

STRATEGIC RESOURCES

STRATEGIC RESOURCES INC.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2020

(Unaudited)

TSX-V: SR



www.strategic-res.com

NOTICE OF NO AUDITOR REVIEW

The unaudited condensed consolidated interim financial statements, and accompanying notes thereto, for the periods ended June 30, 2020 and 2019 have not been reviewed by the Company's external auditors.

STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(expressed in Canadian dollars)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 581,370	\$ 1,209,221
Receivables	4	5,889	21,143
Prepaid expenses		5,684	33,884
Total current assets		592,943	1,264,248
Non-current assets			
Environmental deposits		21,427	17,500
Exploration and evaluation assets	5(a)	4,852,844	4,294,224
Total assets		\$ 5,467,214	\$ 5,575,972
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 17,213	\$ 55,287
Total liabilities		17,213	55,287
EQUITY			
Share capital	7	17,554,876	17,075,709
Contributed surplus – warrants		4,870,766	4,870,766
Contributed surplus – options		2,703,449	2,577,839
Accumulated other comprehensive income (loss)		6,603	(3,400)
Accumulated deficit		(19,685,693)	(19,000,229)
Total equity		5,450,001	5,520,685
Total liabilities and equity		\$ 5,467,214	\$ 5,575,972

Going concern (Note 2(b))

Post-reporting date event (Note 5(a))

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 six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Expenses					
Exploration and evaluation ("E&E") expenditures	5(b)	\$ 60,082	\$ 383,310	\$ 145,402	\$ 383,310
Pre exploration and evaluation expenditures		2,349	63,788	7,449	136,226
Fees, salaries and other employee benefits	9	191,443	184,811	382,924	192,311
General and administration ("G&A")		28,730	38,123	59,838	49,085
Professional fees		39,412	104,463	92,497	112,212
		(322,016)	(774,495)	(688,110)	(873,144)
Other income (expenses)					
Interest income and other		-	995	2,677	995
Interest, accretion expense and loss on settlement of loan		-	(8,301)	-	(10,260)
Foreign exchange (loss) gain		(36)	93	(31)	93
		(36)	(7,213)	2,646	(9,172)
Net loss for the period		(322,052)	(781,708)	(685,464)	(882,316)
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		(5,356)	(581)	10,003	(581)
Total comprehensive loss for the period		\$ (327,408)	\$ (782,289)	\$ (675,461)	\$ (882,897)
Loss per share – basic and diluted	10	\$ (0.01)	\$ (0.06)	\$ (0.02)	\$ (0.08)
Weighted average number of shares outstanding – basic and diluted	10	31,568,503	14,002,743	31,357,881	11,601,363

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

STRATEGIC RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

	Note	Six months ended June 30,	
		2020	2019
Operating activities			
Loss for the period		\$ (685,464)	\$ (882,316)
Adjustment for non-cash items:			
Loss on settlement of loan		-	6,039
Interest accretion		-	4,221
Share-based payment	8(a)	125,610	-
Deduct: interest income		(2,677)	(995)
Net changes in non-cash working capital items:			
Receivables		15,254	(14,088)
Prepaid expenses		28,200	(4,113)
Accounts payable and accrued liabilities		(38,074)	274,658
Net cash utilized in operating activities		(557,151)	(616,594)
Investing activities			
Acquisition of exploration and evaluation assets	5(a)	(72,870)	(698,825)
Environmental deposits		(2,900)	-
Interest received		2,677	995
Net cash utilized in investing activities		(73,093)	(697,830)
Financing activities			
Proceeds from loan		-	100,000
Repayment of loan		-	(100,000)
Interest paid on loan		-	(4,011)
Shares issued		-	3,700,000
Cost to issue shares		-	(93,648)
Net cash provided by financing activities		-	3,602,341
(Decrease) increase in cash and cash equivalents		(630,244)	2,287,917
Effect of foreign exchange on cash and cash equivalents		2,393	270
Cash and cash equivalents, beginning of period		1,209,221	36,253
Cash and cash equivalents, end of period	3	\$ 581,370	\$ 2,324,440

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

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

For the six months ended June 30, 2020 and 2019

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, 2018		9,173,302	\$ 9,878,287	\$ 4,864,517	\$ 2,343,981	\$ -	\$ (17,077,948)	\$ 8,837
Warrants issued		-	-	6,249	-	-	-	6,249
Shares issued – Silasselkä Property		3,387,000	2,066,070	-	-	-	-	2,066,070
Shares issued – Akanvaara Property		2,500,000	1,525,000	-	-	-	-	1,525,000
Shares issued, net of issue costs		16,086,956	3,606,352	-	-	-	-	3,606,352
Foreign currency translation adjustment		-	-	-	-	(581)	-	(581)
Net loss		-	-	-	-	-	(882,316)	(882,316)
Balance, June 30, 2019		31,147,258	\$ 17,075,709	\$ 4,870,766	\$ 2,343,981	\$ (581)	\$ (17,960,264)	\$ 6,329,611
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
Share-based payment	8(a)	-	-	-	125,610	-	-	125,610
Foreign currency translation adjustment		-	-	-	-	10,003	-	10,003
Net loss		-	-	-	-	-	(685,464)	(685,464)
Balance, June 30, 2020		33,063,925	\$ 17,554,876	\$ 4,870,766	\$ 2,703,449	\$ 6,603	\$ (19,685,693)	\$ 5,450,001

See Accompanying Notes to the Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

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 six months ended June 30, 2020 and 2019, 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, 2019 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 August 12, 2020.

(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 \$19,685,693 as at June 30, 2020 and has reported a net loss of \$685,464 for the six months ended June 30, 2020. 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. The COVID-19 outbreak has been declared a pandemic by the World Health Organization. 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 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, 2019. Those accounting policies have been used throughout all periods presented in the condensed consolidated interim financial statements.

(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.

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

Three and six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

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

(d) Significant accounting judgments and estimates (continued)

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.

3. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents, by currency, at June 30, 2020 and December 31, 2019 were as follows:

		June 30, 2020		December 31, 2019
Cash at bank and in hand – Canadian dollars	\$	398,042	\$	78,642
Cash at bank and in hand – U.S. dollars		4,373		5,195
Cash at bank and in hand – Euros		178,496		110,268
Cash at bank and in hand – Peruvian Soles		459		1,247
Cash equivalents (GIC) – Canadian dollars		-		1,013,869
	\$	581,370	\$	1,209,221

4. RECEIVABLES

The balance at June 30, 2020 of \$5,889 consists of recoverable goods and services tax in Canada and recoverable VAT in Finland (December 31, 2019 - \$21,143).

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

Three and six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

(a) Exploration and evaluation assets

At June 30, 2020, the Group held two option agreements for vanadium projects in Finland, the right to apply for mineral concessions reservations in Finland and certain mineral concessions in Peru. The carrying values of the projects held are summarized below as at June 30, 2020:

	Mustavaara	Silasselkä	Akanvaara	Peru	TOTAL
Balance, December 31, 2019	\$ -	\$ 2,566,070	\$ 1,668,750	\$ 59,404	\$ 4,294,224
Acquisition costs:					
Cash payments	72,870	-	-	-	72,870
Shares issued	-	479,167	-	-	479,167
Foreign exchange adjustments	3,655	-	-	2,928	6,583
Balance, June 30, 2020	\$ 76,525	\$ 3,045,237	\$ 1,668,750	\$ 62,332	\$ 4,852,844

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, which was subject to certain conditions, including the granting of fully valid reservations from the Finnish mining authority (Tukes). The reservation decisions were rendered by Tukes on April 3, 2020. The final payment of €100,000 (\$156,820) and agreement with Ferrovan were completed on July 28, 2020.

Silasselkä Project ("Silasselkä")

On April 10, 2019, the Company entered into 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 Aurion Agreement was subject to certain closing conditions which included, but were not limited to, receipt of TSXV approval and the Company completing an equity financing of at least \$2 million. These conditions were met, and the Aurion Agreement was effective on June 10, 2019.

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 June 10, 2020. In order to complete the earn-in on the Aurion Agreement, the Company will be required to issue 1,916,667 common shares by June 10, 2021 and 1,166,666 common shares by June 10, 2022.

Under the terms of the Aurion Agreement, and in the event that the Company exercises 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.

A third party holds a 3% net smelter royalty ("NSR") on Silasselkä and other mineral properties owned by Aurion. Aurion has the right to buy the 3% NSR from the holder for €4,000,000 until November 2020. 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.

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

Three and six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(a) Exploration and evaluation assets (continued)

Akanvaara Project ("Akanvaara")

On April 10, 2019, the Company entered into 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 may acquire up to a 100% interest in Akanvaara through a two stage earn-in process. The Magnus Agreement was subject to certain closing conditions which included, but were not limited to, receipt of TSXV approval and the Company completing an equity financing of at least \$2 million. These conditions were met, and the Magnus Agreement was effective, on June 10, 2019.

The first earn-in to acquire a 70% interest in Akanvaara requires: (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.

Once the Company has acquired a 70% interest in Akanvaara, it may increase its interest to 100% by: (i) issuing an additional 700,000 common shares of the Company to Magnus; (ii) spending an additional \$1,000,000 of exploration expenditures before June 10, 2022; and (iii) granting an additional 0.3% NSR to Magnus to bring the total NSR to 1.0%.

Peruvian Claims:

The Group has obtained mineral claims across six discrete land packages in Peru.

(b) Exploration and evaluation expenditures

The Group's exploration and evaluation expenditures on its projects for the three and six months ended June 30, 2020 and 2019 are detailed in the tables below.

	Three months ended June 30, 2020				TOTAL
	Mustavaara	Silasselkä	Akanvaara	Peru	
Geological consulting / staff	\$ 33,754	\$ 1,409	\$ 822	\$ -	\$ 35,985
Mineral rights / access	6,427	15,218	-	-	21,645
Project management	2,452	-	-	-	2,452
Costs incurred during the period	\$ 42,633	\$ 16,627	\$ 822	\$ -	\$ 60,082
Cumulative E&E incurred, beginning of period	\$ 31,022	\$ 152,794	\$ 504,134	\$ 23,488	\$ 711,438
E&E incurred during the period	42,633	16,627	822	-	60,082
Cumulative E&E incurred, end of period	\$ 73,655	\$ 169,421	\$ 504,956	\$ 23,488	\$ 771,520

	Six months ended June 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	39,116	7,323	3,321	-	49,760
Mineral rights / access	6,427	26,264	5,433	-	38,124
Project management	4,832	199	314	-	5,345
Transportation and accommodation	1,327	328	328	-	1,983
Costs incurred during the period	\$ 73,655	\$ 37,770	\$ 33,977	\$ -	\$ 145,402
Cumulative E&E incurred, beginning of period	\$ -	\$ 131,651	\$ 470,979	\$ 23,488	\$ 626,118
E&E incurred during the period	73,655	37,770	33,977	-	145,402
Cumulative E&E incurred, end of period	\$ 73,655	\$ 169,421	\$ 504,956	\$ 23,488	\$ 771,520

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

Three and six months ended June 30, 2020 and 2019

Unaudited

(expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

(b) Exploration and evaluation expenditures (continued)

	Three and six months ended June 30, 2019				TOTAL
	Mustavaara	Silasselkä	Akanvaara	Peru	
Assays / Sampling	\$ -	\$ -	\$ 10,344	\$ -	\$ 10,344
Drilling	-	-	147,024	-	147,024
Field office	-	6,888	16,424	936	24,248
Geological consulting / staff	-	37,009	119,839	2,955	159,803
Mineral rights / access	-	14,850	-	-	14,850
Project management	-	780	13,431	-	14,211
Transportation and accommodation	-	2,662	6,436	3,732	12,830
Costs incurred during the period	\$ -	\$ 62,189	\$ 313,498	\$ 7,623	\$ 383,310
Cumulative E&E incurred, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -
E&E incurred during the period	-	62,189	313,498	7,623	383,310
Cumulative E&E incurred, end of period	\$ -	\$ 62,189	\$ 313,498	\$ 7,623	\$ 383,310

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	June 30, 2020	December 31, 2019
Trade payables	\$ 2,626	\$ 53,137
Accrued liabilities	14,587	2,150
	\$ 17,213	\$ 55,287

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
Balance, June 30, 2020	33,063,925	\$ 17,554,876

(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.

8. SHARE-BASED PAYMENTS AND WARRANTS

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.

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

Three and six months ended June 30, 2020 and 2019

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(expressed in Canadian dollars)

8. SHARE-BASED PAYMENTS AND WARRANTS (continued)

(a) Stock options (continued)

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 three and six months ended June 30, 2020, the Company granted no stock options (three and six months ended June 30, 2019 – none). Pursuant to the Company's accounting policy for share-based payments, the fair value of options vesting during the three and six months ended June 30, 2020, in the amounts of \$62,805 and \$125,610, respectively (three and six months ended June 30, 2019 - \$Nil) have been recorded in the condensed consolidated interim statement of comprehensive loss and has been included in fees, salaries and other employee benefits (Note 9).

(b) Outstanding stock options

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

	Three and six months ended June 30,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning and end of period	2,015,000	\$ 0.25	-	\$ -

At June 30, 2020, 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	4.31	\$ 0.25	671,671	\$ 0.25

(c) Warrants

The Company has, historically, issued share purchase warrants as part of units issued in private placements for cash and in connection with loans. No warrants were granted during the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 – 434,780 warrants issued in connection with a loan).

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. SHARE-BASED PAYMENTS AND WARRANTS (continued)

(c) Warrants (continued)

The following table summarizes warrants activity for the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30,			
	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning and end of period	434,780	\$ 0.23	434,780	\$ 0.23

	Six months ended June 30,			
	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	434,780	\$ 0.23	-	\$ -
Warrants issued	-	-	434,780	0.23
Outstanding, end of period	434,780	\$ 0.23	434,780	\$ 0.23

Warrants outstanding at June 30, 2020 are as follows:

Warrants Outstanding				Warrants Exercisable	
Number of Warrants	Expiry Date	Weighted average life (years)	Exercise Price	Number of Warrants	Exercise Price
434,780	February 13, 2021	0.62	\$ 0.23	434,780	\$ 0.23

9. FEES, SALARIES AND OTHER EMPLOYEE BENEFITS

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fees and salaries	\$ 126,270	\$ 182,470	\$ 252,540	\$ 189,970
Social security	2,368	2,341	4,774	2,341
Share-based payment (Note 8(a))	62,805	-	125,610	-
	\$ 191,443	\$ 184,811	\$ 382,924	\$ 192,311

10. LOSS PER SHARE

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

	Three months ended June 30,	
	2020	2019
Net loss	\$ 322,052	\$ 781,708
Weighted average number of common shares outstanding (basic and diluted)	31,568,503	14,002,743
Loss per share – basic and diluted	\$ 0.01	\$ 0.06

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10. LOSS PER SHARE (continued)

	Six months ended June 30,	
	2020	2019
Net loss	\$ 685,464	\$ 882,316
Weighted average number of common shares outstanding (basic and diluted)	31,357,881	11,601,363
Loss per share – basic and diluted	\$ 0.02	\$ 0.08

Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. 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 six months ended June 30, 2020 and 2019.

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	June 30, 2020	December 31, 2019
Cash and cash equivalents	3	Amortized cost	\$ 581,370	\$ 1,209,221
Accounts payable and accrued liabilities	6	Amortized cost	\$ 17,213	\$ 55,287

The recorded amounts for cash and cash equivalents 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 condensed consolidated interim 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 are exposed to credit risk, representing maximum exposure of \$581,370 at June 30, 2020 (December 31, 2019 - \$1,209,221). 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 June 30, 2020, the Group's cash and cash equivalents were held at four financial institutions (December 31, 2019 – four financial institution).

(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 June 30, 2020, the Group's current liabilities consisted of accounts payable and accrued liabilities of \$17,213 which are due primarily within three months from the period end. The Group's cash and cash equivalents of \$581,370 at June 30, 2020, 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 June 30, 2020, 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 \$6,000 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 June 30, 2020.

Financial Instrument Type	Canadian Dollar	Currency	+/- 1% Fluctuation
Cash	\$ 459	\$	5 (5)

Other Price Risk

The Group did not hold any financial instruments that had direct exposure to other price risks at June 30, 2020.

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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 June 30, 2020 and 2019 are as follows:

	June 30, 2020				Total
	Canada	Finland	Peru		
Current assets	\$ 407,276	\$ 179,705	\$ 5,962	\$	592,943
Environmental deposits	-	21,427	-		21,427
Exploration and evaluation assets	-	4,790,512	62,332		4,852,844
Total assets	\$ 407,276	\$ 4,991,644	\$ 68,294	\$	5,467,214
Current liabilities	\$ 4,661	\$ 11,587	\$ 965	\$	17,213
Total liabilities	\$ 4,661	\$ 11,587	\$ 965	\$	17,213

	December 31, 2019				Total
	Canada	Finland	Peru		
Current assets	\$ 1,132,810	\$ 124,679	\$ 6,759	\$	1,264,248
Environmental deposits	-	17,500	-		17,500
Exploration and evaluation assets	-	4,234,820	59,404		4,294,224
Total assets	\$ 1,132,810	\$ 4,376,999	\$ 66,163	\$	5,575,972
Current liabilities	\$ 6,949	\$ 48,338	\$ -	\$	55,287
Total liabilities	\$ 6,949	\$ 48,338	\$ -	\$	55,287

	Three months ended June 30, 2020				Total
	Canada	Finland	Peru		
Expenses	\$ 236,112	\$ 84,880	\$ 1,024	\$	322,016
Other expenses	31	-	5		36
Net loss for the period	\$ 236,143	\$ 84,880	\$ 1,029	\$	322,052

	Three months ended June 30, 2019				Total
	Canada	Finland	Peru		
Expenses	\$ 420,715	\$ 344,614	\$ 9,166	\$	774,495
Other expenses (income)	7,216	-	(3)		7,213
Net loss for the period	\$ 427,931	\$ 344,614	\$ 9,163	\$	781,708

	Six months ended June 30, 2020				Total
	Canada	Finland	Peru		
Expenses	\$ 489,698	\$ 196,347	\$ 2,065	\$	688,110
Other (income) expenses	(2,677)	-	31		(2,646)
Net loss for the period	\$ 487,021	\$ 196,347	\$ 2,096	\$	685,464

	Six months ended June 30, 2019				Total
	Canada	Finland	Peru		
Expenses	\$ 482,771	\$ 376,635	\$ 13,738	\$	873,144
Other expenses (income)	9,175	-	(3)		9,172
Net loss for the period	\$ 491,946	\$ 376,635	\$ 13,735	\$	882,316

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15. GROUP INFORMATION AND RELATED PARTY TRANSACTIONS

Information about subsidiaries

These condensed consolidated interim financial statements include the following subsidiaries:

	Country of Incorporation	% Equity interest at	
		June 30, 2020	December 31, 2019
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 June 30,	
		2020	2019
Miedzi Copper Corp	G&A	\$ 16,363	\$ 11,922
Lumina Gold Corp	G&A	134	-
622738 B.C. Ltd.	Fees	-	50,000
Brassard Consulting Ltd.	Fees	-	27,200
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
		\$ 86,967	\$ 159,592

Company	Nature of transactions	Six months ended June 30,	
		2020	2019
Miedzi Copper Corp	G&A	\$ 28,674	\$ 11,922
Lumina Gold Corp	G&A	549	-
622738 B.C. Ltd.	Fees	-	50,000
Brassard Consulting Ltd.	Fees	-	34,700
Hathaway Consulting Ltd.	Fees	42,000	21,000
Into the Blue Management Inc.	Fees	54,000	27,000
Lyle E Braaten Law Corp.	Fees	44,940	22,470
		\$ 170,163	\$ 167,092

Miedzi Copper Corp. and Lumina Gold Corp are considered companies related by way of directors, officers and shareholders in common. 622738 B.C. Ltd., Brassard Consulting Ltd., 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. No amounts were owing to related parties at June 30, 2020 (December 31, 2019 - \$Nil).

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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Short-term benefits (i)	\$ 91,470	\$ 174,063	\$ 182,940	\$ 182,940
Share-based payments (ii)	47,378	-	94,756	-
Total remuneration	\$ 138,848	\$ 174,063	\$ 277,696	\$ 182,940

(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 June 30, 2020 and 2019.