (4,371)	\$ (1,541,956)
Other income (expenses)	4,627	6	(14)	4,619
<b>Net loss for the year</b>	<b>\$ (1,110,926)</b>	<b>\$ (422,026)</b>	<b>\$ (4,385)</b>	<b>\$ (1,537,337)</b>

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**16. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS**

*Information about subsidiaries*

The consolidated financial statements include the following subsidiaries:

	Country of Incorporation	% Equity interest at December 31,	
		2022	2021
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. <sup>(1)</sup>	Peru	0	100

<sup>(1)</sup> Minera Strategic Peru S.A.C. was dissolved with effect May 31, 2022. The Company's previously held Peruvian mineral claims expired on June 30, 2021.

*Related party expenses and balances*

The Group incurred the following expenses with related parties:

Company	Nature of transactions	Year ended December 31,	
		2022	2021
Miedzi Copper Corp	G&A	\$ 50,446	\$ 66,609
Lumina Gold Corp	G&A	-	5,987
Hathaway Consulting Ltd.	Fees	84,000	91,500
Into the Blue Management Inc.	Fees	118,000	120,500
Lyle E Braaten Law Corp.	Fees	89,880	97,905
		\$ 342,326	\$ 382,501

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 December 31, 2022 or 2021.

*Key management personnel compensation*

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

	Year ended December 31,	
	2022	2021
Short-term benefits (i)	\$ 455,637	\$ 456,575
Share-based payments (ii)	103,465	227,357
<b>Total remuneration</b>	<b>\$ 559,102</b>	<b>\$ 683,932</b>

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

(ii) Share-based payments amounts equate to the share-based payment expense during the year 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 years ended December 31, 2022 and 2021.

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**17. TAXES**

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount in the statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Deferred tax assets have not been recognized for the temporary differences noted below as the Group does not presently have sufficient evidence to establish that it is probable that the respective entities to which they relate will generate future taxable income against which to utilize the temporary differences.

	December 31, 2022	December 31, 2021
Deferred income tax assets		
Exploration and evaluation assets	\$ 4,218,000	\$ 4,218,000
Non-capital income tax losses carried forward	8,364,000	7,324,000
Allowable capital losses carried forward	726,000	643,000
Property and equipment	631,000	631,000
Share issuance costs	202,000	75,000
	14,141,000	12,891,000
Statutory rates	20% - 27%	20% - 29.5%
	3,756,000	3,443,000
Unrecognized deferred income tax assets	(3,756,000)	(3,443,000)
	\$ -	\$ -

Reconciliation of income tax computed at statutory rates to the reported income tax provision is as follows:

	Year ended December 31,	
	2022	2021
Loss before income taxes	\$ (1,221,345)	\$ (1,537,337)
Canadian statutory rate	27%	27%
Income tax benefit computed at Canadian statutory rates	\$ (330,000)	\$ (415,000)
Non-deductible expenses	44,000	78,000
Other	(49,000)	(9,000)
Differences between foreign and Canadian statutory rates	22,000	15,000
Change in unrecognized deferred tax assets	313,000	331,000
	\$ -	\$ -

At December 31, 2022, the Group has allowable Canadian capital losses that may be carried forward indefinitely of approximately \$726,000 and Canadian non-capital income tax losses carried forward of approximately \$7,484,000 expiring in various years to 2042, that may be available to offset future taxable income. The Group also has net operating losses which can be carried forward for up to ten years in Finland of approximately \$880,000. The Group's tax losses expire as follows:

Year of Expiry	Canada	Finland
2026	\$ 195,000	\$ -
2027	311,000	-
2028	301,000	-
2029	723,000	141,000
2030	492,000	186,000
2031	122,000	229,000
2032	254,000	324,000
2033	249,000	-
2034	220,000	-
2035	171,000	-
2036	141,000	-
2037	224,000	-
2038	63,000	-
2039	1,096,000	-
2040	1,098,000	-
2041	1,007,000	-
2042	817,000	-
	\$ 7,484,000	\$ 880,000

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**18. COMMITMENTS**

As at December 31, 2022, 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:

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Due within one year	\$	14,991
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**19. POST-REPORTING DATE EVENTS**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of the consolidated financial statements except for the following items that are related to the Transaction (see Note 1):

On January 23, 2023, the Company issued \$500,000 of convertible, unsecured notes with a coupon rate of 10% (the "Notes"). Notes will mature on the earliest of (i) the closing of the Transaction (the "Closing Date"), (ii) that date being six months following the Transaction is terminated, or (iii) 48 months following the date of issuance. The principal and any accrued interest under the Notes are convertible into common shares of the Company on the following bases:

- (i) in the event that the Company's Shares remain halted from trading on the TSXV up to and including the Closing Date, the principal under the Notes will automatically convert to common shares upon the Closing Date at \$0.50 per common share, and the accrued interest will concurrently, subject to obtaining the prior approval of the TSXV, convert to common shares at \$0.50 per common share; or
- (ii) in the event that the Company's common shares resume trading on the TSXV prior to the Closing Date, the principal under the Note will automatically convert to common shares upon the Closing Date at \$0.50 per common share, and the accrued interest will concurrently, subject to obtaining the prior approval of the TSXV, convert into common shares at a price determined by the Market Price (as defined in Exchange Policy 1.1) as of the Closing Date; or
- (iii) if the Transaction is not completed, then at any time after termination of the Transaction, the Subscriber may elect to convert (i) any portion of the principal amount of the Note into common shares at the conversion price of \$0.35 per common share, and (ii) any accrued interest to the date of conversion, subject to obtaining the prior approval of the TSXV, at a price determined by the Market Price.

On February 28, 2023, the Company closed the first tranche for \$9,200,000 of the \$13,500,000 subscription receipts (the "Receipts" or "Receipt Offering") financing contemplated as part of the Transaction. The \$4,300,000 final tranche of the Receipts due from Investissement Québec was received on March 29, 2023. Strategic issued a total of 27,000,000 Receipts at \$0.50 per Receipt for gross proceeds of \$13,500,000. Each Receipt will automatically convert to one common share of the Company on closing of the Company's acquisition of BlackRock Metals Inc. In the event the acquisition fails to close by March 31, 2023 (or such other date as may be agreed upon), the Receipt proceeds will be returned to investors without interest or deduction.