

STRATEGX ELEMENTS CORP.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim condensed consolidated financial statements and all information in the quarterly report are the responsibility of the Board of Directors and management. These interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management maintains the necessary systems of internal controls, policies and procedures to provide assurance that assets are safeguarded and that the financial records are reliable and form a proper basis for the preparation of financial statements.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control through an Audit Committee. This committee, which reports to the Board of Directors, meets with the independent auditors and reviews the financial statements.

The interim condensed consolidated interim financial statements for the three months ended March 31, 2022 are unaudited and prepared by Management. The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

STRATEGX ELEMENTS CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT,

	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current			
Cash		\$ 381,890	\$ 831,038
Receivables		17,857	13,567
Prepaid expenses		<u>41,687</u>	<u>3,154</u>
Total current assets		441,434	847,759
Equipment	5	35,045	-
Due from related party	9	124,478	126,393
Long-term deposits	4	82,532	67,532
Exploration and evaluation assets	6	<u>1,499,313</u>	<u>1,397,558</u>
Total assets		\$ 2,182,802	\$ 2,439,242
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 123,515	\$ 272,944
Due to related parties	9	73,753	59,014
Loans	7	<u>40,000</u>	<u>40,000</u>
Total current liabilities		237,268	371,958
Shareholders' equity			
Share capital	8	2,700,053	2,700,053
Contributed surplus	8	202,941	-
Warrant reserve	8	120,519	120,519
Accumulated deficit		<u>(1,077,979)</u>	<u>(753,288)</u>
Total shareholders' equity		<u>1,945,534</u>	<u>2,067,284</u>
Total liabilities and shareholders' equity		\$ 2,182,802	\$ 2,439,242

Nature of operations (Note 1)

Going concern (Note 2)

On behalf of the Board:

"Darren Bahrey"

Director

"Ryan McEachern"

Director

The accompanying notes are an integral part of these consolidated financial statements.

STRATEGX ELEMENTS CORP.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three months ended March 31, 2022	Three months ended March 31, 2021
EXPENSES			
Accretion and interest		- \$	2,068
Corporate shareholder communication		39,921	-
Filing and transfer agent		2,849	-
Legal		5,000	16,275
Management fee	9	35,250	27,750
Office and miscellaneous		16,152	13,179
Salary and benefit		12,900	-
Share-based compensation	8, 9	202,941	91,824
Rent		9,678	-
Loss and comprehensive loss for the period		(324,691)	(151,096)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - Basic and diluted		24,853,263	16,460,294

The accompanying notes are an integral part of these consolidated financial statements.

STRATEGX ELEMENTS CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (324,691)	\$ (151,096)
Items not involving cash:		
Accretion and interest	-	590
Share-based compensation	202,941	91,824
Changes in non-cash working capital items:		
Receivables	(4,290)	(5,018)
Accounts payable and accrued liabilities	(90,546)	13,430
Prepaid expenses	(38,533)	(2,846)
Due to related parties	15,014	11,438
Net cash used in operating activities	<u>(240,105)</u>	<u>(41,678)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	-	603,765
Share issuance costs	-	(14,400)
Share subscription received in advance	-	7,500
Repayment of loan and interest	-	(50,000)
Net cash provided by financing activities	<u>-</u>	<u>546,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(35,045)	-
Long-term deposits	(15,000)	-
Exploration and evaluation expenditures	(160,913)	(146,268)
Net cash used in investing activities	<u>(210,958)</u>	<u>(146,268)</u>
Change in cash during the period	(451,063)	358,919
Effect of foreign exchange	1,915	-
Cash, beginning of period	<u>831,038</u>	<u>95,317</u>
Cash, end of period	<u>\$ 381,890</u>	<u>\$ 454,236</u>
Interest paid	\$ -	\$ -

Supplemental disclosures with respect to cash flows (Note 12),

The accompanying notes are an integral part of these consolidated financial statements.

STRATEGX ELEMENTS CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Special Warrants		Subscription received in advance	Contributed surplus	Warrant reserve	Accumulated deficit	Total
	Number	Amount	Number	Amount					
Balance, December 31, 2020	15,304,667	\$ 1,187,035	-	\$ -	\$ -	\$ -	\$ -	\$ (174,548)	\$ 1,012,487
Private placement (net of issuance costs)	4,025,098	589,365	-	-	-	-	-	-	589,365
Subscription received in advance	-	-	-	-	7,500	-	-	-	7,500
Share-based compensation	-	-	-	-	-	-	91,824	-	91,824
Net loss for the period	-	-	-	-	-	-	-	(151,096)	(151,096)
Balance, March 31, 2021	19,329,765	1,776,400	-	-	7,500	-	91,824	(325,644)	1,550,080
Private placement (net of issuance costs)	2,870,998	380,528	-	-	(7,500)	-	-	-	373,028
Special warrants (net of issuance costs)	-	-	1,825,500	463,125	-	-	-	-	463,125
Conversion of special warrants	1,852,500	463,125	(1,825,500)	(463,125)	-	-	-	-	-
Exercise of warrants	800,000	80,000	-	-	-	-	-	-	80,000
Share-based compensation	-	-	-	-	-	-	28,695	-	28,695
Net loss for the period	-	-	-	-	-	-	-	(427,644)	(427,644)
Balance, December 31, 2021	24,853,263	2,700,053	-	-	-	-	120,519	(753,288)	2,067,284
Share-based compensation	-	-	-	-	-	202,941	-	-	202,941
Net loss for the period	-	-	-	-	-	-	-	(324,691)	(324,691)
Balance, March 31, 2022	24,853,263	\$ 2,700,053	-	\$ -	\$ -	\$ 202,941	\$ 120,519	\$ (1,077,979)	\$ 1,945,534

The accompanying notes are an integral part of these consolidated financial statements.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS

StrategX Elements Corp. (“StrategX” or the “Company”) was incorporated on June 28, 2018 under the laws of British Columbia, Canada. On January 10, 2022, the Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “STGX”.

The Company’s principal business activity is the acquisition and exploration of mineral property interests. The Company is in the exploration stage and substantially all the Company’s efforts are devoted to financing and developing these property interests. There has been no determination whether the Company’s interests in unproven exploration and evaluation assets contain economically recoverable mineral resources.

The Company’s head office is located at 514 – 55 Water Street, Vancouver, British Columbia, Canada.

2. BASIS OF PRESENTATION**Statement of compliance**

These unaudited interim condensed consolidated financial statements, including comparatives that are unaudited, have been prepared in accordance with IAS 34 (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These interim condensed consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s audited annual consolidated financial statements for the year ended December 31, 2021 except for income tax expense which is recognized and disclosed for the full financial year in the audited consolidated financial statements.

These interim condensed consolidated financial statements were authorized by the Board of Directors on April 29, 2022.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, StrategX Diamonds Corp, from its incorporation on April 15, 2019 in the province of British Columbia to its dissolution on July 30, 2021. StrategX Diamonds Corp. is inactive and has no activities since incorporation.

The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

Functional and presentation currency

The Company and its wholly owned subsidiary’s reporting and functional currency is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at the exchange rate in effect on the consolidated statements of financial position date, while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the average rates over the reporting period. Gains and losses from these translations are included in profit or loss.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION (*cont'd...*)**Going concern**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of its resource properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Such adjustments could be material.

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. As at March 31, 2022, the Company has an accumulated deficit of \$1,077,979 (December 31, 2021 - \$753,288) and has a working capital of \$204,166 (December 31, 2021 - \$475,801) and has incurred significant losses. These circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The recovery of amounts capitalized for exploration and evaluation assets at March 31, 2022 and December 31, 2021 in the consolidated statements of financial position is dependent upon the ability of the Company to arrange appropriate financing to complete the development and continued exploration of the properties. The Company plans to raise funds primarily through the issuance of shares or obtain profitable operations. The outcome of these matters cannot be predicted at this time.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak has caused staff shortages, reduced consumer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments. There may be potential difficulties in accessing the Company's exploration and evaluation projects.

3. SIGNIFICANT ACCOUNTING POLICIES

These Interim Condensed Consolidated Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2021.

New, amended and future accounting pronouncements

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

4. LONG-TERM DEPOSITS

During the three months ended March 31, 2022, the Company made a net deposit of \$Nil (2021 - \$19,697) to the Government of Northwest Territories and \$15,000 (2021 - \$Nil) to the Government of Nunavut in regards with various permit and license applications. As March 31, 2022, the Company has total refundable deposits of \$82,532 (December 31, 2021 - \$67,532).

5. EQUIPMENT

	<u>Geological equipment</u>
Cost	
Balance, December 31, 2020 and 2021	\$ -
Additions	<u>35,045</u>
Balance, March 31, 2022	<u>\$ 35,045</u>
Accumulated amortization	
Balance, December 31, 2020 and 2021	-
Additions	<u>-</u>
Balance, March 31, 2022	<u>\$ -</u>
At December 31, 2021	<u>\$ -</u>
At March 31, 2022	<u>\$ 35,045</u>

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS

	<i>Project 939 (Northwest Territories)</i>	<i>EA South (Northwest Territories)</i>	<i>Project Tasijuaq (Nunavut)</i>	<i>Project NagVaak (Nunavut)</i>	<i>Project Mel (Nunavut)</i>	<i>Total</i>
Balance, December 31, 2020	\$ 544,501	\$ 316,949	\$ -	\$ -	\$ -	\$ 861,450
Acquisition	25,000	25,000	-	-	-	50,000
Staking costs and application fees	-	-	30,175	3,165	-	33,340
Exploration						
Assay	21,101	-	-	-	-	21,101
Camp costs	-	-	-	-	68,617	68,617
Community	690	690	-	-	-	1,380
Data	30,614	8,556	-	-	-	39,170
Geology	79,016	-	-	-	-	79,016
Consulting (Note 9)	141,701	8,000	-	-	-	149,701
Field	1,285	1,996	-	-	-	3,281
License and permitting	2,204	1,734	4,896	-	-	8,834
Geological survey	121,419	-	-	-	-	121,419
Travel	11,249	-	-	-	-	11,249
Government grant	(51,000)	-	-	-	-	(51,000)
Balance, December 31, 2021	927,780	362,925	35,071	3,165	68,617	1,397,558
Staking costs and application fees	-	-	2,340	-	-	2,340
Exploration						
Data	5,026	2,497	-	2,529	-	10,052
Consulting (Note 9)	29,500	27,250	-	19,000	-	75,750
License and permitting	1,640	-	-	8,100	-	9,740
Geological survey	-	3,873	-	-	-	3,873
Balance, March 31, 2022	\$ 963,946	\$ 396,545	\$ 37,411	\$ 32,794	\$ 68,617	\$ 1,499,313

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Project 939 and EA South, Northwest Territories, Canada**

On September 24, 2018, the Company entered into a Letter of Agreement (the "Agreement") with Hunter Exploration Group. Pursuant to the terms of the Agreement, the Company will acquire 100% of interest in the Project 939 and EA South Project located in the Northwest Territory, Canada. Project 939 and EA South comprises 12 prospecting permits (93,821 hectares) and 16 mining claims (12,638 hectares) The Agreement was replaced by a Property Purchase Agreement dated January 11, 2021. According to the Property Purchase Agreement, the Company will have the following obligations:

Cash payments

\$100,000	On or before July 3, 2018 (paid)
\$100,000	On or before August 17, 2018 (paid)
\$50,000	On or before July 1, 2019 (paid)
\$50,000	On or before July 1, 2021 (paid)
\$50,000	On or before July 1, 2022 (extended to July 1, 2022)
\$350,000	

Work Commitment

\$300,000	By December 31, 2018
\$700,000	By December 31, 2019
\$1,000,000	By December 31, 2020
\$2,000,000	By December 31, 2021
\$4,000,000	(Revised to complete the total amount by December 31, 2023)

As of March 31, 2022, the Company has incurred accumulatively \$1,453,491 (December 31, 2021 - \$1,383,705) of exploration and evaluation assets.

Share payments

Issue 1,500,000 share units within 10 days of completing the \$4,000,000 work commitment (Subsequently revised to issue the shares no later than January 10, 2024). Each share unit will be comprised of one common share of the Company and one share purchase warrant. Each warrant will be exercisable into one common share of the Company at a price of \$0.50 per share for a period of five years from the date of issuance.

Annual Advanced Royalty Payment ("AARP")

Commencing July 1, 2023, a \$100,000 AARP to be paid on or before July 1 and that of each subsequent year until the commencement of commercial production.

Royalties

The Project is subject to 2% Net Smelter Royalty and a 2% Gross Overriding Royalty on diamonds.

Government grant

During the year ended December 31, 2021, the Company received government grants of \$51,000 from the Government of the Northwest Territories (the "GNWT"). The GNWT's contribution is towards mineral expenditure incurred by the Company on the Project 939 and EA South.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Project Tasijuaq (previously “Project N”), Nunavut, Canada**

During the year ended December 31, 2021, the Company staked 13 claims (“Project N”), 9,646 hectares located adject and outside of Mel Project (see note below), at the Melville Peninsula region of Nunavut, Canada. The staking cost is \$30,175. In March 2022, the Company staked additional 4 claims, 1,013 hectares, at a cost of \$2,340, and changed the project name from Project N to Project Tasijuaq.

Project NagVaak, Nunavut, Canada

Effective August 1, 2021, the Company entered into a Mineral Exploration Agreement with Nunavut Tunngavik Incorporated (“NTI”), pursuant to which, the Company obtained a renewable 20-year lease with an area of approximately 2,665 hectares expiring on July 31, 2041.

The Company paid \$3,165 for the application fee and first year lease payment in October 2021.

Annual fees

Year	Annual fees (\$/hectare/year)	Due date
1	1	On signing (paid)
2-5	2	On 1 st , 2 nd , 3 rd and 4 th anniversary dates
6-10	3	On 5 th , 6 th , 7 th , 8 th and 9 th anniversary dates
11-15	4	On 10 th , 11 th , 12 th , 13 th and 14 th anniversary dates
16-20	5	On 15 th , 16 th , 17 th , 18 th and 19 th anniversary dates

Minimum annual exploration work requirement

Year	Minimum annual work requirement (\$/hectare/year)
1-2	5
3-5	10
6-10	20
11-15	30
16-20	40

Project Mel, Nunavut, Canada

Pursuant to an agreement with North Arrow Minerals Inc. dated January 13, 2021, the Company acquired 100% of the non-diamond mineral rights in respect of 46 mineral claims (covering approximately 56,075 ha of land) in Nunavut, commonly referred to as the “*MEL Project*”, subject to a 1% gross overriding royalty on non-diamond mineral production from the property, half of which royalty may be purchased at any time by the Company for \$1,000,000. This royalty applies to any property owned by the Company within an area of interest extending up to 5 km from the Mel Project boundary. Pursuant to the same agreement, the Company will be granted a 2% gross overriding diamond royalty (reduced to 1% in areas where there is an existing underlying royalty) over the same property, half of which royalty may be purchased by North Arrow Mines Inc. at any time for \$2,000,000. As consideration being paid for Mel Project, both the 1% gross overriding royalty on non-diamond mineral production and the 2% gross overriding royalty are valued at \$Nil.

Under the agreement, the parties also agreed to share exploration infrastructure in support of their respective exploration and evaluation efforts on the Melville Peninsula and accordingly also entered into a camp and permit sharing arrangement. As of December 31, 2021, the Company accrued \$68,617 of camp costs which was paid in February 2022.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Title to resource properties**

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

Realization of assets

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are permitted to lapse.

Environmental

The Company 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 of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company 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 Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

7. LOANS*Loans from CEO*

On August 31, 2018, the Company entered into a loan agreement with Darren Bahrey, the CEO. The loan principal amount is \$100,000. The loan bears an interest at 10% per annum and has no fixed term of repayment. On June 13, 2019, the Company repaid the loan principal of \$50,000 and interest of \$3,932. During the year ended December 31, 2021, the Company fully repaid the remaining \$50,000 principal and interest of \$13,096 to the CEO.

Canada Emergency Business Account ("CEBA") loan

On April 30, 2020, the Company received \$40,000 of CEBA loan from Bank of Montreal. The loan is interest free, and \$10,000 of the loan is eligible for loan forgiveness if \$30,000 has been fully repaid on or before December 31, 2022. It also has no principal repayments during this period. The loan was recorded at a fair value of \$23,257 using an effective rate of 10%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$16,743 is recorded as other income.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

7. LOANS *(cont'd...)**Canada Emergency Business Account (“CEBA”) loan (cont'd...)*

In January 2022, the Company received a notice that the Government of Canada declined the Company’s application of CEBA loan, and the CEBA loan has been converted into a non-revolving term loan as of January 21, 2022. Accordingly, the Company reversed \$12,727 of the previously recorded government grant, and restored the loan balance to its original principal amount at \$40,000 as of December 31, 2021.

During the year ended December 31, 2021, interest of \$2,480 was recognized in the consolidated statements of loss and comprehensive loss. As of March 31, 2022, a balance of \$40,000 (December 31, 2021 - \$40,000) is recorded as short-term loans.

8. SHARE CAPITAL

Authorized - unlimited number of common shares without par value

Share issuance

At March 31, 2022, the Company had 24,853,263 (December 31, 2021 – 24,853,263) common shares issued and outstanding.

There was no share issuance during the three months ended March 31, 2022.

During the year ended December 31, 2021:

i) the Company issued 6,816,096 shares at \$0.15 per share for total proceeds of \$1,022,415. The Company paid \$14,400 of cash finder’s fees.

ii) the Company issued 80,000 shares at \$0.25 per share for total proceeds of \$20,000.

iii) the Company issued 800,000 shares pursuant to exercise of 800,000 warrants at \$0.10 per share for total proceeds of \$80,000.

iv) In July and September 2021, the Company closed a non-brokered private placement by issuing 1,852,500 special warrants at \$0.25 per share for total proceeds of \$463,125. The Company paid \$15,000 of finder’s fee. Each special warrant will be automatically exchanged into one common share of the Company with no additional cost. In November and December 2021, the 1,852,500 special warrants were automatically converted into 1,852,500 common shares of the Company.

v) the Company accrued legal fee of \$43,122 for the issuance of shares and special warrants.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL (cont'd...)**Share escrow**

In accordance with National Policy 46-201 - *Escrow for Initial Public Offerings* of the Canadian Securities Administrators, certain principals of the Company entered into escrow agreements with the Company and its transfer agent. Pursuant to the escrow agreements, 3,920,001 shares and 1,650,000 warrants were escrowed for a period of 36 months on December 17, 2021. During the escrowed period, the securityholders are not permitted to sell, transfer, assign, mortgage, or enter into a derivative transaction in regards with the escrowed securities. The escrowed securities were released by 10% on January 10, 2022, the date the Company's shares are listed for trading on CSE, and then 15% every six months thereafter.

Stock options

On March 31, 2021, the Company adopted a stock option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees and consultants. The term of the option grants is up to ten years and the vesting schedule, if any, will be determined by the Board of Directors. The maximum number of common shares reserved for issue shall not exceed 15% of the total number of common shares issued and outstanding as at the grant date.

On January 10, 2022, the Company granted incentive stock options to certain directors, officers, employees, and consultants of the Company to purchase up to an aggregate of 2,100,000 common shares of the Company. These options are exercisable for a period of five years at a price of \$0.25 per share. All options will vest as to 10% on the date of grant, and a further 15% every three months thereafter. These options vested on the date of grant. The fair value of the stock options granted was \$477,716 (\$0.23 per option) at the date of grant. During the three months ended March 31, 2022, \$202,941 was amortized and recorded in the consolidated statements of loss and comprehensive loss.

The fair value of the stock options granted was determined using the Black-Scholes option price modelling with the following assumptions:

Weighted average assumptions	Three months ended March 31, 2022
Risk free interest rate	1.51%
Volatility	150%
Expected life of options	5 years
Dividend rate	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2020 and 2021	-	\$ -
Granted	2,100,000	0.25
Balance, March 31, 2022	2,100,000	\$ 0.25
Exercisable, at March 31, 2022	210,000	\$ 0.25

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL *(cont'd...)***Stock options** *(cont'd...)*

At March 31, 2022, the Company has the following outstanding stock options outstanding:

Number of Options	Exercise Price	Expiry Date
2,100,000	\$ 0.25	January 10, 2027

Warrants

In March and April 2021, the Company granted to directors, officers and consultants 1,050,000 warrants, exercisable at \$0.15 per share for a term of 2 years from the Company's completion of a liquidity event. A liquidity event means a merger, sale of the Company, or an initial public offering, or such other similar events as shall be determined by the Board of Directors in its sole discretion.

The fair value of the warrants granted was \$120,519 (approximately \$0.11 per warrant). During the year ended December 31, 2021, the Company recorded share-based compensation of \$120,519 in the consolidated statements of loss and comprehensive loss.

The Company referred to other early-stage exploration companies in the similar area for its volatility estimation. The fair value of the warrants granted was determined using the Black-Scholes option price modelling with the following assumptions:

Weighted average assumptions	Year ended December 31, 2021
Risk free interest rate	0.30%
Volatility	150%
Expected life of options	2.5 years
Dividend rate	0%

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL *(cont'd...)***Warrants** *(cont'd...)*

The continuity of the Company's warrants as of March 31, 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	4,000,000	\$ 0.10
Granted	1,050,000	0.15
Exercised	<u>(800,000)</u>	<u>0.10</u>
Balance, December 31, 2021 and March 31, 2022	4,250,000	\$ 0.11

As at March 31, 2022, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,050,000	\$ 0.15	January 10, 2024
3,200,000	\$ 0.10	January 10, 2024

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the three months ended March 31, 2022:

a) the Company paid or accrued consulting fees of \$12,750 (2021 - \$12,750) in exploration and evaluation assets, and \$12,750 (2021 - \$12,750) in management fees to a company controlled by the CEO. As of March 31, 2022, the Company had \$26,775 (December 31, 2021 - \$26,775) payable to the company controlled by the CEO and \$14,953 (December 31, 2021 - \$Nil) to the CEO for expense reimbursement.

b) the Company paid or accrued management fees of \$22,500 (2021 - \$15,000) to a company controlled by the CFO. As of March 31, 2022, the Company had \$23,625 (December 31, 2021 - \$23,625) payable to the company controlled by the CFO.

c) the Company paid or accrued consulting fees of \$24,000 (2021 - \$15,000) in exploration and evaluation assets to a company controlled by the VP Exploration. As of March 31, 2022, the Company had \$8,400 (December 31, 2021 - \$8,614) payable to the company controlled by the VP Exploration.

d) 1,300,000 (2021 - Nil) stock options were granted to directors and officers having a fair value on issuance of \$295,729 (2021 - \$Nil), of which \$125,630 (2021 - \$Nil) was amortized and recorded in the consolidated statements of loss and comprehensive loss during the three months ended March 31, 2022.

e) Nil (2021 - 800,000) warrants were granted to directors and officers having a fair value on issuance of \$Nil (2021 - \$91,824).

Due to related parties do not bear interest, are unsecured and repayable on demand.

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

9. RELATED PARTY TRANSACTIONS (cont'd...)**Due from related party**

On August 1, 2018, the Company and the CEO entered into a Revolving Line of Credit Agreement (“LOC”). Pursuant to the Agreement, the Company will make payments towards Project Green located in the Republic of Panama, of which the CEO currently holds the mineral property application. The LOC has a maximum funding amount of US\$100,000, interest free, and repayable by July 31, 2025.

On June 15, 2021, the Company, the CEO and 10X Minerals Corp. (“10X”) entered into a loan Assignment and Assumption Agreement, pursuant to which 10X assumed the LOC from the CEO, and the Company consent to the assignment of the LOC from the CEO to 10X. The Company expect to have the loan settled with common shares of 10X. 10X was incorporated on March 10, 2021 under the laws of British Columbia, Canada, and is also controlled by CEO. 10X is a junior exploration company focused on exploring diamonds and specialty minerals in Nunavut, Canada.

As of March 31, 2022 and December 31, 2021, the accumulated advance is US\$99,543 (March 31, 2022 - \$124,478; December 31, 2021 - \$126,393).

10. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT

IFRS 13, Fair Value Measurement, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company’s financial instruments measured at fair value by level within the fair value hierarchy:

March 31, 2022	Level 1	Level 2	Level 3
Financial assets at FVTPL			
Cash	\$ 381,890	\$ -	\$ -

Financial risk management

The Company’s objective in risk management is to maintain its ability to continue as a going concern. It is exposed to the following risks:

Liquidity risk

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at March 31, 2022, the Company had cash of \$381,890 (December 31, 2021 - \$831,038) and a working capital of \$204,166 (December 31, 2021 - \$475,801).

STRATEGX ELEMENTS CORP.**Notes to the Interim Condensed Consolidated Financial Statements****For the three months ended March 31, 2022**

(Expressed in Canadian dollars)

(Unaudited)

10. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT *(cont'd...)***Credit risk**

Credit risk arises from cash held with financial institutions as well as credit exposure on outstanding receivables. The Company's cash is held at high-credit rating financial institutions. Receivables only consist of refundable government goods and services tax. The Company has minimal credit risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has a due from related party balance which is denominated in U.S. Dollars. A 10% fluctuation in exchange rates between Canadian and U.S. Dollars would result in a \$13,000 change in due from related party and foreign exchange loss. The Company does not use any techniques to mitigate foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

11. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure its ability to continue as a going concern to meet its operational obligations and to maintain capital access to fund its mineral exploration activities in Northwest Territory and Nunavut, Canada.

The capital that the Company manages is the total of liabilities and equity on the consolidated statements of financial position. The Company may modify the capital structure to meet its funding needs by issuing new equity shares and/or debt instruments, disposing assets or bringing in joint venture partners. To facilitate the management of its capital, the Company prepares annual budgets approved by the Board of Directors. The budget is reviewed and updated periodically to account for changes in the expenditures and economic conditions. The Company is not subject to any externally imposed capital requirements.

STRATEGX ELEMENTS CORP.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022

(Expressed in Canadian dollars)

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12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company had \$21,727 of exploration and evaluation assets recorded in due to related parties, and \$13,425 in accounts payable and accrued liabilities as of March 31, 2022.

The Company had \$27,745 of exploration and evaluation assets recorded in due to related parties, and \$66,327 in accounts payable and accrued liabilities as of March 31, 2021.