

Strategic Metals Ltd.
Condensed Interim Consolidated Financial Statements
For the six months ended
June 30, 2021
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

Strategic Metals Ltd.
#1016 – 510 West Hastings Street
Vancouver, British Columbia
V6B 1L8

August 27, 2021

To the Shareholders of
Strategic Metals Ltd.

The attached condensed interim consolidated financial statements have been prepared by the management of Strategic Metals Ltd. and have not been reviewed by the auditor of the Company.

Yours truly,

W. Douglas Eaton
Chief Executive Officer

Strategic Metals Ltd.**Condensed Interim Consolidated Statements of Financial Position****Unaudited – Prepared by Management**

As at June 30, 2021 and December 31, 2020

	Note	June 30, 2021 \$	December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents	3	14,185,980	16,244,309
Receivables and prepayments	4	480,809	412,082
Marketable securities	5	9,882,422	10,192,931
		24,549,211	26,849,322
Non-current assets			
Reclamation and other deposits	8	129,983	115,927
Investment in associates	6(c)(d)	3,513,047	3,647,217
Prepaid exploration expenditures		212,510	153
Mineral property interests	7	66,785,534	65,389,462
Property and equipment	9	15,866	17,628
Long term investment	6(c)	1,000,000	1,000,000
		71,656,940	70,170,387
Total assets		96,206,151	97,019,709
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		240,211	329,590
Accounts payable to related parties	12	1,180,430	225,836
Flow-through premium liability	16	1,385,649	1,817,267
		2,806,290	2,372,693
Non-current liabilities			
Bank loan	6(b)	60,000	40,000
Deferred income tax liability	13	5,775,737	5,239,158
Total liabilities		8,642,027	7,651,851
Equity			
Share capital	10	54,887,179	54,438,119
Contributed surplus	10	2,595,700	2,843,080
Retained earnings (deficit)		(1,310,937)	567,149
Equity attributable to owners of the Company		56,171,942	57,848,348
Non-controlling interests		31,392,182	31,519,510
Total equity		87,564,124	89,367,858
Total liabilities and equity		96,206,151	97,019,709
Nature of operations and going concern	1		
Commitments	16		

Approved on behalf of the Board of Directors on August 27, 2021:

“Bruce J. Kenway”

Director

“Glenn R. Yeadon”

Director

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

Strategic Metals Ltd.

Condensed Interim Consolidated Statements of Changes in Equity Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

	Number of common shares #	Share capital \$	Contributed surplus \$	Commitment to issue shares \$	Accumulated other comprehensive income \$	Retained earnings (deficit) \$	Attributable to owners \$	Non- controlling interests \$	Total equity \$
January 1, 2020	96,581,252	50,369,049	2,595,452	17,346	-	(1,758,993)	51,222,854	24,435,982	75,658,836
Share-based payments	-	-	376,472	-	-	-	376,472	177,351	553,823
Re-allocated on cancellation of options	-	-	(30,737)	-	-	30,737	-	-	-
Re-allocated on expiry of options	-	-	(198,288)	-	-	198,288	-	-	-
Shares issued on exercise of warrants	64,715	25,886	-	-	-	-	25,886	-	25,886
Re-allocated on exercise of warrants	-	1,418	(1,418)	-	-	-	-	-	-
Shares for services - commitment to issue	-	-	-	(17,346)	-	-	(17,346)	(22,839)	(40,185)
Decrease in ownership of subsidiaries	-	-	-	-	-	(122,519)	(122,519)	1,205,727	1,083,208
Subsidiary share issue costs	-	-	-	-	-	-	-	(5,584)	(5,584)
Foreign currency translation adjustment	-	-	-	-	869	-	869	-	869
Loss and comprehensive loss for the period	-	-	-	-	-	(611,203)	(611,203)	(737,588)	(1,348,791)
June 30, 2020	96,645,967	50,396,353	2,741,481	-	869	(2,263,690)	50,875,013	25,053,049	75,928,062
January 1, 2021	106,705,967	54,438,119	2,843,080	-	-	567,149	57,848,348	31,519,510	89,367,858
Share-based payments	-	-	82,765	-	-	-	82,765	60,490	143,255
Re-allocated on expiry of options	-	-	(315,697)	-	-	315,697	-	-	-
Shares issued on exercise of warrants	1,000,000	400,000	-	-	-	-	400,000	-	400,000
Re-allocated on exercise of warrants	-	-	(388)	-	-	388	-	-	-
Shares issued on exercise of options	100,000	35,000	-	-	-	-	35,000	-	35,000
Re-allocated on exercise of options	-	14,060	(14,060)	-	-	-	-	-	-
Decrease in ownership of subsidiaries	-	-	-	-	-	(4,921)	(4,921)	27,421	22,500
Loss and comprehensive loss for the period	-	-	-	-	-	(2,189,250)	(2,189,250)	(215,239)	(2,404,489)
June 30, 2021	107,805,967	54,887,179	2,595,700	-	-	(1,310,937)	56,171,942	31,392,182	87,564,124

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

Strategic Metals Ltd.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Unaudited – Prepared by Management

For the three and six months ended June 30,

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Expenses					
Consulting fees	12	13,500	72,687	27,000	127,174
Finance costs, net		-	1,052	-	2,244
Flow-through taxes (recovery)		-	(2,943)	-	-
General and administrative expenses		12,481	13,421	26,611	26,963
Insurance		19,371	16,663	38,029	33,286
Investor relations and shareholder information		38,415	34,482	76,282	98,182
Management, administration and corporate development fees	12	140,316	105,011	257,079	201,518
Management, administration and corporate development salaries	12	18,774	206,999	40,464	253,398
Office rent	12	22,500	23,672	45,000	48,075
Professional fees	12	99,797	316,533	174,747	368,078
Research expenses	6(c),12	-	348,757	-	423,087
Share-based payments	10,12	49,608	257,316	143,255	553,823
Transfer agent and filing fees		12,060	9,518	31,366	23,770
Loss from operating expenses		(426,822)	(1,403,168)	(859,833)	(2,159,598)
Interest income		4,038	21,299	6,380	56,217
Gain (loss) on sale of marketable securities	5	(113,548)	(563,639)	81,025	(545,952)
Unrealized gain (loss) on marketable securities	5	(2,531,487)	5,719,662	(4,486,896)	1,855,505
Mineral property examination expense	12	(15,878)	(3,189)	(36,483)	(14,280)
Gain on disposal of mineral property interests	7	3,343,018	-	3,343,018	-
Write-off of mineral property interests	7	(1,185)	(20)	(1,185)	(4,840)
Bad debts		-	-	-	(16,084)
Loss on investment in associates	6(c)(d)	(166,667)	-	(356,392)	-
Other income		10,838	-	10,838	-
Income (loss) for the period before income taxes		102,307	3,770,945	(2,299,528)	(829,032)
Deferred income tax expense	13	(431,455)	(1,112,797)	(104,961)	(519,759)
Income (loss) for the period		(329,148)	2,658,148	(2,404,489)	(1,348,791)
Other comprehensive income					
Foreign currency translation adjustment		-	869	-	869
Income (loss) and comprehensive income (loss) for the period		(329,148)	2,659,017	(2,404,489)	(1,347,922)
Income (loss) and comprehensive income (loss) for the period attributable to:					
Owners of the Company		(240,958)	3,194,780	(2,189,250)	(611,203)
Owners of the Company - comprehensive income		-	869	-	869
Non-controlling interests		(88,190)	(536,632)	(215,239)	(737,588)
		(329,148)	2,659,017	(2,404,489)	(1,347,922)
Earnings (loss) per share					
Weighted average number of common shares outstanding					
- basic #	11	107,339,300	96,645,967	107,045,194	96,643,181
- diluted #	11	107,339,300	97,206,569	107,045,194	96,643,181
Basic earnings (loss) per share \$	11	(0.00)	0.03	(0.02)	(0.01)
Diluted earnings (loss) per share \$	11	(0.00)	0.03	(0.02)	(0.01)

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

Strategic Metals Ltd.**Condensed Interim Consolidated Statements of Cash Flows****Unaudited – Prepared by Management****For the six months ended June 30,**

	Note	2021 \$	2020 \$
Operating activities			
Loss for the period		(2,404,489)	(1,348,791)
Adjustments for non-cash items:			
Finance costs, net		-	2,244
General and administrative expenses - depreciation	9	1,762	20,800
Share-based payments		143,255	553,823
Interest income		(6,380)	(56,217)
Loss (gain) on sale of marketable securities		(81,025)	545,952
Unrealized loss (gain) on marketable securities		4,486,896	(1,855,505)
Gain on disposal of mineral property interests		(3,343,018)	-
Write-off of mineral property interests		1,185	4,840
Loss on investment in associates		356,392	-
Bad debts		-	16,084
Deferred income tax expense		104,961	519,759
Foreign currency translation adjustment		-	869
Net change in non-cash working capital items	14	(196,863)	449,744
		(937,324)	(1,146,398)
Financing activities			
Issue of shares for cash		435,000	25,886
Issue of shares/units for cash by subsidiary		22,500	1,143,020
Subsidiary share issue costs		-	(5,584)
Proceeds from bank loan	1,6(b)	20,000	-
		477,500	1,163,322
Investing activities			
Interest received		6,380	56,217
Change in reclamation and other deposits		(14,056)	(139)
Purchase of subsidiary units/shares	6	-	(100,000)
Purchase of associate shares		(222,222)	-
Proceeds from sale of marketable securities	5	365,229	592,625
Purchase of marketable securities		(110,000)	(181,000)
Lease payments made		-	(19,294)
Lease security deposit made		-	(26,376)
Lease payments received		-	6,432
Purchases of equipment		-	(158,612)
Prepaid exploration expenditures		(212,510)	(836)
Exploration incentives received		37,578	31,779
Proceeds from sale/option of mineral property interests		90,000	66,811
Mineral property acquisition costs	7	(162,634)	(32,830)
Deferred exploration and evaluation expenditures		(1,376,270)	(835,867)
		(1,598,505)	(601,090)
Net decrease in cash and cash equivalents		(2,058,329)	(584,166)
Cash and cash equivalents, beginning of period		16,244,309	10,343,715
Cash and cash equivalents, end of period		14,185,980	9,759,549

Supplemental cash flow information

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

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

1. Nature of operations and going concern

Strategic Metals Ltd. (the “Company” or “Strategic”) was incorporated under the laws of the Province of British Columbia, Canada. Head office is located at 1016 - 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. Its records office is located at 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3. Its main business activity is the acquisition, exploration and evaluation of mineral properties located in Canada. These condensed interim consolidated financial statements (the “financial statements”) of the Company as at June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and June 30, 2020 comprise the Company and its subsidiaries, and the Company’s interest in jointly controlled operations and entities over which it has significant influence. The Company’s common shares trade on the TSX Venture Exchange (“TSX-V”).

The Company’s main corporate strategy is to advance its mineral properties to a drill-ready stage and then option or sell them to other parties. Under option or sale agreements, the Company may receive cash and/or shares in the acquiring companies and may retain interests or royalty interests in the properties. Through this process, the Company has assembled a portfolio of direct and indirect mineral property interests and marketable securities, which have generated adequate cash flows to meet overheads and ongoing exploration and drilling programs. The Company has not yet determined whether its direct or indirect mineral property interests contain mineral reserves that are economically viable. The Company’s continued operations, and the underlying value and recoverability of the amounts shown for mineral property interests and marketable securities, are entirely dependent upon the existence of economically recoverable mineral reserves of the Company and those in which it holds a mineral property or shareholder interest. The continued exploration and development of projects will depend on it receiving future cash flows from the disposition of its mineral property interests and marketable securities, or from its ability to obtain share capital financing.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As an exploration stage company, the Company does not have traditional revenue sources, and historically has relied on property option or sale proceeds and share capital financing to cover its property acquisition, exploration and evaluation expenditures and operating expenses.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s ability to raise capital or conduct exploration activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates, including the Yukon, British Columbia, Nunavut and the Northwest Territories in Canada, and Nevada, USA, that may prohibit or delay exploration programs from proceeding. Operations will depend on obtaining necessary field supplies, obtaining contractor services, and safeguarding all personnel during the outbreak, which may be prohibitive or too costly. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic. As at June 30, 2021, neither the Company nor its subsidiaries (with the exception of GGL) have qualified for assistance, but the various programs are constantly being expanded and relaxed, which may qualify the Company and its subsidiaries for future assistance. To the date of these financial statements, GGL received assistance in the form of a \$60,000 government-guaranteed bank loan, of which \$20,000 is forgivable. Further, the requirement for the Company and its subsidiaries to incur flow-through expenditures by the end of the year has been relaxed by the Government allowing for an extension of one year (note 16). However, it may not be possible to complete these expenditures if the pandemic continues and access to its projects prove insurmountable.

As at June 30, 2021, the Company had equity attributable to owners of the Company of \$56,171,942 (December 31, 2020 - \$57,848,348) and working capital of \$21,742,921 (December 31, 2020 - \$24,476,629). Working capital includes the working capital of companies that are consolidated, which includes the working capital of subsidiary company Rockhaven Resources Ltd. (“Rockhaven”) of \$2,828,122 (December 31, 2020 - \$3,698,723) and the working capital of subsidiary GGL Resources Corp. (“GGL”) of \$1,072,628 (December 31, 2020 - \$2,094,849) (see note 6). During the year ended December 31, 2020, the Company’s ownership position in former subsidiary, Terra CO2 Technology Holdings Inc. (“Terra CO2”) was diluted significantly which resulted in loss of control. Accordingly, the Company deconsolidated Terra CO2 but continues to account for its investment in Terra CO2 as an equity investment (see note 6(c)).

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

1. Nature of operations and going concern (continued)

Working capital does not include the fair value of its Rockhaven and GGL common shares, which trade on the TSX-V and are eliminated on consolidation. The Rockhaven shares had a value of \$8,721,277 on June 30, 2021 (December 31, 2020 - \$11,512,085) and the GGL shares had a value of \$2,535,093 on June 30, 2021 (December 31, 2020 - \$4,895,352).

Management has assessed that its overall working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements it could be necessary to restate the Company's assets and liabilities on a liquidation basis.

2. Significant accounting policies**(a) Basis of presentation**

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited consolidated financial statements for the year ended December 31, 2020, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

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

All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. The Company previously consolidated the operations of Terra CO2, which had a functional currency of the United States dollar ("U.S. Dollar").

(b) Significant accounting policies

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited consolidated financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2021. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements.

(c) Principles of consolidation and investment in associates

These financial statements include the financial information of the Company and its subsidiaries. On June 8, 2020, Terra CO2, a Delaware corporation, was incorporated for the purpose of completing a Securities Contribution and Exchange Agreement with Terra CO2 Technologies Ltd. ("Terra Tech"), a then existing subsidiary of the Company.

The Company accounted for its investment in Terra CO2 as a controlled entity requiring consolidation until October 31, 2020, at which date it effectively lost control as a result of Terra CO2 completing a financing that diluted the Company's position significantly. As at October 31, 2020, the accounts of Terra CO2 were deconsolidated and the investment in Terra CO2 accounted for as an equity investment (see note 6(c)).

Subsidiaries are entities controlled by the Company and are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Company.

The financial statements include the following entities:

Strategic	100.0%	Parent company
Rockhaven	33.5%	Exploration company (see note 6(a))
GGL	38.5%	Exploration company (see note 6(b))
Terra CO2 (until October 31, 2020)	53.4%	Research and development company (see note 6(c))

Subsequently on August 4, 2021, the Company incorporated a wholly-owned subsidiary, Yukon Environmental Technologies Inc. ("Yukon Environmental"), in the Yukon Territory. Yukon Environmental has no active operations at this time.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

2. Significant accounting policies (continued)**(c) Principles of consolidation** (continued)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. When applicable, the financial statements include the Company's share of the income (loss) and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to \$nil, and the recognition of further losses is discontinued, except to the extent that the Company has an obligation, or has made payments on behalf of the investee.

Inter-company balances and transactions, and any unrealized income (loss) and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

When control of a subsidiary is lost, the Company: (a) derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position; (b) recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs; and (c) and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

(d) New accounting standards

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2021. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Bank and broker balances	13,150,980	14,189,309
Cashable investment certificates	1,035,000	2,055,000
	14,185,980	16,244,309

4. Receivables and prepayments

Receivables and prepayments consist of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Exploration incentives receivable	17,656	40,934
Other receivables	241,847	16,894
Prepaid expenses	135,192	105,563
Sales tax recoverable	86,114	248,691
	480,809	412,082

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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For the six months ended June 30, 2021 and June 30, 2020

5. Marketable securities

The Company holds various share positions in other resource companies which were obtained under mineral property option agreements, by participation in private placements and from open market purchases. The valuation of the shares has been determined in whole by reference to the bid price of the shares on the TSX-V or Toronto Stock Exchange (“TSX”) at each reporting date. Various warrants have been received as attachments to share purchase units and normally do not trade in an active market. At the time of purchase the per unit cost is allocated in full to each common share. Additional warrants have been received under mineral property sale agreements and were valued on receipt using the Black-Scholes option pricing model. The Company determines the value of the warrants at each period end date using the Black-Scholes option pricing model or using their trading price if applicable.

Silver Range Resources Ltd.

The Company has a large share position in Silver Range Resources Ltd. (“Silver Range”), which is a related party through certain common Directors and Officers. As at June 30, 2021, the Company owned 15,263,673 common shares of Silver Range representing 18.1% of Silver Range’s outstanding shares (December 31, 2020 – 15,263,673 shares representing 18.6%). ECEE Money Limited (“ECEE”), a private company controlled by the Company’s President and CEO (note 12), also has a large position in Silver Range. Given that the combined ownership position in Silver Range is in excess of 20%, the Company considered if equity accounting was applicable. ECEE’s security holdings in Silver Range are for investment purposes only and ECEE does not intend to participate in policy making or enter into material inter-company transactions with Silver Range. To this effect, ECEE has signed a Standstill Agreement not to exercise significant influence, therefore, the Company has concluded that significant influence is not present from a combined shareholdings perspective, and accordingly, equity accounting is not applicable.

On May 26, 2020, the Company subscribed to a private placement with Silver Range to acquire 2,000,000 units for consideration of \$160,000. Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the Company to purchase one additional common share at \$0.16 each, until May 26, 2022. As at June 30, 2021, the warrants were valued at \$117,556 using the Black-Scholes option pricing model (December 31, 2020 - \$194,183).

Trifecta Gold Ltd.

The Company has a large share position in Trifecta Gold Ltd. (“Trifecta”), which is a related party through certain common Directors and Officers. As at June 30, 2021, the Company owned 4,906,318 common shares of Trifecta representing 6.1% of Trifecta’s outstanding shares (December 31, 2020 – 4,906,318 shares representing 8.5%).

On June 9, 2020, the Company subscribed to a private placement with Trifecta to acquire 840,000 common shares for consideration of \$21,000.

On September 1, 2020, the Company subscribed to a private placement with Trifecta to acquire 850,000 units for consideration of \$59,500. Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the Company to purchase one additional common share at \$0.14 each, until September 1, 2021. As at June 30, 2021, the warrants were valued at \$4,881 using the Black-Scholes option pricing model (December 31, 2020 - \$10,324).

Subsequently on July 5, 2021, the Company completed the purchase of 2,000,000 units of Trifecta for consideration of \$200,000 pursuant to Strategic’s subscription to Trifecta’s June 30, 2021 private placement. Each unit consisted of one common share and one share purchases warrant, with each warrant entitling the Company to purchase one additional common share at \$0.20 each until June 30, 2023. Accordingly, Strategic’s ownership in Trifecta subsequently increased to 6,906,318 common shares representing 8.6% of Trifecta’s outstanding shares.

ATAC Resources Ltd.

During the year ended December 31, 2020, the Company reduced its ownership position in ATAC Resources Ltd. (“ATAC”) from approximately 6.4% (10,144,136 shares) as at December 31, 2019 to approximately 2.4% (3,900,000 shares) as at December 31, 2020. As at June 30, 2021, the Company owned 3,635,500 common shares of ATAC representing 2.0% of ATAC’s outstanding shares.

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

5. Marketable securities (continued)

Precipitate Gold Corp.

The Company has a large share position in Precipitate Gold Corp. ("Precipitate"). As at June 30, 2021, the Company owned 20,391,327 common shares of Precipitate representing 19.2% of Precipitate's outstanding shares (December 31, 2020 – 20,391,327 shares representing 19.2%). Given its large ownership position in Precipitate, the Company considered if equity accounting was applicable. The Company's security holdings in Precipitate are for investment purposes only and it does not have representation on the Precipitate Board of Directors, nor does it have any appointed managerial personnel. The Company does not intend to participate in policy making or enter into material inter-company transactions with Precipitate, therefore, the Company has concluded that equity accounting is not applicable.

Honey Badger Silver Inc.

The Company has a large share position in Honey Badger Silver Inc. ("Honey Badger"). As at June 30, 2021, the Company owned 34,804,718 common shares of Honey Badger representing 19.9% of Honey Badger's outstanding shares (December 31, 2020 – nil). Additionally, the Company's President and CEO is an independent Director of Honey Badger. Given these circumstances, the Company considered if equity accounting was applicable. The Company's security holdings in Honey Badger are for investment purposes only, there are no common managerial personnel between the Company and Honey Badger, and the Company does not intend to participate in policy making or enter into material inter-company transactions with Honey Badger, therefore, the Company has concluded that equity accounting is not applicable.

The marketable securities do not include the Company's investment in Rockhaven, GGL, Terra CO2 or 1080715 B.C. Ltd.

A summary of the marketable security transactions for the six months ended June 30, 2021 and June 30, 2020 is as follows:

	Shares received under options or other \$	Portfolio shares purchased \$	Warrants \$	Total \$	Total gain (loss) \$
Cost					
January 1, 2020	27,928,483	1,254,494	-	29,182,977	
Additions	-	181,000	-	181,000	
Proceeds on sale	(538,440)	(54,185)	-	(592,625)	
Realized gain (loss)	(378,821)	(167,131)	-	(545,952)	(545,952)
June 30, 2020	27,011,222	1,214,178	-	28,225,400	
Fair value					
January 1, 2020	8,653,271	223,357	1,602	8,878,230	
Additions	-	181,000	-	181,000	
Cost of disposals	(917,260)	(221,316)	-	(1,138,576)	
Unrealized gain	1,591,466	228,661	35,378	1,855,505	1,855,505
June 30, 2020	9,327,477	411,702	36,980	9,776,159	
Total gain					1,309,553
Cost					
January 1, 2021	23,035,108	613,201	-	23,648,309	
Additions	4,460,590	-	-	4,460,590	
Proceeds on sale	(365,229)	-	-	(365,229)	
Realized (loss) gain	81,025	-	-	81,025	81,025
June 30, 2021	27,211,494	613,201	-	27,824,695	
Fair value					
January 1, 2021	9,524,729	372,849	295,353	10,192,931	
Additions	4,460,590	-	-	4,460,590	
Cost of disposals	(284,203)	-	-	(284,203)	
Unrealized gain (loss)	(4,207,011)	(170,371)	(109,514)	(4,486,896)	(4,486,896)
June 30, 2021	9,494,105	202,478	185,839	9,882,422	
Total loss					(4,405,871)

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates

These financial statements include the accounts of Rockhaven, GGL and through to October 31, 2020, Terra CO2. Rockhaven and GGL are Canadian incorporated companies, and Terra CO2 is a United States incorporated company. Rockhaven was incorporated under the laws of Alberta and continued under the laws of British Columbia and is extraterritorially registered in the Yukon Territory. GGL was incorporated under the laws of British Columbia and is extraterritorially registered in the Northwest Territories and Nunavut. Terra CO2 was incorporated in the state of Delaware. Rockhaven and GGL are located at the same offices as the Company.

(a) Rockhaven

The Company has a 33.5% ownership in Rockhaven, and if combined with the shares owned by Strategic's Officers and Directors, it gives Strategic voting control and the ability to control the key operating activities of Rockhaven, therefore, Rockhaven is consolidated with the Company and has been consolidated since March 25, 2015, when a controlling block of shares was acquired.

A summary of the Company's investment in Rockhaven is as follows:

	Ownership %	Number of shares #	Carrying value \$	Market value \$
January 1, 2020	36.3	68,070,212	13,366,759	9,870,191
Units purchased		1,700,000	340,000	
December 31, 2020	33.5	69,770,212	13,706,759	11,512,085
June 30, 2021	33.5	69,770,212	13,706,759	8,721,277

The market value of the Rockhaven shares is based on the bid price of the shares on the TSX-V at each reporting date.

On August 20, 2020, the Company subscribed to a private placement with Rockhaven whereby the Company acquired 1,700,000 units of Rockhaven at \$0.20 per unit for consideration of \$340,000. Each unit consisted of one common share and one-half of a share purchase warrant, with each warrant being exercisable into one additional common share at a price of \$0.29 until August 20, 2022. The acquisition of the additional units decreased the Company's ownership in Rockhaven to 33.5% as Strategic did not participate in the private placement at a level that would result in the Company retaining its previous ownership interest. The decreased ownership in the equity of Rockhaven was determined to be \$1,109,675. The decreased ownership of Rockhaven's equity and the consideration paid totaled \$1,449,675 in aggregate and increased deficit. Non-controlling interests were increased by \$5,189,850 in connection with the private placement completed.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(a) Rockhaven (continued)**

A summary of the financial information of Rockhaven is as follows:

	Assets \$	Liabilities \$	Revenues \$	Income (expenses) \$
Six months ended June 30, 2020				
Current	2,349,518	593,997	-	-
(1) Non-current	36,517,699	2,015,392	-	-
Loss from operating expenses	-	-	-	(435,883)
Interest income	-	-	-	23,271
Gain on marketable securities	-	-	-	2,767
Deferred income tax recovery	-	-	-	41,238
	38,867,217	2,609,389	-	(368,607)
Six months ended June 30, 2021				
Current	4,546,692	1,718,570	-	-
(1) Non-current	39,651,515	2,625,646	-	-
Loss from operating expenses	-	-	-	(197,149)
Interest income	-	-	-	91
Loss on marketable securities	-	-	-	(16,600)
Deferred income tax recovery	-	-	-	71,525
	44,198,207	4,344,216	-	(142,133)

(1) The non-current assets exclude an impairment adjustment made on consolidation of \$3,840,188.

Expenses for the six months ended June 30, 2021, attributable to non-controlling interests totalled \$94,461 (2020 - \$234,803).

(b) GGL

The Company has a 38.8% interest in GGL, and if combined with the share ownership in GGL of Strategic's Officers and Directors, it gives Strategic voting control and the ability to control the key operating activities of GGL. Therefore, GGL is consolidated with the Company and has been consolidated since October 31, 2017, when a controlling block of shares were acquired.

A summary of the Company's investment in GGL is as follows:

	Ownership %	Number of shares #	Carrying value \$	Market value \$
January 1, 2020	43.2	11,562,500	1,125,000	925,000
Shares/units purchased		4,041,734	410,512	
Warrants exercised		1,879,166	281,875	
December 31, 2020	38.9	17,483,400	1,817,387	4,895,352
June 30, 2021	38.5	17,483,400	1,817,387	2,535,093

The market value of the GGL shares is based on the bid price of the shares on the TSX-V at each reporting date.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(b) GGL (continued)**

During January and February 2021, GGL issued 150,000 common shares on the exercise of share purchase warrants by a GGL shareholder at \$0.15 per share for proceeds of \$22,500. The issuance of common shares by GGL decreased the Company's ownership in GGL to 38.8%. The decreased ownership in the equity of GGL was determined to be \$4,921 and increased deficit. Non-controlling interests was increased by \$27,421 in connection with the issuance.

On November 3, 2020, the Company subscribed to a private placement with GGL whereby the Company acquired 1,408,402 non-flow-through common shares of GGL at \$0.18 per share for consideration of \$253,512. The acquisition of the additional shares decreased the Company's ownership in GGL to 38.9% as Strategic did not participate in the private placement at a level that would result in the Company retaining its previous ownership interest. The decreased ownership in the equity of GGL was determined to be \$332,539. The decreased ownership of GGL's equity and the consideration paid totaled \$586,051 in aggregate and increased deficit. Non-controlling interests was increased by \$2,535,176 in connection with the private placement completed and in combination with shares issued by GGL for the exercise of options and warrants during the year ended December 31, 2020.

On September 10, 2020, the Company acquired an additional 1,879,166 common shares of GGL through the exercise of share purchase warrants at \$0.15 per share for consideration of \$281,875. GGL also issued 700,000 common shares on the exercise of share purchase warrants to ECEE. The acquisition of the common shares increased the Company's ownership in GGL to 46.1%. The difference between the increased ownership of GGL's equity and the consideration paid totaled \$218,960 and increased deficit. Non-controlling interests was decreased by \$62,918.

On July 23, 2020, the Company subscribed to a private placement with GGL whereby the Company acquired 633,332 non-flow-through units of GGL at \$0.09 per unit for consideration of \$57,000. Each unit consisted of one common share and one-half of a share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.15 until July 23, 2021 (exercised in September 2020 as discussed above). The acquisition of the additional units decreased the Company's ownership in GGL to 43.9% as Strategic did not participate in the private placement at a level that would result in the Company retaining its previous ownership interest. The decreased ownership in the equity of GGL was determined to be \$60,642. The decreased ownership of GGL's equity and the consideration paid totaled \$117,642 in aggregate and increased deficit. Non-controlling interests was increased by \$333,369 in connection with the private placement completed.

On May 15, 2020, the Company subscribed to a private placement with GGL whereby the Company acquired 2,000,000 common shares of GGL at \$0.05 per share for consideration of \$100,000. The acquisition of additional shares increased the Company's ownership in GGL to 46.3%. The difference between the increased ownership of GGL's equity and the consideration paid totaled \$8,941 which increased both deficit and non-controlling interests by an equivalent amount.

On January 3, 2020, GGL issued 502,273 common shares to Dave Kelsch Consulting Ltd., a company controlled by the President and COO of GGL with a fair value of \$40,185. The issuance of these common shares was in settlement of the commitment to issue shares which GGL accrued during the year ended December 31, 2019 with \$22,839 of this amount attributable to non-controlling interests. The issuance of common shares by GGL decreased the Company's ownership in GGL to 42.4%. The decreased ownership in the equity of GGL was determined to be \$66,549 and increased deficit. Non-controlling interests was increased by \$106,734 (\$83,895 net of the original \$22,839) in connection with the issuance.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(b) GGL** (continued)

A summary of the financial information of GGL is as follows:

	Assets	Liabilities	Revenues	Income
	\$	\$	\$	(expenses)
				\$
Six months ended May 31, 2020				
Current	166,330	19,283	-	-
(1) Non-current	2,182,186	-	-	-
Loss from operating expenses	-	-	-	(95,529)
Interest income	-	-	-	1,302
Write-off of mineral property interests	-	-	-	(4,840)
	2,348,516	19,283	-	(99,067)
Six months ended May 31, 2021				
Current	1,239,729	167,101	-	-
(1) Non-current	3,501,299	60,000	-	-
Loss from operating expenses	-	-	-	(201,481)
Interest income	-	-	-	5,413
Write-off of mineral property interests	-	-	-	(1,185)
	4,741,028	227,101	-	(197,253)

(1) The non-current assets exclude an impairment adjustment made on consolidation of \$409,838.

Expenses for the six months ended June 30, 2021, attributable to non-controlling interests totalled \$120,778 (2020 - \$55,477).

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(c) Terra CO2**

Prior to the incorporation of Terra CO2 on June 8, 2020, Terra Tech was incorporated as a 100% owned subsidiary of the Company and remained inactive from incorporation until April 4, 2016, at which time it was activated to purchase the Company's CO2 sequestration technology and patents.

The research costs, including all patent costs, incurred by the Company while it owned the research project were expensed, as it was determined that the criteria to recognize the costs as an intangible asset were not present. The research costs, including all patent costs, incurred by Terra Tech and Terra CO2, have also been expensed as the recognition criteria are still not present. Since the research project is still considered to be in the research phase, there is no basis to recognize the research project as an intangible asset.

On September 7, 2016, a formal purchase/sale agreement for the research project was completed. In return for all the rights to the research project, Terra Tech issued the Company 20,000,000 common shares and 10,000,000 share purchase warrants, which were exchanged for shares and warrants of Terra CO2 pursuant to a Securities Contribution and Exchange Agreement (the "SC&E Agreement") detailed below.

On June 15, 2020, SC&E Agreement was executed between Terra CO2 and Terra Tech's shareholders, whereby Terra Tech's shareholders exchanged their Terra Tech common shares and share purchase warrants with Terra CO2 for the equivalent number of common shares and share purchase warrants of Terra CO2, thereby causing Terra CO2 to become the sole shareholder of Terra Tech. The result of the exchange had no overall impact on the accounting for the Company's ownership or investment in Terra CO2 as a consolidated entity with Terra Tech. However, the exchange resulted in a gain for tax purposes which contributed to the Company's increased deferred tax liability.

On December 9, 2019, the Company entered into a Purchase and Sale Agreement (the "P&S Agreement") with DJL Mineral Holdings Ltd. ("DJL"), a company controlled by DJ Lake, the former CEO of Terra Tech. The P&S Agreement, which concerned Terra Tech, was superseded by a Securities Transfer Agreement which gave effect to the terms of the exchange detailed above pursuant to the Securities Contribution and Exchange Agreement (the "SC&E Agreement"), and now concerns Terra CO2. Pursuant to the terms of the SC&E Agreement, the Company sold 5,000,000 common shares of Terra CO2 to DJL in return for 100,000 preferred shares of DJL (the "DJL Preferred Shares") with a redemption value of \$10 per DJL Preferred Share (total redemption value of \$1,000,000 recorded as long term investment). The difference between the recognition of the DJL Preferred Shares, and the decrease in ownership of Terra CO2 amounted to \$941,222 which decreased deficit, while non-controlling interests increased by \$58,778 in connection with sale of Terra CO2 shares, and the recognition of DJL Preferred Shares during the year ended December 31, 2019. The sale of Terra CO2 common shares by the Company further decreased the Company's ownership in Terra CO2 to 62.7% as at December 31, 2019.

The SC&E Agreement provided for a series of special rights and restrictions on the DJL Preferred Shares making them retractable by the Company on demand at a retractable value of \$10 per DJL Preferred Share in the event of any of the following circumstances:

- (i) Should DJL sell any of the 5,000,000 Terra CO2 shares, the Company will have the right to elect at its sole discretion that the first \$1,000,000 in sale proceeds be used to retract the DJL Preferred Shares;
- (ii) Should DJ Lake cease to be employed by Terra CO2 or Terra Tech;
- (iii) In the event Terra CO2 ceases to carry on business as a result of its technology being determined to not be commercially viable; or
- (iv) Should DJ Lake sell any of his shares of DJL.

The DJL Preferred Shares also contain resale restrictions, prohibiting the Company from selling, transferring, or otherwise disposing of the shares.

The result of the SC&E Agreement had no overall impact on the accounting for the DJL Preferred Shares which were initially recognized during the year ended December 31, 2019 pursuant to the former P&S Agreement.

In November 2020, Terra CO2 completed a voting preferred share financing consisting of 38,352,311 Series 1 preferred shares issued at USD \$0.2302 and 2,190,232 Series 2 preferred shares issued at USD \$0.2072 each for gross proceeds of USD \$9,282,518. As Strategic did not participate in the financing, the issuance of the preferred shares by Terra CO2 diluted Strategic's ownership in Terra CO2 to approximately 21.9%. Accordingly, the Company no longer had the ability to direct the key operating activities of Terra CO2 and effective October 31, 2020, Terra CO2 was deconsolidated.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(c) Terra CO2 (continued)**

However, the Company maintains a large shareholding in Terra CO2 and given its position, management has concluded that the Company could exert significant influence over the operations of Terra CO2. As such, the Company is accounting for its investment in Terra CO2 as an equity investment effectively from deconsolidation.

Also in November 2020, the Company agreed to reduce its share purchase warrants from 10,000,000 warrants to 5,000,000 warrants. In exchange for the reduction, the expiry date was extended by two years to September 23, 2023. The exercise price remained unchanged at USD \$0.1868 per warrant.

Prior to the loss of control on October 31, 2020, Terra CO2 (as a consolidated entity with Terra Tech), issued 4,141,328 common shares to ECEE, a company controlled by the Company's President and CEO, who is also a former Director of Terra CO2, for gross proceeds of \$1,043,020 (2,000,000 common shares at a price of \$0.25 per share, and 2,141,328 common shares at a price of USD \$0.1868). The issuance of common shares by Terra CO2 decreased the Company's ownership in Terra CO2 to 53.4%. The decreased ownership in the equity of Terra CO2 was determined to be \$47,029 and increased deficit. Non-controlling interests was increased by \$1,090,052 in connection with the issuance.

Terra CO2 entered into two bridge loan agreements (the "bridge loans") dated September 9, 2020. One of the loans was from a third party for principal of USD \$300,000 (\$400,890) and the second loan was from ECEE, for principal of \$200,000. The bridge loans were deconsolidated effective October 31, 2020 and in November 2020, were converted into Series 2 preferred shares of Terra CO2.

A summary of the accounts of Terra CO2 that were deconsolidated as of October 31, 2020 is as follows:

	October 31, 2020
	\$
Cash	871,430
Receivables and prepayments	56,870
Lease receivable - current and long term portions	16,121
Intangible asset	1
Lease deposit	28,546
Deferred financing charges	250,365
Property and equipment	371,389
Accounts payable and accrued liabilities	(508,239)
Accounts payable to related parties	(9,661)
Lease liabilities - current and long term portions	(193,291)
Bridge loans	(606,961)
Share subscriptions received	(665,865)
Non-controlling interests	(729,314)
Net liabilities deconsolidated	(1,118,609)
Investment in associated entity	3,750,001
Gain on deconsolidation	(4,868,610)

The gain on deconsolidation of Terra CO2 does not include any amounts relating to a fair value adjustment as no such adjustment was applicable on the deconsolidation of Terra CO2. The Company determined the fair value of the investment in associated entity to be \$3,750,001 in reference to current and recently completed equity financings of Terra CO2.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(c) Terra CO2 (continued)**

A summary of the Company's investment in Terra CO2 is as follows:

	Ownership %	Number of shares #	Carrying value \$
January 1, 2020	62.7%	15,000,001	2
Return of shares from DJL		5,000,000	-
Shares sold to DJL		(5,000,000)	-
October 31, 2020 (prior to deconsolidation)	53.4%	15,000,001	2
Share exchange pursuant to SC&E Agreement (fair value)		-	3,749,999
October 31, 2020 (post-deconsolidation)	21.9%	15,000,001	3,750,001
Share of Terra CO2 loss		-	(102,784)
December 31, 2020	21.9%	15,000,001	3,647,217
Share of Terra CO2 loss		-	(356,392)
June 30, 2021	21.9%	15,000,001	3,290,825

The Company did not have any direct equity transactions with Terra CO2 during the six months ended June 30, 2021 or June 30, 2020, except for the SC&E Agreement transactions described above.

A summary of the financial information of Terra CO2 is as follows:

	Assets \$	Liabilities \$	Revenues \$	Income (expenses) \$
Six months ended June 30, 2020				
Current	649,782	541,064	-	-
Non-current	261,050	18,085	-	-
Loss from operating expenses	-	-	-	(974,222)
Interest and other income	-	-	-	1,586
	910,832	559,149	-	(972,636)
Six months ended June 30, 2021				
Current	8,199,433	469,211	-	-
Non-current	519,350	-	-	-
Loss from operating expenses	-	-	-	(1,634,921)
Interest and other income	-	-	-	33,623
Unrealized loss on investments	-	-	-	(26,064)
	8,718,783	469,211	-	(1,627,362)

Expenses for the six months ended June 30, 2020, attributable to non-controlling interests, totalled \$447,308.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

6. Subsidiary information and investment in associates (continued)**(d) 1080715 B.C. Ltd.**

In 2016, 1080715 B.C. Ltd. ("108 BC") was incorporated as a private British Columbia company with its primary operation relating to the exploration and evaluation of mineral property interests in the Yukon, Canada. During 2016, the Company contributed an exploration database to 108 BC and as consideration, 108 BC issued 4,500,000 common shares to the Company which were recognized at a value of \$nil.

In June 2021, 108 BC completed a private placement of common shares to existing 108 BC shareholders for proceeds of \$500,000. The issuances of common shares to the existing shareholders of 108 BC were proportionate to their existing ownership levels in 108 BC. The Company subscribed to 444,444 common shares of 108 BC at a price of \$0.50 each for total consideration of \$222,222 (the "Second Investment"). The Company's Second Investment had no effect on its proportionate ownership interest in 108 BC, which was maintained at 40%. Given its ownership level, as well as the existence of a common Director and common Officer, management has concluded that the Company has significant influence over the operations of 108 BC and accordingly, the Company is accounting for its investment in 108 BC as an equity investment.

A summary of the Company's investment in 108 BC is as follows:

	Ownership %	Number of shares #	Carrying value \$
January 1, 2020 and December 31, 2020	40.0%	4,500,000	-
Shares purchased		444,444	222,222
Share of 108 BC loss		-	-
June 30, 2021	40.0%	4,944,444	222,222

A summary of the financial information of 108 BC is as follows:

	Assets \$	Liabilities \$	Revenues \$	Income (expenses) \$
Six months ended June 30, 2021				
Current	100,954	450,658	-	-
Non-current	180,556	-	-	-
Loss from operating expenses	-	-	-	(370,556)
Interest expense	-	-	-	(19,953)
	281,510	450,658	-	(390,509)

As the Second Investment occurred on June 30, 2021, the Company did not recognize its proportionate share of 108 BC losses for the six months ended June 30, 2021.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests

The Company's mineral property interests consist of various exploration stage properties located in the Yukon Territory, British Columbia, Nunavut and the Northwest Territories, Canada, and include the mineral properties of its subsidiaries. The properties have been grouped into those which are wholly-owned and those which are royalty or other interests. Properties which are in close proximity and could be developed as a single economic unit are grouped into projects.

	Wholly- owned	Royalty and other interests	Total
	\$	\$	\$
January 1, 2020	25,521,530	33,797,315	59,318,845
Acquisitions/staking/assessments	32,830	-	32,830
Exploration and evaluation	517,672	560,090	1,077,762
Impairments/write-downs	-	(4,840)	(4,840)
Proceeds from sale/option	(66,811)	-	(66,811)
June 30, 2020	26,005,221	34,352,565	60,357,786
January 1, 2021	28,475,210	36,914,252	65,389,462
Acquisitions/staking/assessments	106,535	56,099	162,634
Exploration and evaluation	570,963	1,761,232	2,332,195
Impairments/write-offs	-	(1,185)	(1,185)
Proceeds from sale/option	(4,440,590)	-	(4,440,590)
Gain on disposal of mineral properties	3,343,018	-	3,343,018
June 30, 2021	28,055,136	38,730,398	66,785,534

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the six months ended June 30, 2021 and June 30, 2020****7. Mineral property interests** (continued)

Changes in the project amounts for the six months ended June 30, 2020:

Wholly-owned projects	January 1, 2020	Acquisitions/ staking	Exploration and evaluation	Proceeds from sale/option	June 30, 2020
	\$	\$	\$	\$	\$
Alotta	73,351	1,342	12,942	-	87,635
Bob	5,427	-	-	-	5,427
Boot	373	-	490	-	863
CD	1,251,391	2,512	15,491	-	1,269,394
Dabb	161,348	-	-	-	161,348
Dawson	338,059	356	37,093	(5,000)	370,508
Finlayson	107,586	-	-	-	107,586
Gator	13,934	-	-	-	13,934
GK	723,759	-	(172)	(54,311)	669,276
Green Gulch	65,276	1,782	9,484	-	76,542
Harry	64,402	-	-	-	64,402
Hat	39,446	-	-	-	39,446
Hec	55,744	-	2,219	-	57,963
Hopkins	3,244,305	-	-	-	3,244,305
Kathleen	82,294	459	8,549	-	91,302
Kluane	480,124	4,762	12,063	-	496,949
Lansing	318,620	-	-	-	318,620
LS	47,080	-	-	-	47,080
MCIntock	1,932,062	1,296	22,752	-	1,956,110
Meloy	1,092,859	5,200	21,321	-	1,119,380
Midas Touch	10,935,604	4,704	9,483	-	10,949,791
Mount Hinton	761,283	-	267,202	-	1,028,485
North Canol Road	11,078	324	1,826	-	13,228
Oli	53,650	-	15,247	-	68,897
Piper	-	3,446	113	-	3,559
Plata-Inca	53,534	-	27,300	-	80,834
Rancheria Silver	927,857	-	1,747	(7,500)	922,104
Range Road	639,596	-	-	-	639,596
Royal	25,149	-	-	-	25,149
Ruby Range	374,520	2,427	20,547	-	397,494
Saloon	1,006,636	-	471	-	1,007,107
Selwyn	85,713	389	9,379	-	95,481
South Canol Road	194,176	-	8,984	-	203,160
Taffy	-	2,881	113	-	2,994
Tombstone 1	197,073	950	11,475	-	209,498
Triple Crown (OOO)	100,000	-	-	-	100,000
Van	42,842	-	1,553	-	44,395
Watt	15,379	-	-	-	15,379
Total	25,521,530	32,830	517,672	(66,811)	26,005,221

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)

Changes in the project amounts for the six months ended June 30, 2020:

Royalty and other interests	January 1, 2020 \$	Acquisitions/ staking \$	Exploration and evaluation \$	Write-offs \$	Proceeds from sale/option \$	June 30, 2020 \$
Rockhaven	32,137,360	-	539,318	-	-	32,676,678
GGL	1,659,495	-	20,772	(4,840)	-	1,675,427
Royalty interests	7	-	-	-	-	7
Others	453	-	-	-	-	453
Total	33,797,315	-	560,090	(4,840)	-	34,352,565
Total all projects	59,318,845	32,830	1,077,762	(4,840)	(66,811)	60,357,786

Exploration and evaluation expenditures on the projects consisted of the following:

Six months ended June 30, 2020	Rockhaven \$	GGL \$	Dawson \$	Meloy \$	MCIintock \$	Mt. Hinton \$	Plata-Inca \$	Others \$	Total \$
Assays	2,118	6,516	-	-	30	60	-	1,150	9,874
Drilling and excavating	-	-	-	-	-	29,279	-	-	29,279
Field	10,808	4,786	1,537	396	150	29,528	-	1,199	48,404
Helicopter and fixed wing	-	-	-	-	-	5,200	-	-	5,200
Labour	190,459	10,958	31,306	20,428	22,572	164,998	26,940	143,429	611,090
Resource and environmental studies	331,665	-	-	-	-	-	-	4,250	335,915
Survey and consulting	931	-	4,250	497	-	-	-	(3,526)	2,152
Travel and accommodation	3,337	-	-	-	-	38,137	360	285	42,119
Total	539,318	22,260	37,093	21,321	22,752	267,202	27,300	146,787	1,084,033
Less: mineral exploration credits	-	(1,488)	-	-	-	-	-	(4,783)	(6,271)
Total	539,318	20,772	37,093	21,321	22,752	267,202	27,300	142,004	1,077,762

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)

Changes in the project amounts for the six months ended June 30, 2021:

Wholly-owned projects	January 1, 2021	Acquisitions/staking	Exploration and evaluation	Write-offs	Proceeds from sale/option	Gain on sale	June 30, 2021
	\$	\$	\$	\$	\$	\$	\$
Alotta	130,323	1,384	76,837	-	-	-	208,544
Bix	-	69,261	35,179	-	-	-	104,440
Bob	5,427	-	-	-	-	-	5,427
Buzz/Boot	373	-	178	-	-	-	551
CD	1,271,959	-	3,919	-	-	-	1,275,878
Dabb	161,348	-	-	-	-	-	161,348
Dawson	367,364	-	23,789	-	(20,000)	-	371,153
Gator	14,074	-	5,288	-	-	-	19,362
GK	669,448	-	37,116	-	-	-	706,564
Green Gulch	78,933	-	140	-	-	-	79,073
Harry	64,402	-	26,125	-	-	-	90,527
Hat	39,446	-	10,098	-	-	-	49,544
Hec	58,333	-	-	-	-	-	58,333
Hopkins	3,244,565	-	2,363	-	(25,000)	-	3,221,928
Kathleen	-	-	6,377	-	-	-	6,377
Kluane	567,688	-	108,641	-	-	-	676,329
Koi	28,094	-	15,385	-	-	-	43,479
Lansing	318,620	-	7,876	-	-	-	326,496
Logan	-	-	2,595	-	-	-	2,595
LS	47,080	-	-	-	-	-	47,080
McClintock	1,956,110	-	4,391	-	-	-	1,960,501
Meloy	1,119,637	-	4,714	-	-	-	1,124,351
Midas Touch	10,950,721	-	17,799	-	-	-	10,968,520
Mount Hinton	4,251,803	11,038	95,771	-	-	-	4,358,612
North Canol Road	13,228	-	-	-	-	-	13,228
Oli	91,885	535	4,176	-	-	-	96,596
Piper	4,714	-	3,564	-	-	-	8,278
Plata-Inca	84,686	7,252	3,427	-	(1,441,616)	1,349,277	3,026
Rancheria Silver	923,597	-	1,384	-	(30,000)	-	894,981
Range Road	639,942	5,890	961	-	(1,791,722)	1,145,999	1,070
Royal	25,149	-	37,047	-	-	-	62,196
Ruby Range	460,905	3,190	6,246	-	-	-	470,341
Saloon	163,366	-	-	-	(15,000)	-	148,366
Selwyn	95,481	-	-	-	-	-	95,481
South Canol Road	255,624	7,985	11,404	-	(1,117,252)	847,742	5,503
Taffy	4,056	-	4,165	-	-	-	8,221
Tombstone 1	206,668	-	-	-	-	-	206,668
Triple Crown (OOO)	100,247	-	1,564	-	-	-	101,811
Van	44,395	-	7,250	-	-	-	51,645
Watt	15,519	-	5,194	-	-	-	20,713
Total	28,475,210	106,535	570,963	-	(4,440,590)	3,343,018	28,055,136

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)

Changes in the project amounts for the six months ended June 30, 2021:

Royalty and other interests	January 1, 2021	Acquisitions/staking	Exploration and evaluation	Write-offs	Proceeds from sale/option	Gain on disposal	June 30, 2021
	\$	\$	\$	\$	\$	\$	\$
Rockhaven	34,862,305	-	893,390	-	-	-	35,755,695
GGL	2,051,487	56,099	867,842	(1,185)	-	-	2,974,243
Royalty interests	7	-	-	-	-	-	7
Others	453	-	-	-	-	-	453
Total	36,914,252	56,099	1,761,232	(1,185)	-	-	38,730,398
Total all projects	65,389,462	162,634	2,332,195	(1,185)	(4,440,590)	3,343,018	66,785,534

Exploration and evaluation expenditures on the projects consisted of the following:

Six months ended June 30, 2021	Rockhaven	GGL	Alotta	GK	Kluane	Mount Hinton	Royal	Others	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assays	25,319	158,698	-	-	-	11,810	-	702	196,529
Drilling and excavating	295,393	327,102	-	-	-	-	-	-	622,495
Field	113,178	67,051	7,496	163	9,454	8,350	2,983	21,273	229,948
Helicopter and fixed wing	-	-	19,756	-	23,249	-	5,152	14,382	62,539
Labour	361,703	267,270	44,363	18,773	69,227	74,077	25,205	182,936	1,043,554
Resource and environmental studies	288	-	-	-	-	-	-	-	288
Survey and consulting	50,695	-	-	18,180	195	-	726	339	70,135
Travel and accomodation	46,814	47,721	5,222	-	6,516	1,534	2,981	10,939	121,727
Total	893,390	867,842	76,837	37,116	108,641	95,771	37,047	230,571	2,347,215
Less: mineral exploration credits	-	-	-	-	-	-	-	(14,300)	(14,300)
Total	893,390	867,842	76,837	37,116	108,641	95,771	37,047	216,271	2,332,915

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)

The Company's wholly-owned projects are comprised of the rights to explore various mineral claims and tenures located in the Yukon Territory, Northwest Territories, and northern British Columbia, and are at various stages of exploration. Unless otherwise noted they are not subject to any option or sale agreements. Certain of the claims are subject to a net smelter returns royalty ("NSR"), as detailed below.

1) Wholly-owned projects**(a) Alotta project**

The Alotta project is located in the Whitehorse Mining District, Yukon Territory. During the year ended December 31, 2020, the Company was approved to receive financial assistance from the Yukon Government on qualified exploration expenditures on this project. An amount of \$23,246 was earned, which was recorded as a reduction of 2020 exploration expenditures. The assistance payment for 2020 was received during the six months ended June 30, 2021.

(b) Batt project

Under a 2018 agreement to option up to 80% of its Batt project located in the Whitehorse Mining District, Yukon Territory, the Company received cash of \$5,000 and optionee common shares having a fair value of \$70,000.

The option agreement was terminated in May 2020 and the project has no carrying value.

(c) Bix project

On February 25, 2021, the Company purchased the Bix project from Archer, Cathro & Associates (1981) Limited ("Archer Cathro") for cash consideration of \$61,131. The Bix project claims are located in the Mayo Mining District, Yukon Territory.

(d) CD project

The CD project claims are located in the Whitehorse Mining District, Yukon Territory and include the Shamrock claims which are subject to a 2% precious metal NSR and a 1% non-precious metal NSR from any commercial production from the claims. The Company has the right to purchase one-half of the NSR interests for \$1,000,000.

(e) Green Gulch project

By Agreement dated April 26, 2019 with Arcus Development Group Inc. ("Arcus"), the Company acquired a 100% interest in the Green Gulch Property, comprised of a series of quartz mining claims located in the Dawson Mining District, Yukon Territory. As consideration for the claims, Arcus retains a 0.5% NSR from any commercial production, with the Company having the right to purchase the NSR at any time for a payment of \$500,000. The claims are also subject to an existing 1% NSR held by ATAC, which NSR has no buy-back rights.

(f) Midas Touch and Hat projects

By agreement dated April 5, 2018, the Company purchased the STW and Hat claims for \$50,000. The STW claims form part of the Midas Touch project, which is located in the Mayo Mining District, Yukon Territory. The Hat claims are a standalone project and are located in the Dawson Mining District, Yukon Territory. The purchase price was allocated \$41,219 to the STW claims and \$8,781 to the Hat claims. The vendor retains a 1% NSR on any commercial production from the claims.

(g) Oli project

The Oli project is located in the Whitehorse Mining District, Yukon Territory. During the year ended December 31, 2020, the Company was approved to receive financial assistance from the Yukon Government on qualified exploration expenditures on this project. An amount of \$14,332 was earned, which was recorded as a reduction of 2020 exploration expenditures. The assistance payment for 2020 was received during the six months ended June 30, 2021.

(h) Piper and Taffy projects

The Piper and Taffy projects are located in British Columbia and are subject to a 1% NSR on any commercial production from the claims.

(i) Koi project

During the six months ended June 30, 2021, the Company was approved to receive financial assistance from the Yukon Government on qualified exploration expenditures on this project. An amount of \$14,300 was earned, which was recorded as a reduction to exploration expenditures.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**1) Wholly-owned projects** (continued)**(j) Triple Crown**

The Triple Crown project consists of a 100% interest in the OOO mineral claims located in the Dawson Mining District, Yukon Territory. By Agreement dated September 16, 2019, the Company acquired the Triple Crown project from Trifecta for cash consideration of \$100,000. Trifecta retains a 0.5% NSR on the claims, which the Company can purchase at any time for \$500,000.

(k) Vanderhoof Copper project

The Vanderhoof Copper project consists of a 100% interest in the Kenny Dam and Tagai properties located in northern British Columbia, acquired under an option agreement.

As a condition of the purchase, the Company is required to issue 75,000 of its common shares for each property on which it announces a feasibility study. The vendor is entitled to a 2% NSR from any commercial mineral production from the claims, of which 1% may be purchased at any time for \$1,000,000.

The project has been written-down to a \$1 nominal carrying value.

2) Wholly-owned and under option/sold projects**(a) Dawson project**

The Dawson project is located in the Dawson Mining District, Yukon Territory, and consists of claims which are wholly-owned, and the Sixty Mile property, which is being acquired under an option agreement dated June 11, 2018 (the "Original Option Agreement").

Sixty Mile property

Pursuant to the Original Option Agreement, the Company has the right to acquire the property for consideration of \$100,000 as follows:

- (i) Payment of \$10,000 on execution of the agreement (paid); and
- (ii) Annual payments of \$10,000 on or before June 1 of each calendar year commencing in 2019 and concluding in 2027 (the "Annual Payments") (paid for 2019).

On February 25, 2020, the Company signed a property option and assignment agreement (the "Assignment Agreement") with a private Calgary based company ("Priveco"), whereby Priveco has the option to earn a 100% interest in the Company's Sixty Mile property. Pursuant to the Assignment Agreement, Priveco will now be required to make the Annual Payments. Further to the Annual Payments, the Assignment Agreement requires Priveco to make the following additional cash payments to the Company in order to earn the interest in the property:

Cash payments of \$100,000:

- (i) \$5,000 on or before February 25, 2021 (received);
- (ii) \$15,000 on or before February 25, 2022;
- (iii) \$30,000 on or before February 25, 2023; and
- (iv) \$50,000 on or before February 25, 2024.

In addition, Priveco is required to incur exploration expenditures on the property as follows:

- (v) \$180,000 on or before February 25, 2021 (incurred);
- (vi) An additional \$370,000 on or before February 25, 2022;
- (vii) An additional \$560,000 on or before February 25, 2023; and
- (viii) An additional \$740,000 on or before February 25, 2024.

Priveco has the right to satisfy the exploration expenditure requirements at any time prior to the fourth anniversary of the Option and Assignment Agreement by making a cash payment to the Company in the amount of two-thirds of all expenditures required less those previously incurred through to the payment date.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**2) Wholly-owned and under option/sold projects** (continued)**(a) Dawson project** (continued)

Pursuant to the Original Option Agreement, the original vendor retains a 2% NSR from any commercial production of precious metals from the Sixty Mile property and a 1% NSR from any commercial production from any non-precious metals of which Priveco can repurchase one-half (being 1% of NSR related to precious metals and 0.5% of NSR related to non-precious metals) for \$250,000.

Pursuant to the Assignment Agreement, the Company will retain a 2% NSR on all precious metals and a 1% NSR on all non-precious metals from any and all commercial mineral production from the claims, of which Priveco can repurchase one-half (being 1% of NSR related to precious metals and 0.5% of NSR related to non-precious metals) for \$500,000.

Clint and Magnum claims

On February 25, 2020, the Company signed an option agreement with Priveco, whereby Priveco has the option to earn a 100% interest in the Company's Clint and Magnum claims (forming part of the Dawson project located in the Dawson Mining District, Yukon Territory). Pursuant to the option agreement, Priveco has the right to earn the 100% interest in the claims by making cash payments to the Company based on the following schedule:

Cash payments of \$150,000:

- (i) \$5,000 on execution of the agreement (received);
- (ii) \$15,000 on or before February 25, 2021 (received);
- (iii) \$30,000 on or before February 25, 2022;
- (iv) \$40,000 on or before February 25, 2023; and
- (v) \$60,000 on or before February 25, 2024.

In addition, Priveco is required to incur exploration expenditures on the claims as follows:

- (vi) \$180,000 on or before February 25, 2021 (incurred);
- (vii) An additional \$370,000 on or before February 25, 2022;
- (viii) An additional \$560,000 on or before February 25, 2023; and
- (ix) An additional \$740,000 on or before February 25, 2024.

Priveco has the right to satisfy the exploration expenditure requirements at any time prior to the fourth anniversary of the option agreement by making a cash payment to the Company in the amount of two-thirds of all expenditures required less those previously incurred through to the payment date.

The Company will retain a 2% NSR on all precious metals and a 1% NSR on all non-precious metals from any and all commercial mineral production from the claims, of which Priveco can repurchase one-half (being 1% of NSR related to precious metals and 0.5% of NSR related to non-precious metals) for \$500,000.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements
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For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**2) Wholly-owned and under option/sold projects** (continued)**(b) GK project**

The GK project claims are located in northern British Columbia.

On May 31, 2019, the Company entered into an option agreement with 1193490 B.C. Ltd., which subsequently changed its name to Artemis Gold Inc. ("Artemis"), whereby Artemis had the right to acquire a 100% interest in the Company's GK project for cash consideration and the requirement for Artemis to incur exploration expenditures, over five years. The agreement was terminated effective May 31, 2021. Under the agreement, a payment of \$125,000 was received in 2019 and \$50,000 in 2020.

(c) Hopper claims

On March 31, 2021 (the "Effective Date"), the Company signed an option agreement with CAVU Mining Corp. ("CAVU") whereby CAVU has the option to earn a 70% interest in the Company's Hopper claims (forming part of the Hopkins project located in the Dawson Mining District, Yukon Territory). Pursuant to the option agreement, CAVU has the right to earn the 70% interest in the claims by making cash payments to the Company based on the following schedule:

Cash payments of \$700,000:

- (i) \$25,000 on execution of the agreement (received);
- (ii) \$75,000 on or before March 31, 2022;
- (iii) \$150,000 on or before March 31, 2023 (the "Third Payment");
- (iv) \$200,000 on or before March 31, 2024 (the "Fourth Payment"); and
- (v) \$250,000 on or before March 31, 2025 (the "Fifth Payment").

In addition, CAVU is required to issue 250,000 common shares to the Company as follows:

- (i) 50,000 within seven days of the Effective Date (received);
- (ii) 50,000 on or before March 31, 2022;
- (iii) 50,000 on or before March 31, 2023;
- (iv) 50,000 on or before March 31, 2024; and
- (v) 50,000 on or before March 31, 2025.

In addition, CAVU is required to incur exploration expenditures of \$5,000,000 on the property as follows:

- (i) \$1,000,000 on or before March 31, 2023;
- (ii) An additional \$2,000,000 on or before March 31, 2024; and
- (iii) An additional \$2,000,000 on or before March 31, 2025.

CAVU has the right to satisfy one-half (1/2) of the Third Payment, the Fourth Payment, and the Fifth Payment through the issuance to the Company of the cash equivalent in common shares. The number of such shares will be calculated using the applicable volume weighted average pricing.

Upon CAVU having satisfied all of the consideration requirements, the Company and CAVU will enter into a joint venture agreement, with CAVU being appointed as the joint venture operator.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
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For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**2) Wholly-owned and under option/sold projects** (continued)**(d) Kluane project**

The Kluane project is located in the Whitehorse Mining District, Yukon Territory, and consists of claims which are wholly-owned, and the Swede Johnson and Kelli-Reed properties, which are being acquired under separate option agreements, both dated May 10, 2018. Pursuant to the agreement, in respect of the Swede Johnson property (as amended on April 4, 2019, and further on May 28, 2020), the Company has the right to acquire the property for consideration as follows:

- (i) Payment of \$25,000 on or before May 31, 2018 (paid);
- (ii) Payment of \$5,000 on or before April 30, 2019 (paid); and
- (iii) Payment of \$20,000 on or before April 30, 2021 (delayed pending property reclamation).

The vendor retains a 3% NSR from any commercial production from the Swede Johnson property, one-half of which can be purchased by the Company for a payment of \$250,000 on or before December 31, 2025.

The Kelli-Reed property purchase was completed in December 2020. Under the agreement, the Company made cash payments of \$115,000 and incurred \$50,000 in exploration expenditures.

The vendor retains a 3% NSR from any commercial production from the Kelli-Reed property, one-half of which can be purchased by the Company for a payment of \$250,000 on or before April 30, 2025.

(e) M'Clintock project

The M'Clintock project claims are located in the Whitehorse Mining District, Yukon Territory.

On February 25, 2020, the Company signed an option agreement with Priveco, whereby Priveco has the option to earn a 60% interest in the Company's Hartless Joe claims (forming part of the M'Clintock project). Pursuant to the option agreement, Priveco has the right to earn the 60% interest in the claims by incurring exploration expenditures on the claims based on the following schedule:

- (i) \$500,000 on or before February 25, 2021 (incurred);
- (ii) An additional \$1,000,000 on or before February 25, 2022;
- (iii) An additional \$1,500,000 on or before February 25, 2023; and
- (iv) An additional \$2,000,000 on or before February 25, 2024.

Priveco has the right to satisfy the exploration expenditure requirements at any time prior to the fourth anniversary of the option agreement by making a cash payment to the Company in the amount of two-thirds of all expenditures required less those previously incurred through to the payment date.

Upon Priveco having satisfied the expenditure requirement, a 60/40 joint venture will be formed with Priveco acting as the operator. Each party shall contribute their proportional share towards future exploration costs, however, if either of the parties elects not to contribute to the work program on the claims, its interest shall be reduced proportionately.

If at any time a party's interest is reduced to below 10%, it shall be deemed to have converted its interest proportionately to the other party in consideration of the right to receive a 2% NSR related to precious metals and a 1% NSR related to non-precious metals (the "Hartless NSR") from any and all commercial production on the claims. At any time, the party holding the majority interest in the claims can repurchase one-half of the Hartless NSR (being 1% of NSR related to precious metals and 0.5% of NSR related to non-precious metals) for \$1,000,000.

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For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**2) Wholly-owned and under option/sold projects** (continued)**(f) Mount Hinton project**

On April 19, 2021, the Company signed an option agreement with Upper Canada Mining Inc. (“UCMI”) whereby UCMI has the option to earn up to a 70% interest in the Company’s Mount Hinton project located in the Mayo Mining District, Yukon Territory. To earn an initial 50% interest in the project (the “First Option”) UCMI is required to incur aggregate expenditures of \$10,000,000 based on the following schedule:

- (i) \$2,000,000 on or before December 31, 2022;
- (ii) \$3,000,000 on or before December 31, 2023; and
- (iii) \$5,000,000 on or before December 31, 2024.

Upon exercising the First Option, UCMI may earn an additional 20% interest in the project (the “Second Option”) by completing the following:

- (i) Making a cash payment to the Company of \$2,000,000 on or before December 31, 2026 (the “First Payment”); and
- (ii) Incurring aggregate expenditures of \$5,000,000 on or before December 31, 2026.

UCMI has the right to satisfy one-half (1/2) of the First Payment through the issuance to the Company of the cash equivalent in common shares subsequent to obtaining a public listing. The number of such shares will be calculated using the applicable volume weighted average pricing.

Upon UCMI having exercised the First Option and either terminating or exercising the Second Option, the Company and UCMI will enter into a joint venture agreement with the Company being appointed as the joint venture operator under the First Option, and UCMI under the Second Option.

(g) Rancheria Silver project

On June 1, 2020, the Company signed a property option agreement with CMC Metals Ltd. (“CMC Metals”), whereby CMC Metals has the option to earn up to a 100% interest in the Company’s Blue Heaven property (forming part of the Rancheria Silver project) located in the Watson Lake Mining District, Yukon Territory. To earn an initial 80% interest (the “First Option”), CMC Metals is required to make cash payments totaling \$400,000 to the Company as follows:

- (i) \$7,500 upon execution of the agreement (received);
- (ii) \$30,000 on or before June 1, 2021 (received);
- (iii) \$62,500 on or before June 1, 2022;
- (iv) \$125,000 on or before June 1, 2023; and
- (v) \$175,000 on or before June 1, 2024.

Upon exercising the First Option, CMC Metals may earn the remaining 20% interest in the property (the “Second Option”) by making an additional \$500,000 cash payment to the Company within 180 days of exercising the First Option.

Should CMC Metals earn an 80% interest, the Company will retain a 2% NSR on all conventional mining and a 10% NSR on all high-grade mining from the property. CMC Metals may at any time purchase one-half of the 2% NSR for \$1,000,000.

Should CMC Metals exercise the First Option but terminate the Second Option, a joint venture would be formed to jointly explore the property.

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7. Mineral property interests (continued)**2) Wholly-owned and under option/sold projects** (continued)**(h) Saloon project**

On November 20, 2020, the Company signed a property option agreement with Cypress Hills Resource Corp. ("Cypress"), whereby Cypress has the option to earn up to an 80% interest in the Company's Saloon project located in the Whitehorse Mining District, Yukon Territory. Pursuant to the option agreement, Cypress has the right to earn the 80% interest in the project by making cash payments as follows:

Cash payments of \$155,000:

- (i) \$15,000 upon obtaining a listing on the Exchange acceptance of Cypress as a Tier 2 mining issuer (received);
- (ii) \$20,000 on or before January 5, 2022;
- (iii) \$30,000 on or before January 5, 2023;
- (iv) \$40,000 on or before January 5, 2024; and
- (v) \$50,000 on or before January 5, 2025.

In addition, Cypress is required to issue 25,000 common shares upon obtaining Exchange acceptance of Cypress as a Tier 2 mining issuer (received), and incurring aggregate exploration expenditures of \$2,600,000 on the project as follows:

- (i) \$200,000 on or before December 31, 2021;
- (ii) An additional \$600,000 on or before November 20, 2022;
- (iii) An additional \$800,000 on or before November 20, 2023; and
- (iv) An additional \$1,000,000 on or before November 20, 2024.

Should Cypress earn the 80% interest, the Company will retain a 2% NSR on all mineral products from any commercial production on the project. In addition, a joint venture would be formed to jointly explore the property.

As at December 31, 2020, a write-off of \$844,293 was recorded against the Saloon project as it was determined that the carrying value of these claims exceeded the expected proceeds from the option agreement.

(i) South Canol Road and Range Road projects

On March 12, 2021, and amended on April 26, 2021 and May 26, 2021, the Company entered into an Asset Purchase Agreement with Honey Badger Silver Inc. ("HBS") whereby the Company agreed to sell a 100% interest in three silver properties to HBS in return for common shares of HBS equal to 19.9% of the issued and outstanding common shares of HBS following a \$3,000,000 financing. Further, HBS granted the Company the right to participate in the next three financings undertaken by HBS. The properties comprise: (i) Plata-Inca, (ii) Groundhog, which are included within the Company's South Canol Road project and (iii) Hy, which is included within the Company's Range Road project.

On June 4, 2021, the Company received 34,804,718 common shares of HBS representing a 19.9% ownership of HBS. The common shares were recognized at a fair value of \$4,350,590, and allocated to the respective mineral property interests as proceeds from sale/option as follows:

- (i) Plata-Inca: \$1,441,616;
- (ii) South Canol Road: \$1,117,252; and
- (iii) Range Road: \$1,791,722.

As the fair value of the common shares received exceeded the carrying value of the properties, the Company recognized a gain on disposal of mineral property interests in an amount of \$3,343,018 during the six months ended June 30, 2021.

The Company retains a 2.0% NSR related to minerals, other than silver, from any and all commercial production on, in or under all of any of the properties.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

7. Mineral property interests (continued)**3) Royalty and other interests****(a) NiMo project**

The NiMo project consists of a remaining 25% interest in certain mineral claims located in the Mayo and Dawson Mining Districts, Yukon Territory.

(b) Royalty and other interests

The Company holds various royalty interests in the following properties, which are carried at \$1 nominal amounts, as any future value is indeterminable.

Reef	1% - 2% NSR
Cord	1% NSR
Has	1% NSR
Hyland Gold	1/4% NSR
Li	2% NSR
REE	2% NSR
Gram	1%-2% NSR
Teach	1%-2% NSR
Groundhog	2% NSR (excluding silver)
Plata-Inca	2% NSR(excluding silver)
Hy	2% NSR(excluding silver)

The other interests are comprised of properties having no current exploration potential and have been written-down to nominal \$1 carrying amounts. Included in other interests are the mineral property interests of subsidiary companies Rockhaven and GGL.

8. Reclamation deposits

The reclamation deposits are comprised of cashable guaranteed investment certificates with one-year terms. They are pledged to various Governments to ensure specified properties are properly restored after exploration. Management has determined that neither the Company nor its subsidiaries have any material reclamation work related to the properties requiring the deposits.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

9. Property and equipment

	Right-of-use asset \$	Office and camp equipment \$	Research equipment \$	Total \$
<u>Cost</u>				
January 1, 2020	69,500	404,119	20,016	493,635
Additions	165,500	-	211,093	376,593
Deconsolidation (note 6(c))	(235,000)	-	(231,109)	(466,109)
December 31, 2020	-	404,119	-	404,119
<u>Accumulated depreciation</u>				
January 1, 2020	23,168	382,083	3,905	409,156
Depreciation	43,540	4,408	21,419	69,367
Deconsolidation (note 6(c))	(66,708)	-	(25,324)	(92,032)
December 31, 2020	-	386,491	-	386,491
<u>Cost</u>				
January 1, 2021	-	404,119	-	404,119
June 30, 2021	-	404,119	-	404,119
<u>Accumulated depreciation</u>				
January 1, 2021	-	386,491	-	386,491
Depreciation	-	1,762	-	1,762
June 30, 2021	-	388,253	-	388,253
<u>Net book value</u>				
December 31, 2020	-	17,628	-	17,628
June 30, 2021	-	15,866	-	15,866

The Company's right-of-use assets were leases held by former subsidiary, Terra Tech (see note 6(c)). Office and camp equipment is owned by GGL, and research equipment was owned by Terra CO2.

The right-of-use assets were being depreciated over the lease terms, the office and camp equipment is being depreciated on a declining balance basis at 20% per annum, and the research equipment was being depreciated straight-line over five years. Depreciation of property and equipment is included as part of general and administrative expenses.

For the six months ended June 30, 2021, depreciation totaling \$1,762 (2020 - \$20,800) was included in general and administrative expenses.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

9. Property and equipment (continued)Lease liabilities

The Company (through former subsidiary, Terra Tech) had two leases as follows:

Location	Asset	Type	Commencement date	Termination date
North Vancouver, BC	Building	Office facility	January 1, 2019	December 31, 2021
Vancouver, BC	Building	Warehouse research facility	July 1, 2020	June 30, 2022

A reconciliation of the carrying amount of the lease liabilities as at June 30, 2021 and December 31, 2020, and for the period/year then ended is shown below:

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period/year	-	75,256
Additions	-	165,500
Lease payments	-	(57,892)
Lease interest (finance costs)	-	10,427
Deconsolidation (note 6(c))	-	(193,291)
Balance, end of period/year	-	-

Short-term leases are leases with a lease term of twelve months or less. As at June 30, 2021 and December 31, 2020, the Company did not have any short-term leases.

Lease receivable

On January 24, 2019, the Company (through former subsidiary, Terra Tech) entered into a sublease agreement to sublease one-third of Terra Tech's office facility to an arm's length party. The sublease agreement had a term of three years expiring on December 31, 2021. The amounts receivable by Terra Tech under the sublease equated to one-third of Terra Tech's lease obligation on its office facility lease.

A reconciliation of the carrying amount of the lease receivable as at June 30, 2021 and December 31, 2020, and for the period/year then ended is shown below:

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period/year	-	25,123
Sublease payments received	-	(10,718)
Lease income (finance income)	-	1,716
Deconsolidation (note 6(c))	-	(16,121)
Balance, end of period/year	-	-

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

10. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value, an unlimited number of Class A preferred shares without par value, and an unlimited number of Class B preferred shares with a par value of \$10.00 each. All issued shares are fully paid.

Transactions for the issue of share capital during the six months ended June 30, 2021:

- (i) On February 16, 2021, the Company issued 100,000 common shares pursuant to the exercise of stock options for gross proceeds of \$35,000. In connection with the stock options exercised, the original fair value of \$14,060 was reversed from contributed surplus and credited to share capital.
- (ii) On May 13, 2021, the Company issued 1,000,000 common shares pursuant to the exercise of share purchase warrants at \$0.40 each for proceeds of \$400,000.

Transactions for the issue of share capital during the six months ended June 30, 2020:

- (iii) In January 2020, the Company issued 10,715 common shares pursuant to the exercise of finders' warrants and 54,000 common shares pursuant to the exercise of other warrants for gross proceeds of \$25,886. In connection with the finders' warrants exercised, the original fair value of \$1,418 was reversed from contributed surplus and credited to share capital.

Normal course issuer bid

In January 2008, the Company approved a Normal Course Issuer Bid, which has been replaced each year with a new Bid. The current Bid commenced on December 3, 2020. Total repurchases under the current Bid are limited to 6,600,000 common shares. There were no repurchases during the six months ended June 30, 2021 and June 30, 2020. A total of 7,044,000 shares have been repurchased under all Bids.

Common share rights

The Company has a "Rights Plan" under which one Right is issued for each issued and outstanding common share of the Company. Each Right entitles the holder to purchase from the Company one common share at an exercise price equal to one-half the then market price of the stock on the TSX-V, subject to certain adjusting events if they have occurred. The Rights are exercisable only if the Company receives an unacceptable take-over bid as defined in the Rights Agreement. The current Rights Plan was reapproved at the December 2020 annual general meeting and will remain in effect until the annual general meeting in 2023. As at June 30, 2021, there were 107,805,967 Rights outstanding (December 31, 2020 – 106,705,967).

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

10. Share capital (continued)**Stock options**

The Company has an incentive stock option plan (the “Plan”) which provides for the granting of options. Under the Plan the maximum number of stock options issued cannot exceed 10% of the Company’s currently issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. A participant, who is not a consultant conducting investor relations activities, who is granted an option that is exercisable at the market price at the date of grant, will have their options vest immediately, unless otherwise determined by the Board of Directors. Options granted at below market prices will vest one-sixth every three months.

A participant who is a consultant conducting investor relations activities who is granted an option under the Plan will become vested with the right to exercise one-quarter of the option upon conclusion of every three months subsequent to the grant date. All options are to be settled by physical delivery of shares.

A summary of the status of the Company’s stock options as at June 30, 2021 and December 31, 2020 and changes during the period/year then ended is as follows:

	Period ended June 30, 2021		Year ended December 31, 2020	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of period/year	7,270,000	0.45	8,595,000	0.44
Granted	3,000,000	0.40	-	-
Exercised	(100,000)	0.35	(304,500)	0.43
Cancelled	-	-	(620,500)	0.43
Expired	(1,100,000)	0.35	(400,000)	0.35
Options outstanding, end of period/year	9,070,000	0.44	7,270,000	0.45

As at June 30, 2021, the Company had stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date
3,600,000	3,600,000	0.45	October 17, 2022
500,000	125,000	0.45	February 3, 2023
80,000	80,000	0.40	December 12, 2023
2,390,000	2,390,000	0.49	September 3, 2024
2,500,000	-	0.39	June 28, 2026
9,070,000	6,195,000		

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

10. Share capital (continued)**Stock options** (continued)

The following table summarizes information about the stock options outstanding as at June 30, 2021:

Range of prices \$	Options #	Weighted average remaining life (years)	Weighted average exercise price \$
0.39 - 0.40	2,580,000	2.45	0.39
0.45 - 0.49	6,490,000	2.01	0.46
	9,070,000	2.84	0.44

During the six months ended June 30, 2021, 3,000,000 options were granted to Officers, Directors, related company employees, and consultants. The Company measured the fair value of the options granted using the Black-Scholes option pricing model. Share-based payment expense was calculated using the following weighted average assumptions: expected life of the options – 4.5 years, stock price volatility – 57.99%, no dividend yield, and a risk-free interest rate yield of 0.84%. The fair value was particularly impacted by the Company's stock price volatility, determined using data from the previous two years. Using the above assumptions, the fair value of options granted was approximately \$0.14 per option for a total of \$431,039. There were no stock options granted during the six months ended June 30, 2020.

The total share-based payment expense for the six months ended June 30, 2021, was \$143,255 (2020 - \$553,823), which is presented as an operating expense, and includes only options that vested during the periods. Total share-based payments expense includes \$25,569 for Rockhaven (2020 – \$101,068) and \$71,042 for GGL (2020 - \$nil). The non-controlling interests in the share-based payment expense amounted to \$16,993 (2020 - \$177,351) for Rockhaven and \$43,497 (2020 - \$nil) for GGL.

During the six months ended June 30, 2021, 1,100,000 options expired unexercised. As a result, the original share-based payments expense of \$154,660 was reversed from contributed surplus and credited to deficit. In addition, \$161,037 was reversed from contributed surplus for Rockhaven options expired. There were no options cancelled during the six months ended June 30, 2021.

During the six months ended June 30, 2020, 400,000 options expired unexercised, and 130,000 options were cancelled as a result of related company employees leaving employment. As a result, the original share-based payments expense of \$76,600 was reversed from contributed surplus and credited to deficit. In addition, \$142,346 was reversed from contributed surplus for Rockhaven options cancelled or expired, and \$10,079 for GGL options cancelled.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

10. Share capital (continued)**Warrants**

As an incentive to complete a private placement the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to private placement units. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at June 30, 2021 and December 31, 2020 and changes during the period/year then ended is as follows:

	Period ended		Year ended	
	June 30, 2021		December 31, 2020	
	Warrants	Weighted	Warrants	Weighted
	#	average	#	average
		exercise price		exercise price
		\$		\$
Warrants outstanding, beginning of period/year	13,886,915	0.58	3,673,630	0.40
Issued	-	-	10,308,500	0.64
Exercised	(1,000,000)	0.40	(95,215)	0.40
Warrants outstanding, end of period/year	12,886,915	0.59	13,886,915	0.58

As at June 30, 2021, the Company had warrants outstanding and exercisable as follows:

	Warrants	Warrants	Exercise	Expiry date
	outstanding	exercisable	price	
	#	#	\$	
(1)	2,482,603	2,482,603	0.40	July 22, 2021
(1)	95,812	95,812	0.40	July 22, 2021
	7,146,406	7,146,406	0.65	July 8, 2022
	2,578,594	2,578,594	0.65	July 15, 2022
(2)	583,500	583,500	0.45	July 15, 2022
	12,886,915	12,886,915	0.59	

(1) These warrants expired unexercised subsequent to June 30, 2021.

(2) These warrants are exercisable into non-flow-through units each consisting of one non-flow-through common share and one share purchase warrant, with each warrant exercisable into an additional non-flow-through common share at \$0.65 for a period of 24 months from the date of issuance.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

10. Share capital (continued)**Contributed surplus**

Contributed surplus includes the accumulated fair value of stock options recognized as share-based payments, the fair value of finders' warrants issued on private placements recorded as share issue costs, and the premium recognized on Company share buy-backs. Contributed surplus is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled. Contributed surplus is comprised of the following:

	Buy-backs	Options	Warrants	Total
	\$	\$	\$	\$
January 1, 2020	707,282	1,873,679	14,491	2,595,452
Warrants exercised	-	-	(1,418)	(1,418)
Options vesting	-	376,472	-	376,472
Options cancelled	-	(18,953)	-	(18,953)
Options cancelled - Rockhaven	-	(1,705)	-	(1,705)
Options cancelled - GGL	-	(10,079)	-	(10,079)
Options expired	-	(57,647)	-	(57,647)
Options expired - Rockhaven	-	(140,641)	-	(140,641)
June 30, 2020	707,282	2,021,126	13,073	2,741,481
January 1, 2021	707,282	2,010,086	125,712	2,843,080
Warrants exercised - GGL	-	-	(388)	(388)
Options vesting	-	46,644	-	46,644
Options vesting - Rockhaven	-	8,576	-	8,576
Options vesting - GGL	-	27,545	-	27,545
Options expired	-	(154,660)	-	(154,660)
Options expired - Rockhaven	-	(161,037)	-	(161,037)
Options exercised	-	(14,060)	-	(14,060)
June 30, 2021	707,282	1,763,094	125,324	2,595,700

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

11. Earnings (loss) per share

The calculation of basic loss per share for the six months ended June 30, 2021 was based on the loss attributable to common shareholders of \$2,189,250 (2020 - \$611,203), and a weighted average number of common shares outstanding of 107,045,194 (2020 – 96,643,181).

All options and warrants outstanding as at June 30, 2021 and June 30, 2020, were excluded from the diluted weighted average number of common shares calculation for the six months ended June 30, 2021 and June 30, 2020, as their effect would have been anti-dilutive.

The calculation of basic and diluted earnings (loss) per share for the three months ended June 30, 2021 and June 30, 2020, is based on the following:

	Three months ended June 30,	
	2021	2020
Income (loss) for the period attributable to owners of the Company	\$ (240,958)	\$ 3,194,780
Weighted average number of common shares outstanding - basic	107,339,300	96,645,967
Dilutive effect of stock options and warrants	-	560,602
Weighted average number of common shares outstanding - diluted	107,339,300	97,206,569
Basic earnings (loss) per share \$	\$ (0.00)	\$ 0.03
Diluted earnings (loss) per share \$	\$ (0.00)	\$ 0.03

The calculation of basic earnings per share for the three months ended June 30, 2020 was based on the income attributable to common shareholders, and the weighted average number of common shares outstanding. The calculation of diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding, if dilutive. During the three months ended June 30, 2020, certain stock options and warrants had a dilutive impact.

12. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the six months ended June 30, 2021 and June 30, 2020.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the six months ended June 30, 2021, 1,800,000 stock options were granted to Officers and Directors having a fair value on grant of \$261,557. The options granted are exercisable at \$0.39 each until June 28, 2026, and vest over a one-year period ending on June 28, 2022. No stock options were granted to related parties during the six months ended June 30, 2020.

During the six months ended June 30, 2021, 970,000 Director and Officer options expired unexercised (2020 – 300,000), which had a fair value on grant of \$136,382 (2020 - \$43,235).

During the six months ended June 30, 2021 the Company purchased the Bix project claims from Archer Cathro (see note 7(1)(c)).

Strategic Metals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Unaudited – Prepared by Management

For the six months ended June 30, 2021 and June 30, 2020

12. Related party payables and transactions (continued)

The following related parties transacted with the Company or Company controlled entities during the periods:

- (a) Douglas Eaton is a Company Director and the Company's President and CEO. He is a shareholder and has significant influence over Archer Cathro, which is a geological consulting firm. Archer Cathro provides the Company with geological consulting services, office rent and administration.
- (b) Glenn Yeadon is a Director and the Company's Secretary. He controls Glenn R. Yeadon Personal Law Corporation ("Yeadon Law Corp.") which provides the Company with legal services.
- (c) Larry Donaldson is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services.
- (d) Bruce Kenway is a Company Director and Chairman of the Company's Audit Committee. He is a partner at Kenway Mack Slusarchuk Stewart LLP ("Kenway Mack"), which provides advisory services to the Company.
- (e) Ian Talbot is the Company's COO. He provides the Company with management services.
- (f) Richard Drechsler is the Company's Vice-President of Communications. He controls Drechsler Consulting Ltd. ("Drechsler Consulting"), which provides the Company with management and administrative services.
- (g) The Company has a controlling interest in Rockhaven, GGL and until October 31, 2020, former subsidiary Terra CO2.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

		Transactions six months ended June 30, 2021 \$	Transactions six months ended June 30, 2020 \$	Balances outstanding June 30, 2021 \$	Balances outstanding December 31, 2020 \$
Archer Cathro					
- geological services	(1)	1,066,134	648,882	999,592	72,915
- rent and administration	(1)	193,472	133,182	76,252	36,515
		1,259,606	782,064	1,075,844	109,430
Yeadon Law Corp.	(1), (2)	66,086	78,430	37,288	43,458
DBM CPA	(1)	85,200	91,618	57,575	54,500
Ian Talbot	(1)	42,000	35,195	-	7,350
Drechsler Consulting	(1)	42,660	64,305	3,875	2,929
Kenway Mack		6,000	6,000	323	-
Subsidiary related parties		111,046	251,926	5,525	8,169
		1,612,598	1,309,538	1,180,430	225,836

(1) All related party transactions include Rockhaven, GGL and until October 31, 2020, former subsidiary Terra CO2.

(2) Transactions for the six months ended June 30, 2021, include \$nil in share issue costs (2020 - \$15,500).

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

- (a) Consulting fees
 - Includes the advisory services of Director, Bruce Kenway, charged to the Company by Kenway Mack.
 - Includes fees paid to subsidiary officers.
- (b) Management, administration, and corporate development fees
 - Includes the services of Company's President and CEO, Doug Eaton, which are charged to the Company by Archer Cathro.
 - Includes the services of Company's COO, Ian Talbot.
 - Includes the services of Company's Vice President of Communications, Richard Drechsler, charged to the Company by Drechsler Consulting.
 - Includes charges by Archer Cathro for administrative personnel.
 - Includes fees paid to subsidiary Officers.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

12. Related party payables and transactions (continued)

- (c) Management, administration, and corporate development salaries
 - Includes salaries paid to subsidiary Officers. No salaries are paid by the Company.
- (d) Mineral property examination
 - Includes charges by Drechsler Consulting and Archer Cathro for exploration personnel.
- (e) Office rent
 - Charged by Archer Cathro.
- (f) Professional fees
 - Includes the legal services of the Company's Secretary, Glenn Yeadon, charged to the Company by Yeadon Law Corporation.
 - Includes the accounting and tax services of the Company's CFO, Larry Donaldson, charged to the Company by DBM CPA.
- (g) Research expenses
 - Includes charges by Archer Cathro for research personnel and salaries paid to subsidiary Officers.

13. Income taxes

Income tax recovery for the six months ended June 30, 2021 and June 30, 2020 varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	June 30, 2021	June 30, 2020
	\$	\$
Loss before income taxes	(2,299,528)	(829,032)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax recovery	620,873	223,839
Change in tax resulting from:		
Unrecognized items for tax purposes	(729,698)	(484,941)
Subsidiary share issue costs	-	1,238
Tax benefits to be renounced on flow-through expenditures	(391,436)	(56,066)
Flow-through premium liability reduction	431,618	61,074
Tax benefit on subsidiary losses not recognized and other	(36,318)	(264,903)
Net deferred income tax recovery	(104,961)	(519,759)

The significant components of the Company's deferred income tax liability are as follows:

	June 30, 2021	December 31, 2020
	\$	\$
Unrealized losses on marketable securities	1,243,259	614,811
Mineral property interests	(9,552,888)	(8,433,070)
Unclaimed investment tax credits	538,775	538,775
Non-capital losses	-	76,734
Share issue costs	174,614	204,574
Subsidiary unclaimed deductions and losses	1,820,503	1,759,018
Net deferred income tax liability	(5,775,737)	(5,239,158)

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

13. Income taxes (continued)

As at June 30, 2021, the Company and its subsidiaries have unclaimed resource deductions in the amount of approximately \$50,673,000 (December 31, 2020 - \$53,417,000), which may be deducted against future taxable income.

As at June 30, 2021, there are Company and subsidiary share issue costs totaling approximately \$711,000 (December 31, 2020 - \$829,000), which have not been claimed for income tax purposes.

As at June 30, 2021, there are unused Company and subsidiary non-capital losses of approximately \$12,208,000 (December 31, 2020 - \$12,131,000), of which \$828,000 will expire in 2026, \$1,222,000 in 2027, \$1,148,000 in 2028, \$790,000 in 2029, \$646,000 in 2030 and \$7,574,000 in 2031 and after.

As at June 30, 2021, there are unused subsidiary investment tax credits of approximately \$738,000 (December 31, 2020 - \$738,000), of which \$364,000 will expire in 2031, \$319,000 in 2032, \$51,000 in 2033, and \$4,000 in 2034.

As at June 30, 2021, there are unused subsidiary capital losses of approximately \$2,373,000 (December 31, 2020 - \$2,373,000), which have no expiry dates and can only be used to reduce future income from capital gains.

As at June 30, 2021, there are unused subsidiary property and equipment costs of approximately \$528,000 (December 31, 2020 - \$526,000), which have no expiry dates, and which may be deducted against future taxable income.

Income tax attributes are subject to review, and potential adjustment, by tax authorities.

14. Supplemental cash flow information

Changes in non-cash operating working capital during the six months ended June 30, 2021 and June 30, 2020 were comprised of the following:

	June 30, 2021	June 30, 2020
	\$	\$
Receivables and prepayments	(88,649)	127,745
Accounts payable and accrued liabilities	(141,038)	286,882
Accounts payable to related parties	32,824	35,117
Net change	(196,863)	449,744

The Company incurred non-cash investing activities during the six months ended June 30, 2021 and June 30, 2020 as follows:

	June 30, 2021	June 30, 2020
	\$	\$
Non-cash investing activities		
Marketable securities received on disposition of mineral properties	(4,350,590)	-
Mineral property sale/option proceeds received by marketable securities	4,350,590	-
Deferred exploration expenditures included in accounts and related party payables	1,209,326	384,291
Deferred exploration expenditures included in exploration tax credits recoverable	(17,656)	(21,294)
Property and equipment purchases included in accounts payable and accrued liabilities	-	26,147
	1,191,670	389,144

There were no amounts paid for income taxes or interest during the six months ended June 30, 2021 and June 30, 2020.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

15. Financial risk management**Capital management**

The Company is a junior resource exploration company and considers items included in equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2021 is comprised of shareholders' equity attributable to owners of the Company of \$56,171,942 (December 31, 2020 - \$57,848,348).

The Company has no traditional revenue sources. It currently is able to generate funds through the sale or option of its mineral properties and sale of its marketable securities. In order to fund future projects and pay for administrative costs the Company will spend its existing working capital. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation, is primarily dependent upon its continued ability to find and develop mineral properties, and there being a favorable market in which to sell or option the properties; and or its ability to borrow or raise additional funds from equity markets.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities, reclamation deposits, long term investment, accounts payable and accrued liabilities, accounts payable to related parties, and bank loan.

The carrying value of other receivables, accounts payable and accrued liabilities, and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments. The carrying value of the bank loan approximates its fair value as the differential between the rate of interest on the bank loan and market rates would have an insignificant impact on the fair value of the bank loan.

Financial instruments measured at fair value on the condensed interim consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
June 30, 2021				
Cash and cash equivalents	14,185,980	-	-	14,185,980
Marketable securities (1)	9,696,583	185,839	-	9,882,422
Reclamation deposits	129,983	-	-	129,983
Long term investment	-	-	1,000,000	1,000,000
	24,012,546	185,839	1,000,000	25,198,385
December 31, 2020				
Cash and cash equivalents	16,244,309	-	-	16,244,309
Marketable securities (1)	9,897,578	295,353	-	10,192,931
Reclamation deposits	115,927	-	-	115,927
Long term investment	-	-	1,000,000	1,000,000
	26,257,814	295,353	1,000,000	27,553,167

(1) The marketable security totals as at June 30, 2021 and December 31, 2020 do not include the value of the Company's Rockhaven or GGL shares.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

15. Financial risk management (continued)**Financial instruments - fair value (continued)**

Within Level 3, the Company includes its long-term investment which represents preferred shares in a private company without an active market (note 6(c)), which are being carried at the redemption value of the preferred shares. As at June 30, 2021, management considered whether key fair value indicators were present by considering whether the private company had completed any recent financings with arm's length parties or whether there were any available market comparatives from which the Company could benchmark a value for the preferred shares. Management concluded that there were no such indicators and that use of the redemption value was the most appropriate, given the circumstances surrounding the investment.

Based on the carrying value of the preferred shares as at June 30, 2021, a 10% change in fair value would have impacted profit or loss in the amount of \$100,000. As the transaction was accounted for within retained earnings during the year ended December 31, 2019 (deficit) (note 6(c)), there was no initial impact on profit or loss during year ended December 31, 2019. Additionally, the SC&E Agreement which resulted in an exchange of the preferred shares had no impact on profit or loss during the year ended December 31, 2020 (note 6(c)).

There were no reclassifications between levels of the fair value hierarchy during the six months ended June 30, 2021 and June 30, 2020.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

(a) Credit risk

The Company is exposed to credit risk by holding cash and cash equivalents. This risk is minimized by holding the funds in Canadian banks and credit unions or with Canadian governments. The Company has minimal receivables exposure, and its various refundable credits are due from Canadian governments.

(b) Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations due to the short term to maturity and no penalty cashable features of its cash equivalents. For the six months ended June 30, 2021, every 1% fluctuation in interest rates up or down would have impacted income (loss) for the period, up or down, by approximately \$44,000 (2020 - \$49,000) before income taxes.

(c) Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Based on the June 30, 2021 value of marketable securities every 10% increase or decrease in the share prices of these companies would have impacted income (loss) for the period, up or down, by approximately \$969,000 (2020 - \$978,000) before income taxes.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources.

(e) Currency risk

The Company conducts minimal transactions in foreign currencies and currency risk is not considered significant.

Strategic Metals Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the six months ended June 30, 2021 and June 30, 2020

16. Commitments**Flow-through expenditures:**

- a) On July 15, 2020, the Company completed a private placement of flow-through units for gross proceeds of \$4,796,800. The Company renounced the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at June 30, 2021, approximately \$3,954,000 of the funds had been spent.
- b) On August 20, 2020, Rockhaven completed a private placement of flow-through units for gross proceeds of \$5,101,750. Rockhaven renounced the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at June 30, 2021, approximately \$1,304,000 of the funds had been spent.
- c) On July 23, 2020, GGL completed a private placement of flow-through units for gross proceeds of \$150,000. GGL renounced the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at May 31, 2021, approximately \$135,000 of the funds had been spent.

The various flow-through units were issued at a premium to the trading value of the Company, Rockhaven and GGL common shares, which was a reflection of the value of the income tax write-offs that they renounced to the flow-through shareholders. The premiums were determined to be \$2,972,898 and were recorded as a reduction of share capital. Equivalent flow-through share premium liabilities were recorded, which are being reversed pro-rata as the required exploration expenditures are incurred.

Extension granted

Under the Income Tax Act flow-through look-back rules, the Company, Rockhaven, and GGL now have until December 31, 2022 to spend the remaining amount of flow-through funds. Amounts unspent after February 1, 2021, continue to be subject to a floating rate interest which is currently set at 1% per annum. If the remaining flow-through funds are spent by December 31, 2021, no interest tax will be applicable.

A summary of the Company's flow-through premium liability as at June 30, 2021 and December 31, 2020, and changes during the period/year then ended is as follows:

	June 30, 2021	December 31, 2020
	\$	\$
Balance, beginning of period/year	1,817,267	481,598
Addition - Strategic	-	1,424,050
Addition - Rockhaven	-	1,521,575
Addition - GGL	-	27,273
Pro-rata reduction - Strategic	(165,258)	(1,008,491)
Pro-rata reduction - Rockhaven	(266,360)	(604,210)
Pro-rata reduction - GGL	-	(24,528)
Balance, end of period/year	1,385,649	1,817,267