



**STRATEGIC RESOURCES INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021**

**TSX-V: SR**



**[www.strategic-res.com](http://www.strategic-res.com)**

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**INTRODUCTION**

Strategic Resources Inc. ("Strategic" or the "Company") is a resource exploration company with a focus on the acquisition, exploration and development of vanadium and other metals used in batteries and the electrification of the economy. Strategic's head office is in Vancouver, Canada. The Company was incorporated under the Ontario *Business Corporations Act* on October 25, 2004 and was continued under the British Columbia Business Corporations Act on June 7, 2016. The Company is a reporting issuer in each of British Columbia, Alberta, Saskatchewan and Ontario; and its common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol "SR".

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Strategic and its subsidiaries during the relevant reporting period and to the date of this report. This MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the three and six months ended June 30, 2021, and, consequently, should be read in conjunction with the aforementioned financial statements and notes thereto. This MD&A should also be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020.

**ADDITIONAL INFORMATION**

Additional information about the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.strategic-res.com](http://www.strategic-res.com).

The Company reports its financial information in Canadian dollars and all monetary amounts set forth herein are expressed in Canadian dollars unless specifically stated otherwise. The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020 were prepared in accordance with IAS 34 *Interim Financial Reporting*.

Leo Hathaway, P.Geo., is a qualified person as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and has reviewed and approved for inclusion the scientific and technical disclosure in this MD&A. Mr. Hathaway is the Vice President, Exploration of the Company.

**FORWARD-LOOKING INFORMATION**

Information and statements contained in this MD&A that are not historical facts are forward-looking information or forward-looking statements within the meaning of Canadian securities legislation and the *U.S. Private Securities Litigation Reform Act of 1995* (hereinafter collectively referred to as "forward-looking statements") that involve risks and uncertainties. This MD&A contains forward-looking statements such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Examples of forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the Company's going-forward corporate strategy, as well as its strategies for development of its mineral property assets;
- the Company's plans to follow up on the recommendations of the Preliminary Economic Assessment ("PEA") on Mustavaara;
- the Company's hydro-metallurgical testing program on titanomagnetite concentrate for the Mustavaara Project;
- the Company's plans to engage with local authorities in order to transfer and attempt to extend existing permits for the Mustavaara Project and plans to begin key environmental monitoring programs;
- the Company's plans and actions required to continue or initiate exploration and drilling programs on its projects;
- timing and prospects of future exploration and development work and expenditures on the Company's projects;
- the Company's plans to conduct other studies on its mineral property interests;
- the Company satisfying the remaining earn-in requirements on its Silasselka mineral property in Finland;
- the Company's ability to comply with permitting and regulatory requirements related to exploration and development and related operations, as well as any associated costs and timing;
- the Company's ability to continue as a going concern;
- the impact of future accounting standards on the Company;
- the adequacy of the Company's working capital;
- the Company's ability to raise additional financing or find alternative ways to advance its corporate objectives, as well as the use of any financing proceeds;
- the mineral exploration assets acquired by the Company being and remaining attractive investment opportunities; and
- any additional risks and uncertainties with regards to the Company's business.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "goal", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Any such forward-looking statements are based, in part, on assumptions and factors that may

change, thus causing actual results or achievements to differ materially from those expressed or implied by the forward-looking statements. Such factors and assumptions may include, but are not limited to: assumptions concerning vanadium and other base and precious metal prices; cut-off grades; accuracy of mineral resource estimates and resource modeling; timing and reliability of sampling and assay data; representativeness of mineralization; timing and accuracy of metallurgical test work; anticipated political and social conditions; expected government policy; and, ability to successfully raise additional capital.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, and without limitation:

- risks relating to the impact of epidemics such as COVID-19;
- risks relating to price fluctuations for vanadium and other precious and base metals;
- risks inherent in mineral resource estimation;
- risks relating to government cancellation or expropriation of the Company's mineral property interests;
- risks relating to all the Company's mineral concessions and projects being located in Finland and Peru, including political, social, economic, security and regulatory instability;
- risks relating to changes in Finland or Peru's national, provincial and local political leadership, including impacts these may have on general, environmental, and mining specific public policies, laws and regulations, and other norms or decisions issued by administrative agencies and other governmental institutions, including the judiciary, as well as legal, political, and social stability;
- risks relating to national and local political and social unrest, including opposition to mining, pressure for economic benefits such as employment or social investment programs, access to land for agricultural or artisanal mining use, or for illegal mining or other unlawful purposes, permission to conduct artisanal hard rock or alluvial mining on Company concessions, or other local political and social pressures;
- risks relating to required consultations with local communities;
- risks relating to the political, social, environmental and geological conditions in areas in proximity to the concessions under development;
- risks relating to Strategic's rights or activities being impacted by litigation or administrative processes;
- risks relating to Strategic's ability to secure and maintain social licenses from local communities and access concession surface areas and other properties needed to advance its exploration and development programs;
- risks relating to Strategic's concession being located in areas subject to environmental restrictions or its operations being subject to environmental requirements, including remediation;
- risks relating to Strategic's ability to source qualified human resources, including managers, employees, consultants, attorneys, and sub-contractors, as well as the performances of all such resources (including human error and actions outside of the control of Strategic, such as wilful negligence, including on the part of its counterparties or agents);
- risks of title disputes or claims affecting mining concessions;
- risks relating to adverse changes to laws, regulations or other norms placing increased or changing regulatory burdens or extending timelines for regulatory approval processes, including environmental, safety, social, taxation and other matters;
- risks relating to delays in obtaining governmental approvals or permits necessary for the transfer or licensing of concessions, execution of exploration, development or construction and related activities;
- risks relating to failure of plant, equipment or processes to operate as anticipated;
- risks relating to performance of human resources, such as accidents and labour disputes;
- risks relating to competition inherent in the mining exploration industry;
- risks of impacts from unpredictable natural occurrences, such as adverse weather conditions, fire, natural erosion, landslides, and geological activity, including earthquakes and volcanic activity;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Strategic's properties are not yet in commercial production;
- risks relating to the Company's ability to obtain necessary funding for its operations, at all or on terms acceptable to the Company;
- risks relating to the Company's working capital and requirements for additional capital;
- risks relating to currency exchange fluctuations;
- risks relating to fluctuations in interest and inflation rates;
- risks relating to restrictions on access to and movement of capital;
- risks relating to the value of the Company's common shares fluctuating based on market factors;
- risks relating to the Company's dependence on key personnel; and
- other risks generally associated with the mineral exploration and mining industries,

as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors and risks that could affect the Company and might cause actual actions, events or results to differ, perhaps materially, from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to occur as projected, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those

anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Forward-looking statements and other information contained herein, including general expectations concerning the mining industry, are based on estimates and forecasts prepared by the Company employing data from publicly available industry sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry and the operating environment in Finland and Peru which the Company believes to be reasonable. Although generally indicative of relative market positions, market shares and performance characteristics, this data is inherently imprecise. While the Company is not aware of any misstatements regarding any data presented herein, the mining industry involves risks and uncertainties and the data is subject to change based on various factors.

#### **OVERVIEW OF SIGNIFICANT EVENTS AND REVIEW OF ACTIVITIES**

In order to better understand the Company's financial results, it is important to gain an appreciation of the significant events, transactions and activities involving the Company's mineral property interests that occurred during the three and six months ended June 30, 2021 and to the date of this MD&A. This overview should be read in conjunction with the remainder of this MD&A to more fully appreciate the Company's results and activities for the three and six months ended June 30, 2021.

Described in more detail below are the following:

- ongoing impact of COVID-19;
- activities carried out on the Mustavaara mine area in Finland ("Mustavaara"), including a summary of the PEA announced on May 4, 2021 and the joint testing program that has been initiated with VandiumCorp Resource Inc. ("VandiumCorp");
- work carried out on the Company's other projects including the property option and joint venture agreement with Aurion Resources Ltd. ("Aurion");
- relinquishment of the Company's interest in its property option and joint venture agreement with Magnus Minerals Oy ("Magnus"); and
- financing activities undertaken by the Company.

#### **COVID-19**

The Company has been only minimally impacted by COVID-19 with the largest impact being restrictions on travel compared to normal levels that would be undertaken by Company personnel, notably between Canada and Finland. The Company's Vancouver office is limiting the number of staff present and is able to implement COVID-19 protocols such as social distancing. In addition, team members are able to perform their duties remotely. In Finland, the Company only has a minimal footprint at present and is largely represented by contracted professionals (technical, legal and accounting) which has enabled business in Finland to continue to be conducted without undue interruption.

#### **Mustavaara**

In February 2020, the Company announced that it had applied for mineral reservations over the Mustavaara mine area in Finland and had signed a definitive agreement with the bankruptcy estate of Ferrovan Oy ("Ferrovan") to acquire all of the intellectual property, core samples and storage facilities associated with Mustavaara for €150,000. Closing of the agreement was subject to certain conditions, with the main condition being the granting of fully valid mineral claim reservations from the Finnish mining authority (Tukes). An initial payment of €50,000 (\$72,870) was made on February 7, 2020. Tukes rendered its decisions on the claim reservations on April 3, 2020 (comprising Lavotta, Mustavaara West 1-14 and Kalliolampi 1-4). The Company closed the transaction with Ferrovan on July 28, 2020 with a final payment of €100,000 (\$156,820), following confirmation that the mineral claim reservations were validly issued.

Mustavaara is a large vanadium-iron-titanium deposit, which was mined by the Finnish state company Rautaruukki Oy between 1976 and 1985. Mustavaara is located in the Municipality of Taivalkoski, 75 kilometres ("km") southwest of the city of Kuusamo. The three mineral claim reservations held comprise an area of approximately 2,650 hectares. The vanadium produced from Mustavaara and the nearby Otanmäki deposit accounted for approximately 10% of the world's vanadium production at that time. Mining was suspended due to adverse market conditions and the processing facilities were dismantled in 2001. Ferrovan commissioned Pöyry Finland Oy to complete a Pre-Feasibility Study ("PFS") for the project in 2011. The resulting 2012 PFS outlined a project that would have a concentrator near site and a smelting plant located close to the coast in the city of Raahen.

On September 14, 2020, the Company announced an updated NI 43-101 compliant mineral resource estimate for Mustavaara by news release titled "Strategic Resources Announces Mineral Resource Estimate for its Mustavaara Project." A summary of the mineral resource estimate at an 11% magnetite cut-off grade is:

Resource Class	Million Tonnes	Average Grade				Contained Metal		
		Magnetite (%)	VinMC <sup>(8)</sup> (%)	Ti <sup>(9)</sup> (%)	Fe <sup>(9)</sup> (%)	VinMC <sup>(8)</sup> (kt)	Ti <sup>(9)</sup> (kt)	Fe <sup>(9)</sup> (kt)
Measured	64.0	15.41	0.91	3.75	63.3	90	370	6,244
Indicated	39.7	15.27	0.88	3.53	62.8	53	214	3,805
Total M&I	103.7	15.36	0.90	3.67	63.1	143	584	10,049
Inferred	42.2	15.11	0.92	3.75	62.3	59	239	3,971

The table below demonstrates the sensitivity of measured and indicated mineral resource to cut-off grade:

Cut-Off Magnetite (%)	Million Tonnes	Average Grade				Contained Metal		
		Magnetite (%)	VinMC <sup>(8)</sup> (%)	Ti <sup>(9)</sup> (%)	Fe <sup>(9)</sup> (%)	VinMC <sup>(8)</sup> (kt)	Ti <sup>(9)</sup> (kt)	Fe <sup>(9)</sup> (kt)
8.0	107	15.17	0.9	3.64	63.2	146	593	10,281
10.0	106	15.26	0.9	3.65	63.2	146	590	10,291
<b>11.0</b>	<b>104</b>	<b>15.36</b>	<b>0.9</b>	<b>3.67</b>	<b>63.1</b>	<b>143</b>	<b>584</b>	<b>10,049</b>
12.0	95	15.71	0.9	3.72	63.0	134	555	9,394
14.0	67	16.81	0.9	3.80	62.9	102	430	7,115

The NI 43-101 mineral resource estimate summary above is calculated using the base case cut-off grade of 11.0 percent magnetite. The estimate is based on a total of 9,911 metres of diamond drilling in 73 holes. None of these holes were drilled by Strategic, but historic core, rejects and pulps have been reanalyzed and the historic database has been validated. The mineral resources are estimated using a three-dimensional block model with a nominal block size of 20 x 20 x 12.5 metres. Grade estimates for magnetite, vanadium, titanium and iron are based on geology, drill hole spacing and geostatistical analysis of drill hole sample data. The grade models have been validated using a combination of visual and statistical methods. Blocks in the model are estimated using five or more composite drill hole samples within a maximum average distance of 50m, 100m and 200m for the measured, indicated and inferred mineral resource categories respectively.

A NI 43-101 technical report, titled "NI43-101 Technical Report on the Mustavaara Vanadium project, Finland" detailing the mineral resource estimate for the Mustavaara Project was completed and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and Strategic's website ([www.strategic-res.com](http://www.strategic-res.com)) on October 21, 2020. This mineral resource estimate was utilized as the basis for the Company's PEA on Mustavaara as described in more detail below.

Mineral Resource Notes and Assumptions:

(1) The mineral resource estimate has an effective date of September 14, 2020. (2) Mineral resources do not have demonstrated economic viability. (3) The mineral resources in this estimate were calculated with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions. (4) Metal prices used: Pig Iron, US\$350.00 per tonne and Ferrovandium, US\$30.00 per kilogram. (5) Base case cut-off grade for the estimate of the mineral resources is 11.0% magnetite. (6) It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated or measured mineral resources with continued exploration. (7) Strategic is not aware of any legal, political, environmental, or other risks that could materially affect the potential development of the mineral resources. (8) A 30-gram charge of agitated sample pulp "suspended" in water is separated magnetically as it passes through a rotating, inclined glass tube. The applied magnetic field causes magnetic minerals to stick to the tube walls. The weight percent of vanadium retained in the magnetic fraction is reported as VinMC (Vanadium in Magnetic Concentrate) and can be correlated with magnetically recovered vanadium grades in large scale magnetic separation plants. This work has indicated that the magnetite content could be upgraded by a factor of six. (9) Ti (titanium) and Fe (iron) grades and contained metal values are stated in recovered magnetite concentrate post upgrading.

During the three and six months ended June 30, 2021, the Company worked with AFRY Finland Oy to complete a PEA on Mustavaara, the results of which were announced on May 4, 2021 in a news release titled "Strategic Resources Announces Mustavaara PEA; €190M After-tax NPV (8%) with a 20 Year Mine Life." A NI 43-101 technical report, titled "NI 43-101 Technical Report Preliminary Economic Assessment on the Mustavaara Vanadium project, Finland" detailing the PEA for the Mustavaara Project was completed and filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and Strategic's website ([www.strategic-res.com](http://www.strategic-res.com)) on June 10, 2021, with an effective date of May 4, 2021.

The PEA has been prepared in accordance with NI 43-101 and highlights of the PEA include the following estimates:

- Life of mine ("LOM") average annual payable production of 4.6 kt of FeV80;
- LOM average annual payable co-product production of 329 kt of pig iron;
- 20.25-year mine life;
- 10,400 tpd processing operation over the life of mine;
- After-tax NPV (8%) and IRR of €190 million and 12.2%;
- Average all-in sustaining co-product cash costs of €15.2 /kg FeV80 and €210.7/t pig iron;
- LOM revenue mix of 46.7 % FeV80, 50.8 % pig iron and 2.6 % other by-products;
- Initial capital costs of €597 million; and
- Life of mine sustaining capital and closure costs of €94 million.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

Below is a summary of Mustavaara's economic results by FeV80 and Pig Iron Price:

Percentage of Base Case Prices	80%	100%	120%
FeV80 (US\$ per kg)	US\$25.60	<b>US\$32.00</b>	US\$38.40
Pig Iron (US\$ per tonne)	US\$360	<b>US\$450</b>	US\$540
<b>Pre-Tax NPV (8%) (€M)</b>	€ (88)	<b>€286</b>	€661
<b>Pre-Tax IRR</b>	5.8%	<b>13.9%</b>	20.2%
<b>Post-Tax NPV (8%) (€M)</b>	€ (115)	<b>€190</b>	€491
<b>Post-Tax IRR</b>	5.0%	<b>12.2%</b>	17.9%

The PEA contemplates large-scale open pit mine using a 100% owner operated equipment fleet. Mining of Mustavaara was designed using a technique that optimizes present value by starting the mining from high grade material. Mine production and mill feed schedules were estimated from the phase resource tabulations using a declining cut-off grade strategy to maximize present value for a processing rate of 10.4 ktpd. Pit limiting floating cone shells used to develop the mine plan were based on US\$25.50/kg FeV80 price and US\$340/t pig iron prices.

The ferrovanadium production process consists of concentrator plant at the Mustavaara site and a smelter / hydrometallurgical plants in Raahe. The concentrator plant process is based on crushing, two-stage grinding and multi-stage magnetic separation to produce iron/vanadium concentrate. The concentrate would then be transported approximately 250 km to Raahe using trucks.

Direct smelting and selective oxidation are used to bring vanadium to a suitable form (vanadium slag) to act as a feed material to roast-leach process. Pig iron is produced as a co-product of smelting process. A roast-leach process is used to produce vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) from vanadium slag. Vanadium pentoxide is fed to the aluminothermic reduction. The final vanadium product from aluminothermic reduction is ferrovanadium (FeV80). Possible by-products include sodium sulphate, TiO<sub>2</sub> slag and Ca-Al Slag.

The planned waste rock storage facility is located to east of the open pit, partly at the north-east slope of the Mustavaara hill, which area has been partly used for waste rock deposition during the previous mining operation. Due to the historic mining, on Mustavaara, there is an existing tailings storage facility. The new deposition is planned on top of the existing deposition area.

The total installed power of the concentration process main equipment has been estimated at 11.5 MW and total peak power including all processes is estimated at 18 MVA for 505,000 t/a concentrate production. The required electric power will be provided through connection to the local 110 kV power grid. The new 110 kV power line covers a distance of approximately 32 km and it will be built to connect the mine site to an existing switchyard at the Posio municipality area. The power line route will follow the same path that was used during the former mining operations at Mustavaara. Water for processing would come from a raw water basin and from the Sirmionlampi lake.



On May 10, 2021, the Company announced, by news release, the commencement of joint hydro-metallurgical testing with VanadiumCorp using their patented and proprietary green recovery process named VanadiumCorp Electrochem Process Technology ("VEPT") on titanomagnetite concentrate from Mustavaara. The program will test whether this clean energy technology from VanadiumCorp would be viable on Mustavaara's material and could provide an alternative and more environmentally friendly way to extract vanadium and iron versus the conventional smelting methods evaluated in the PEA. Vanadium end products produced by the VEPT process favour the rapidly emerging Vanadium Redox Flow Battery industry in contrast to the current flowsheet, which produces ferrovandium used in the steel industry. In addition, the process offers the potential for commercial-grade titanium production as a third revenue stream for the Mustavaara Project.

**Silasselkä Project ("Silasselkä")**

On June 10, 2019, the Company closed on a property option and joint venture agreement with Aurion (the "Aurion Agreement") for Silasselkä which comprised 7 claims, 4 exploration licenses and 2 exploration reservations totaling approximately 25,900 hectares in northern Finland. These have since been amended and reduced to comprise an area of approximately 14,060 hectares.

Under the terms of the Aurion Agreement, the Company was able to acquire up to a 100% interest in Silasselkä through a two stage earn-in process. The first earn-in to acquire a 75% stake in Silasselkä required: (i) issuing 3,000,000 common shares of the Company and a payment of \$500,000 to Aurion (completed in June 2019); (ii) issuing an additional 1,916,667 common shares of the Company to Aurion (completed on June 10, 2020) and spending \$1,000,000 of exploration expenditures on Silasselkä before June 10, 2020; and (iii) issuing an additional 1,916,667 common shares of the Company to Aurion and spending an additional \$1,000,000 of exploration expenditures on Silasselkä before June 10, 2021. The second earn-in was to be earned once the Company had acquired a 75% interest in Silasselkä, whereby it could increase its interest to 100% by issuing an additional 1,166,666 common shares of the Company to Aurion and spending an additional \$1,000,000 of exploration expenditures on Silasselkä before June 10, 2022.

On June 16, 2020, the Company and Aurion agreed to a revision of the terms of the Aurion Agreement (the "Revised Aurion Agreement") whereby Aurion agreed to waive the required expenditures on the project totalling \$3 million and simplified the earn-in to a single option to earn 100% on completion of all required share issuances. Accordingly, to complete the earn-in under the terms of the Revised Aurion Agreement, the Company is required to: (i) issue 1,916,667 common shares of the Company by June 10, 2021 (which shares were issued on June 10, 2021) and (ii) issue 1,166,666 common shares of the Company by June 10, 2022.

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

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

Silasselkä is located in northern Finland, approximately 190 km north of Rovaniemi and 850 km north of Helsinki. Access to Silasselkä is provided by paved highways and a network of gravel forestry roads.

Since signing the Aurion Agreement, a base of till sampling orientation survey comprising 24 samples in three 350 metres lines across known mineralization at Sätkä 2 was carried along with permitting work to allow for future drilling. To date, no drilling has been carried out on Silasselkä. During 2019, several exploration applications were submitted which have altered the total size of Silasselkä as described above. In October 2020, Tukes confirmed that two pending applications had been granted as permits, relating to the Sila 2A and Sila 2B concessions. In November 2020, the Company resigned from the Sila 2B concession as it was not deemed necessary to the future of the project. No significant fieldwork was carried out on Silasselkä during the three and six months ended June 30, 2021.

**Akanvaara Project ("Akanvaara")**

On June 10, 2019, the Company closed on a property option and joint venture agreement with Magnus Minerals Oy (the "Magnus Agreement") for Akanvaara which comprised an exploration license and a reservation totaling 9,826 hectares in northern Finland which was subsequently reduced to an area of approximately 4,050 hectares. Under the terms of the Magnus Agreement, the Company could acquire up to a 100% interest in Akanvaara through a two stage earn-in process.

The first earn-in to acquire a 70% interest in Akanvaara required: (i) issuing 2,500,000 common shares of the Company and a payment of \$143,750 being made to Magnus (which have both been completed); (ii) spending \$750,000 of exploration expenditures on Akanvaara before June 10, 2021; and (iii) granting a 0.7% NSR to Magnus. Once the Company has acquired a 70% interest in Akanvaara, it could increase its interest to 100% by: (i) issuing an additional 700,000 common shares of the Company to Magnus; (ii) spending an additional \$1,000,000 of exploration expenditures on Akanvaara before June 10, 2022; and (iii) granting an additional 0.3% NSR to Magnus to bring the total NSR to 1.0%.

Akanvaara is located in northern Finland, approximately 130 km northeast of Rovaniemi and 780 km north of Helsinki. Access to Akanvaara is provided by paved highways and a network of gravel forestry roads.

The Company began drilling the Akanvaara project in June 2019. Drilling of the Phase 1 program was completed in August 2019 after nine holes and 1,159 metres. The initial results from holes one to four were announced by the Company in an August 8, 2019 news release and the results from holes five to nine were announced on October 2, 2019. Final magnetic separation testing (Davis Tube) results from 45 samples from the first seven holes of the Phase 1 program were received from SGS in Ontario, Canada ("SGS"). Low and medium grade samples returned low recoveries while the higher-grade suite of samples returned better recoveries, averaging 55%. Given current vanadium prices, only the higher-grade portions of the deposit represent an attractive exploration target at this point in time. Accordingly, in November 2020, the Company relinquished its interest in Akanvaara in order to focus on its other projects in Finland.

#### **Peruvian Claims**

The Company has approximately 9,000 hectares of mineral claims across six discrete land packages in Peru (known as Strat 1 – 6). Strat 1 – 4 are located in west-central Peru, approximately 255 km, 225 km, 140 km and 165 km, respectively, from Lima. More specifically, Strat 3 is located 38 km from Cerro de Pasco and 12 km from the historic Mina Ragra vanadium mine. Strat 5 and 6 are located in southern Peru, approximately 105 km and 130 km from the city of Arequipa. All six properties are accessible via paved highways followed by dirt roads except for Strat 2 which requires access via truck up a 30 km dry river channel.

In late June and July 2019, the Company carried out initial reconnaissance and a field prospecting trip on its concessions in Peru. During the course of this trip, the Strat 3 and Strat 4 concessions were physically visited and desktop studies were completed on the remaining four concessions to help aid in the understanding of each concessions potential to host vanadium mineralization. The concessions were initially staked on the basis of the presence of vanadium mineralization in soil and stream samples. No significant work was performed on the Peruvian claims during the three and six months ended June 30, 2021 and the claims were allowed to lapse upon the Company's decision to not pay the annual concession fees due on June 30, 2021.

#### **Financing Activity**

On June 10, 2019, the Company completed a non-brokered private placement for 16,086,956 common shares at a price of \$0.23 per common share, for proceeds of \$3,606,352, net of issue costs of \$93,648. A comparison of the Company's intended use of proceeds and the actual use of proceeds is set forth below:

<b>Disclosed Use of Proceeds</b>	<b>Actual Use of Proceeds</b>
Fund the cash payments due under the Aurion Agreement and the Magnus Agreement.	The Company made initial cash payments due under the agreements in the amount of \$500,000 to Aurion and \$143,750 to Magnus. In addition, the Company used the funds to acquire Mustavaara which resulted in payments totalling \$229,690, which transaction closed on July 28, 2020.
Exploration expenditures.	The Company staked six mineral concessions in Peru for \$60,752 and incurred \$626,118 in exploration and evaluation expenditures in the year ended December 31, 2019. During the year ended December 31, 2020, the Company incurred \$447,586 in exploration and evaluation expenditures.
Repayment of Debt.	The Company fully repaid an outstanding loan balance of \$100,000 plus accrued interest of \$4,011.
General corporate purposes and working capital.	Funds from the private placement were utilized to maintain operations at the Company. The balance of the funds raised were fully expended as at December 31, 2020.

In August 2020, the Company received an additional \$99,999 in proceeds from the exercise of 434,780 warrants at an exercise price of \$0.23 per common share. These funds were fully expended by December 31, 2020.

On October 20, 2020, the Company completed a non-brokered private placement whereby a total of 7,170,000 units ("Units") were issued at a price of \$0.35 per Unit for proceeds of \$2,447,111, net of issue costs of \$62,389. The use of proceeds from this private placement will be to fund a PEA on Mustavaara, drilling of the Silasselkä project, and for general corporate purposes and working capital. The Company's cash on hand at June 30, 2021 was \$1,656,583 indicating that \$790,528 from the private placement had been expended at June 30, 2021, primarily on the PEA for Mustavaara and also for general corporate purposes.



## OUTLOOK

The Company's strategy is to focus on advancing economic studies and exploration work on its projects in Finland as well as to evaluate opportunities that may arise for future acquisitions. Regarding the current projects held by the Company, upcoming plans include:

### *Mustavaara*

As described earlier in this MD&A, the Company completed a PEA on Mustavaara, as prepared by AFRY Finland Oy. Recommendations noted in the PEA include advancing to a PFS on the project, estimated at a cost of €1.4 million and which would include additional hydrological, comminution, metallurgical and engineering work. Prior to commencing such work, the Company is seeking to determine whether a different processing flowsheet could improve the project economics. Accordingly, the Company has commenced a joint hydro-metallurgical testing with VanadiumCorp, the results of which will be used in determining the best option for the Mustavaara processing flowsheet. This testing is expected to be completed during the third quarter of 2021. The Company also plans to engage with local authorities in order to transfer and attempt to extend existing permits held by the previous owner of the project and to begin key environmental monitoring programs. These permits allow for the construction of the concentrator and mine infrastructure. Amendments would potentially be pursued to align the permitting with the current PEA or future studies. In May 2021, the Company hired a VP, Finland Operations, to primarily focus on Mustavaara, including oversight and advancement of the permitting and environmental monitoring efforts.

### *Silasselkä*

The Company has converted the Sätkä 2 claim, its highest priority target for this project, from exploration application status to a fully granted exploration license. The Company plans to drill approximately 1,000 metres in the second half of 2021 to gather material for metallurgical testing. Dependent upon the results of the metallurgical testing program, the Company may extend the drilling program in order to bring the mineral resource into compliance with NI 43-101.

## REVIEW OF FINANCIAL RESULTS

This review of the results of operations should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2021 along with other public disclosure documents of the Company.

For the three and six months ended June 30, 2021, the Company reported net losses of \$346,246 and \$678,383, respectively, compared to net losses of \$322,052 and \$685,464, respectively, for the three and six months ended June 30, 2020. Further details of items impacting the Company's net loss are noted in the commentary that follows.

### Exploration and Evaluation ("E&E") Assets (Mineral Properties)

The Company capitalizes costs incurred acquiring E&E assets and any required licenses related thereto with a term of more than one year. The Company's E&E assets at June 30, 2021 consisted of Mustavaara with a carrying value of \$220,485 (December 31, 2020 - \$234,120) and Silasselkä with a carrying value of \$3,562,737 (December 31, 2020 - \$3,045,237).

E&E expenditures are expensed to profit and loss as incurred. These expenditures are discussed below and are disclosed in Note 5(b) of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021.

### Expenses

#### *Exploration and evaluation expenditures*

Total E&E expenses for the three and six months ended June 30, 2021 were \$68,664 and \$139,665, respectively, compared to \$60,082 and \$145,402 for the three and six months ended June 30, 2020. Further details on expenses, by project are noted below.

	Three months ended June 30, 2021				Total
	Mustavaara	Silasselkä	Akanvaara	Peru	
Geological consulting / staff	\$ 4,573	\$ 4,353	\$ -	\$ -	\$ 8,926
Metallurgical	39,921	-	-	-	39,921
Mineral rights / access	-	2,309	-	-	2,309
Project management	13,730	-	-	-	13,730
Reports	3,778	-	-	-	3,778
<b>Costs incurred during the period</b>	<b>\$ 62,002</b>	<b>\$ 6,662</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 68,664</b>

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2021**

**August 12, 2021**

	Three months ended June 30, 2020				Total
	Mustavaara	Silasselkä	Akanvaara	Peru	
Geological consulting / staff	\$ 33,754	\$ 1,409	\$ 822	\$ -	\$ 35,985
Mineral rights / access	6,427	15,218	-	-	21,645
Project management	2,452	-	-	-	2,452
Costs incurred during the period	\$ 42,633	\$ 16,627	\$ 822	\$ -	\$ 60,082

	Six months ended June 30, 2021				Total
	Mustavaara	Silasselkä	Akanvaara	Peru	
Assays / Sampling	\$ 1,380	\$ -	\$ -	\$ -	\$ 1,380
Geological consulting / staff	48,002	9,058	-	-	57,060
Metallurgical	39,921	-	-	-	39,921
Mineral rights / access	-	13,852	-	-	13,852
Project management	23,674	-	-	-	23,674
Reports	3,778	-	-	-	3,778
Costs incurred during the period	\$ 116,755	\$ 22,910	\$ -	\$ -	\$ 139,665

	Six months ended June 30, 2020				Total
	Mustavaara	Silasselkä	Akanvaara	Peru	
Assays / Sampling	\$ 20,169	\$ -	\$ 24,220	\$ -	\$ 44,389
Field office	1,784	3,656	361	-	5,801
Geological consulting / staff	39,116	7,323	3,321	-	49,760
Mineral rights / access	6,427	26,264	5,433	-	38,124
Project management	4,832	199	314	-	5,345
Transportation and accommodation	1,327	328	328	-	1,983
Costs incurred during the period	\$ 73,655	\$ 37,770	\$ 33,977	\$ -	\$ 145,402

As described earlier in this MD&A, during the three and six months ended June 30, 2021, the Company carried out relatively limited activities on its Silasselka project. Akanvaara was relinquished in 2020 and no work was conducted on the Peruvian mineral concessions. The main activities during the three and six months ended June 30, 2021 included the completion of the updated PEA for Mustavaara.

During the three and six months ended June 30, 2020, the Company's main activities included initial work and applications for Mustavaara and completion of Davis Tube testing on Akanvaara.

**Other operating expenses**

The Company's other operating expenses were as follows:

	Three months ended June 30,	
	2021	2020
Pre exploration and evaluation expenditures	\$ -	\$ 2,349
Fees, salaries and other employee benefits	204,753	191,443
General and administration ("G&A")	52,678	28,730
Professional fees	21,359	39,412
	\$ 278,790	\$ 261,934

	Six months ended June 30,	
	2021	2020
Pre exploration and evaluation expenditures	\$ 471	\$ 7,449
Fees, salaries and other employee benefits	386,266	382,924
G&A	89,075	59,838
Professional fees	65,566	92,497
	\$ 541,378	\$ 542,708

Pre exploration and evaluation expenditures incurred relate to expenditures incurred by the Company evaluating and assessing potential new mineral property interests, such costs being incurred prior to the Company having a legal interest in the mineral property. Only minimal amounts of such costs were incurred in the three and six months ended June 30, 2021 and 2020.

**Management's Discussion and Analysis  
For the Three and Six Months Ended June 30, 2021**

**August 12, 2021**

Fees, salaries and other employee benefits for the three and six months ended June 30, 2021 include share-based payment expenses of \$61,103 and \$113,918, respectively, compared to \$62,805 and \$125,610 in the three and six months ended June 30, 2020. The cash portion of fees, salaries and other employee benefits for the three and six months ended June 30, 2021 were \$143,650 and \$272,348, respectively, compared to \$128,638 and \$257,314 for the three and six months ended June 30, 2020. The amounts are broadly consistent from period to period with a small increase in the three months ended June 30, 2021 following the hiring of the Company's VP, Finland Operations in April 2021.

G&A expenses and professional fees were broadly consistent for the three- and six-month periods ended June 30, 2021 and 2020.

**Other income / expenses**

The Company's other income / expenses were as follows:

	Three months ended June 30, 2021		2020	
Interest income and other	\$	1,217	\$	-
Foreign exchange (loss)		(9)		(36)
	\$	1,208	\$	(36)

  

	Six months ended June 30, 2021		2020	
Interest income and other	\$	2,572	\$	2,677
Foreign exchange gain (loss)		88		(31)
	\$	2,660	\$	2,646

The Company earned a small amount of interest income on its cash and cash equivalents during the three and six months ended June 30, 2021 and 2020.

**Related Party Transactions**

The Company incurred the following expenses with related parties:

Company	Nature of transactions	Three months ended June 30, 2021		2020	
Miedzi Copper Corp.	G&A	\$	18,702	\$	16,363
Lumina Gold Corp.	G&A		-		134
Hathaway Consulting Ltd.	Fees		21,000		21,000
Into the Blue Management Inc.	Fees		27,000		27,000
Lyle E Braaten Law Corp.	Fees		22,470		22,470
		\$	89,172	\$	86,967

  

Company	Nature of transactions	Six months ended June 30, 2021		2020	
Miedzi Copper Corp.	G&A	\$	32,270	\$	28,674
Lumina Gold Corp.	G&A		-		549
Hathaway Consulting Ltd.	Fees		42,000		42,000
Into the Blue Management Inc.	Fees		54,000		54,000
Lyle E Braaten Law Corp.	Fees		44,940		44,940
		\$	173,210	\$	170,163

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

**SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

The information presented below highlights the Company's unaudited quarterly results for the past eight quarters.

Three Months Ended:	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(347,454)	(333,589)	(653,472)	(300,153)
Other income (expenses)	1,208	1,452	(1,668,248)	(61,118)
Net loss for the period	(346,246)	(332,137)	(2,321,720)	(361,271)
Basic and diluted loss per share	(0.01)	(0.01)	(0.06)	(0.01)

Three Months Ended:	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses	(322,016)	(366,094)	(589,833)	(462,973)
Other (expenses) income	(36)	2,682	5,541	7,300
Net loss for the period	(322,052)	(363,412)	(584,292)	(455,673)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)

During the three months ended September 30, 2019, the Company was in the process of completing its initial drilling program on the Akanvaara project which resulted in generally higher expenses for the quarter than those that followed it. For the three months ended December 31, 2019, the Company's expenses include share-based payment expense of \$233,858 relating to stock options granted on October 21, 2019. Excluding this non-cash expense, expenses for the quarter ended December 31, 2019 were \$355,975 which reflects the relative pause on exploration following completion of drilling on Akanvaara.

The Company's expenditures during the quarter ended March 31, 2020 were \$366,094 which included \$62,805 in share-based payment expense. Excluding that non-cash expense, expenses for the quarter were \$303,289, the majority related to fees and salaries. The Company's expenditures during the quarter ended June 30, 2020 were \$322,016 which included \$62,805 in share-based payment expense. Excluding that non-cash expense, expenses for the quarter were \$259,211, the majority related to fees and salaries. The primary focus during the quarter ended June 30, 2020 was to close the Mustavaara acquisition which was completed on July 28, 2020. The Company's expenditures during the quarter ended September 30, 2020 were \$300,153 which included \$63,495 in share-based payment expense. Excluding that non-cash expense, expenses for the quarter were \$236,658, the majority related to fees and salaries, which are consistent from period to period, and geological consulting costs incurred updating the mineral resource estimate for Mustavaara.

For the three months ended December 31, 2020, the Company's expenses were \$653,472, which included share-based payment expense of \$143,853 reflecting the vesting of stock options granted in 2019 and the stock options granted in November 2020. After adjusting for share-based payment, operating expenses for the three months ended December 31, 2020 were \$509,619. The increased expenses in the three months ended December 31, 2020 arose primarily as a result of initial work on the updated Mustavaara PEA (as described earlier in this MD&A) and annual bonuses paid to the Company's personnel which totalled approximately \$53,000. Other expenses in the three months ended December 31, 2020 were significantly higher than normal resulting from the relinquishment of Akanvaara which led to an expense of \$1,668,750 related to the previously capitalized acquisition costs of the project.

Expenses for the three months ended March 31 and June 30, 2021 were broadly in line with the three quarterly periods prior to the three months ended December 31, 2020. This reflects the consistent level of activities that have been conducted by the Company since the outbreak of COVID-19 which has seen lower field activity levels compared to the 2019 periods noted in the table above offset by the work conducted to complete the PEA on Mustavaara as described earlier in this MD&A.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's expenses and mineral property costs is provided earlier in this MD&A and in Note 5 of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021.

**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2021, the Company had cash and cash equivalents of \$1,656,583 compared to \$2,228,090 at December 31, 2020. The Company's working capital balance at June 30, 2021 was \$1,652,595 compared to \$2,219,885 at December 31, 2020. The Company's cash at June 30, 2021, was sufficient to meet the Company's current accounts payable and accrued liabilities at that date.

Working capital is defined as current assets minus current liabilities. Working capital calculations or changes are not measures of financial performance, nor do they have standardized meanings, under IFRS. Readers are cautioned that this calculation may differ

among companies and analysts and therefore may not be directly comparable. Management believes that disclosure of the Company's working capital is of value to assess the available capital resources of the Company at a reporting period end.

At June 30, 2021, approximately \$1,616,000 (or 98%) of the Company's cash and cash equivalents were held at Scotiabank, a major chartered bank in Canada. Management is not aware of any liquidity issues associated with any of the banks in which funds have been deposited.

The Company had no long-term debt obligations or off-balance sheet arrangements at June 30, 2021.

To date, the capital requirements of the Company have been met by equity or loan proceeds. As noted in Note 2(b) to the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2021, the Company has incurred cumulative losses of \$23,047,067 and will continue to incur losses in the development of its business. The Company's ability to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests, or a combination thereof. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as the emergence of world pandemics like COVID-19, uncertainty in the capital markets, depressed commodity prices or country risk factors. This exposure is discussed in more detail in the "Risks and Uncertainties" section of this MD&A. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **FINANCIAL INSTRUMENTS**

At June 30, 2021, the Company's financial instruments consist of cash and cash equivalents, receivables, environmental deposits and accounts payable and accrued liabilities. Fair value estimates are made at the balance sheet date based on generally accepted pricing models, discounted cash flow analysis or using prices from observable current market transactions. These estimates are subjective in nature and may involve significant uncertainties in matters of judgment and, therefore, cannot be determined with precision. The fair values of the Company's financial instruments approximate their carrying values due to their short terms to maturity or capacity for prompt liquidation and the interest rates being charged or earned on these amounts.

The Company's financial instruments have been classified as follows under IFRS:

- Cash and cash equivalents: amortized cost.
- Receivables: amortized cost.
- Environmental deposits: amortized cost.
- Accounts payable and accrued liabilities: amortized cost.

The types of financial risk exposure and the way in which such exposure is managed by the Company is as follows:

### **Credit Risk**

It is management's opinion that the Company is not exposed to significant credit risk arising from the above-noted financial instrument assets, as disclosed in Note 13(a) to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021.

The Company's exposure to credit risk on its cash is limited by maintaining this asset with high-credit quality financial institutions. The Company may be exposed to the credit risk of its banks in Finland and Peru which hold cash for the Company's overseas operations. The Company limits its exposure to this risk by maintaining minimal cash balances in these accounts, normally sufficient to fund the next month's operations.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash and other financial resources available to meet its obligations. The Company typically forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash on hand, disposition of assets, accessing capital markets and/or loan advances.

At June 30, 2021, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$27,974 which are due primarily within the next quarter. The Company's cash and cash equivalents of \$1,656,583 at June 30, 2021 were sufficient to pay the accounts payable and accrued liabilities.

### **Market Risks**

The market risks to which the Company is exposed are interest rate risk and currency risk.

**Interest Rate Risk**

Interest rate risk is the risk that the future cash flows of the Company will fluctuate because of changes in market interest rates. Included in net loss for the three and six months ended June 30, 2021 is interest income earned on the Company's cash. Based on the Company's cash at June 30, 2021, and assuming that all other variables remain constant, a 1% increase or decrease in interest rates would result in an increase or decrease to the Company's interest income of approximately \$16,500 (on an annualized basis).

**Currency Risk**

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

The Company is exposed to foreign exchange and currency risks arising from fluctuations in foreign exchange rates among the U.S. dollar, Euro, Australian dollar and Peruvian Sol and the degree of volatility of these rates. The Company keeps the majority of its cash and cash equivalents in Canadian dollars and purchases foreign currency amounts as needed. The Company does not use derivative instruments to reduce its exposure to foreign exchange and currency risks.

At June 30, 2021, the Company's cash and cash equivalents were primarily held in Canadian dollars as disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021. The Company estimates that a 1% fluctuation in foreign currency exchange rates compared to the Canadian dollar would not have a material impact to the results of operations based upon the foreign currency financial instruments held at June 30, 2021.

**SHARE CAPITAL**

As at the date of this MD&A, the Company had the following securities issued and outstanding:

Common shares:	42,585,372	
Common share purchase warrants:	3,585,000	exercisable at \$0.55 per warrant.
Stock options:	3,155,000	exercisable at amounts ranging from \$0.25 - \$0.37 per option.

**CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates are used for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from these estimates. Should the Company be unable to meet its ongoing obligations, the realizable value of its assets may decline materially from current estimates.

The accounting policy estimates and judgments described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company's consolidated financial statements and the uncertainties that could have a bearing on its financial results. Further details, and a description of certain other areas of estimation and judgment, can be found at Note 2(d) in the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021.

**Determination of functional currency**

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



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**Going concern**

The assessment of the Company's ability to continue as a going concern requires significant judgment. As disclosed in Note 2(b) of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021, the Company has incurred cumulative losses of \$23,047,067. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing, entering into a joint venture, a merger or other business combination transaction involving a third party, sale of all or a portion of the Company's assets, the outright sale of the Company, the successful development of the Company's mineral property interests or a combination thereof. Factors that the Company evaluates include forecasts, the ability to reduce expenditures if required, and indications of shareholder support.

**Exploration and evaluation assets**

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

**CHANGES IN ACCOUNTING STANDARDS**

The Group has not early adopted any amendment, standard or interpretation that has been issued by the IASB but that is not yet effective.

**RISKS AND UNCERTAINTIES**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many kinds of risks, including, but not limited to, operational, technical, environmental, labour, social, political, regulatory, security, financial, economic, and metals pricing. Additionally, often due to factors that cannot be predicted or foreseen, few exploration projects successfully achieve development. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage risks to the extent possible and practicable.

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not listed in order of importance, nor are they inclusive of all the risks and uncertainties the Company may be subject to, and therefore other risks may apply.

- *The impact and risks arising from epidemic diseases, such as the recent outbreak of COVID-19 may have a significant impact on the Company.*

The ongoing impact of the global emergence of Coronavirus disease (COVID-19) on the Company has been relatively minor but remains an area of uncertainty for current and future operations. The Company is conducting business as normal with modifications to personnel travel and work locations and is currently evaluating exploration work on its mineral property interests. Rules in all jurisdictions are changing rapidly and the Company will need to evaluate and evolve with measures as they are announced. Government restrictions on the movement of people and goods may cause exploration work and analysis being done by the Company and its contractors to slow or cease. This may cause the Company to enact force majeure under one or more of its option agreements or other contracts. Such disruptions in work may cause the Company to miss actual or self-imposed deadlines, push out earlier forecasts, and increase fiscal losses. In addition, the outbreak of COVID-19 has caused considerable disruption to the world economy and financial markets which could have a materially adverse impact on the ability of the Company to raise additional funding in the future and could negatively impact, among other factors, the Company's share price.

- *Mineral exploration inherently involves a high degree of risk. All of the mineral property interests of the Company are in the exploration stage and, consequently, may not result in any commercial discoveries.*

Mineral exploration involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. The property interests owned by the Company are in the exploration stage only, are without known bodies of commercial mineralization and the Company has no ongoing mining production at any of them. The Company's mineral exploration activities may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. As well, the exploration and development activities of the Company may be disrupted by a variety of risks and hazards, which may be beyond the control of the Company. These risks include, but are not limited to, social and political activism and strife, litigation, labour stoppages, the inability to obtain adequate power, water, trained professionals and labour, including consultants or other experts, as well as suitable machinery and equipment. In addition, the Company may be unable to acquire or obtain such necessities as water and surface rights, which may be critical for the continued advancement of exploration and development activities on its mineral property rights.

- *Government expropriation may result in the total loss of the Company's mineral property interests.*

Even if the Company's mineral property interests are proven to host economic mineral resources, governmental expropriation may result in the total loss of the Company's mineral property interests without any compensation to the Company. Similarly, expropriation or shutdown of financial institutions or other entities the Company does business with could impact operations. Further, expropriation or legal uncertainty affecting other businesses, in mining or other industries, could impact the Company's ability to operate and obtain financing, as well as its strategic options. Finally, expropriation need not be outright, there are many forms of creeping expropriation, through taxation and other mechanisms, that if applied could negatively impact the company's operations and prospects.

- *Governmental regulation may have negative impacts on the Company.*

The Company's assets and activities are subject to extensive Canadian, Finnish and Peruvian federal, state, provincial, territorial and local laws and regulations governing various matters, including, but not limited to:

- land access, use and ownership;
- water use;
- environmental performance and protection;
- land use designations;
- social consultation and public referendums;
- corporate social responsibility;
- management and use of toxic substances and explosives;
- rights over and management of natural resources, including minerals and water;
- prospection, exploration, development and construction of mines, production and reclamation;
- exports and imports;
- taxation;
- mining royalties;
- restrictions on the movement of capital;
- importation of equipment and goods;
- transportation;
- hiring practices and labour standards by the companies and contractors, as well as occupational health and safety, including mine safety;
- reporting requirements related to investment, social and environmental impacts, health and safety, and other matters;
- processes for preventing, controlling or halting artisanal or illegal mining activities; and,
- historic and cultural preservation.

The costs associated with legal and regulatory compliance with laws and regulations are already substantial and future laws and regulations, changes to existing laws and regulations, or more stringent or modified application and enforcement of current laws and regulations by governmental or judicial authorities, could generate additional expenses, capital expenditures, delays in the development of the Company's properties, and even restrictions on or suspensions of Company operations. Moreover, laws and regulations could allow governmental authorities and private parties to bring complaints or lawsuits against the Company based upon alleged damage to property and/or injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, or possibly even actions or inaction by third parties, including those from whom the Company acquired its properties, and could lead to the imposition of substantial financial judgments, fines, penalties or other civil or criminal sanctions. It is a challenge to comply strictly with all of the norms that apply to the Company. The Company retains competent and well-trained management, staff, professionals, attorneys, advisors and consultants in the different jurisdictions in which it does business; however, there is no certainty that both it and its contractors will continuously be compliant with all applicable laws and regulations. The failure to comply with all applicable norms could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

- *Failure to comply strictly with applicable mining laws, regulations and local practices may have a material adverse impact on the Company's operations or business.*

While the Company seeks to fully comply with applicable laws, regulations and local practices, failure of the Company or government officials to comply strictly with applicable laws, regulations and local practices, including those relating to mineral rights applications and tenure, could result in processes that threaten loss, reduction, cancellation or expropriation of entitlements, or the imposition of local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a material adverse impact on the Company's operations or business. Furthermore, increasing complexity or novel judicial or regulatory interpretations of mining laws and regulations may render the Company incapable of strict compliance.

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- *The exploration and the development of the Company's property interests are subject to extensive laws and regulations governing health, safety, environment and communities.*

The Company's exploration and mine development activities are subject to extensive laws and regulations governing the protection of the environment and water, waste disposal, worker and community safety, employee health, mine development, and preservation of archaeological remains, endangered and protected species, as well as extensive reporting and community engagement requirements, and more. The Company's ability to obtain permits and other approvals and to successfully operate in particular locations may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies or associations, or even artisanal or illegal miners affecting the environment, human health, and safety of nearby communities. Delays in obtaining or failure to secure government permits and approvals, or to secure evictions of illegal miners or other invaders, may adversely affect the Company's ability to access, explore or develop its properties. The Company has made, and expects to make in the future, significant expenditures to comply with laws and regulations and to the extent reasonably possible, generate social and economic benefit in nearby communities. Future changes to environmental laws, regulations and permitting processes or changes in their enforcement or regulatory interpretation could have an adverse impact on the Company's operating and financial condition.

- *The Company may not be able to obtain or renew permits that are necessary for its operations.*

In the ordinary course of business, the Company is required to obtain, as well as renew, government permits for exploration and development activities and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies that may not have the necessary expertise, resources or political disposition needed for efficient and timely processing, and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by permitting authorities, the expertise or diligence of civil servants, challenges presented by social and political actors, and the timeframes for agency decisions. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could slow exploration and/or development or impede the eventual operation of a mine and could adversely impact the Company's operations and profitability.

- *The Company has no significant source of operating cash flow and failure to generate revenues in the future could cause it to go out of business.*

The Company has no revenues from ongoing operations and has recorded significant accumulated losses. Based upon current plans, the Company expects to incur operating losses in future periods due to ongoing expenses associated with the holding, exploration and development of the Company's mineral property interests. The Company will likely continue to have limited financial resources and its ability to achieve and maintain profitability and positive cash flow will remain dependent upon the Company being able to:

- develop and/or locate a profitable mineral property;
- generate revenues in excess of expenditures; and,
- minimize exploration and administrative costs in the event revenues and/or financing availability are insufficient, in order to preserve available cash.

In order to stay in business, in the absence of positive cash flow from operations, the Company will have to raise funding through financing activities. However, in the event it needs to do so, there is no certainty the Company will be able to raise funds at all or on terms acceptable to the Company. Furthermore, additional funds raised by the Company through the issuance of equity or convertible debt securities would cause the Company's current shareholders to experience dilution. Such securities also may grant rights, preferences or privileges senior to those of the Company's common shareholders.

The Company does not have any contractual restrictions on its ability to incur debt and, accordingly, the Company could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain restrictive covenants, which likely would restrict the Company's operations.

- *The mineral exploration industry is intensely competitive in all its phases and the Company competes with many companies, including those possessing greater financial resources and technical capabilities.*

The mineral exploration industry is intensely competitive in all its phases. The Company competes with many companies, including those possessing greater financial resources and technical capabilities, for the acquisition of mineral concessions, claims, leases, other mineral interests, and equipment required to conduct its activities as well as for the recruitment and retention of qualified employees, and contracting of attorneys, consultants and technical experts.

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- *Even if the Company makes a discovery of commercial quantities of minerals, there is no assurance that there will be market demand for the resource and that the investment will earn an adequate return.*

There is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include: market fluctuations; domestic and international economic trends and political events; inflation or deflation; currency exchange fluctuations; interest rates and global or regional consumption patterns; speculative activities; and, government laws and regulations, including those relating to prices, taxes, royalties, land tenure, land use, labour, importing of equipment, importing and exporting of minerals, and environmental protection. The exact effect of any of these factors cannot be accurately predicted, but a combination of them may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

- *Substantial expenditures are required to be made by the Company to establish mineral reserves and the Company may either not discover minerals in sufficient quantities or grades or not be able to obtain the required funds to develop a project on a timely basis.*

Substantial expenditures are required to establish mineral reserves through drilling and the estimation of mineral reserves or mineral resources in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards and Guidelines for Resources and Reserves. Although significant benefits may be derived from the discovery of a major mineralized deposit, the Company may not discover minerals in sufficient quantities or grades to justify a commercial mining operation and the funds required for development may not be obtained on a timely basis or may not be obtainable on terms acceptable to the Company. Estimates of mineral reserves and mineral resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grades of minerals ultimately mined may differ from those indicated by drilling results. Material changes in mineral reserve or mineral resource estimates, grades, stripping ratios or recovery rates may affect the economic viability of any project.

- *Risks relating to inaccurate estimates of mineral resources, production, purchases, costs, decommissioning or reclamation expenses.*

Unless otherwise indicated, mineralization figures presented by the Company, in filings with securities regulatory authorities, press releases and other public statements that may be made from time to time, are based upon estimates made by Company personnel and independent geologists. These estimates are inherently imprecise, as they depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. As a result, there can be no assurance that mineral resource or other mineralization figures or estimates of costs (including initial capital costs and initial capital intensity) and expenses will be accurate, nor that the resource mineralization could be mined or processed profitably.

The Company has not commenced production at any of its properties, nor defined or delineated any proven or probable mineral reserves. Therefore, the mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by and inferred from drilling results. Furthermore, there can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or at production scale. As a result, the mineral resource and mineral reserve estimates that may be contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. In addition, extended declines in market prices for gold or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization.

The estimated parameters for the Company's projects may be changed as development and mining plans are generated and refined. These parameters would include estimates of how plants, equipment and processes may operate in the future at the Company's projects, for which cost and productivity estimates may prove to be incorrect. Any material alteration in the above noted estimates, or of the Company's ability to extract mineralization from its projects, could have a material adverse effect on the Company's results or financial condition.

- *The inherent operational risks associated with mining, exploration and development, many of which are beyond the Company's control.*

The Company's activities are subject to a high degree of risk due to factors that, in many cases, cannot be foreseen or anticipated, or controlled. These risks include, but are not limited to, tectonic or weather activity that may provoke landslides, damage infrastructure or other impacts, labour disruptions, legislative and regulatory changes, crime, including corruption, the inability to obtain adequate sources of power, water, labour, suitable or adequate machinery and equipment, and expert attorneys and consultants. In addition, the Company may be unable to acquire or obtain such requirements as water rights and surface rights, which may be critical for the continued advancement of exploration, development and operational activities on its mineral concessions. These processes could generate delays and adverse decisions and could negatively impact project development and the Company's prospects.

- *Inadequate infrastructure may adversely affect the Company's operations and profitability.*

Mining, development, exploration and production activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power and fuel sources, as well as water supplies are important determinants which affect capital, as well as operating costs and safety. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of the Company's projects. If adequate infrastructure is not accessible, there can be no assurance that the development of the Company's projects will commence or be completed on a timely basis, if at all. In addition, unusual or infrequent weather phenomena, tectonic activity, sabotage, government, social or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations and profitability.

- *The Company currently has limited insurance covering its assets and operations and, as a consequence, could incur considerable costs.*

Mineral exploration involves risks, which, even with a combination of experience, knowledge and careful evaluation, mining exploration companies may not be able to overcome. Operations in which the Company has a direct or indirect interest may be subject to all the hazards and risks normally incidental to exploration of precious and non-precious metals, any of which could result in work stoppages, damage to property, and possible environmental damage. The Company presently has very limited commercial liability insurance and does not intend to increase its liability insurance. As a result of having limited liability insurance, the Company could incur significant costs that may have a materially adverse effect upon its financial condition and even cause the Company to cease operations.

- *The Company's mineral property interests may be subject to prior unregistered agreements or transfers and therefore title to some of the Company's property interests may be affected.*

Although the Company has sought and received such representations as it has been able to achieve from vendors in connection with the acquisition of, or options to acquire, an interest in its mining properties, and has conducted reasonable investigations of legal title to each such property, the properties in which the Company has an interest may be subject to prior unregistered agreements or transfers or native land claims, or it is possible that title may be affected by undetected defects.

- *The prices of vanadium and base and precious metals have fluctuated significantly in recent years and may adversely affect the economic viability of any of the Company's mineral properties.*

The Company's revenues, if any, are expected to be almost entirely derived from the mining and sale of vanadium. The prices of commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control, including: international economic and political trends; expectations of inflation; currency exchange fluctuations; interest rates; consumption patterns; speculative activities; and, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities, and, therefore, on the economic viability of any of the Company's mining properties, cannot be accurately predicted, but nonetheless may adversely impact the Company's ability to raise capital and conduct its operations.

- *The Company's subsidiaries and its mineral properties are in foreign countries and, therefore, a large portion of the Company's business may be exposed to political, economic, social, security, and other risks and uncertainties.*

The Company's mineral properties, and related subsidiaries, are located in Finland and Peru. It may, therefore, be exposed to various types and degrees of security, economic, labour, political, social and other risks and uncertainties that could arise in these foreign jurisdictions.

- *The Company's foreign subsidiary operations may impact its ability to fund operations efficiently, as well as the Company's valuation and stock price.*

The Company conducts operations through foreign subsidiaries and all of its mineral property assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

- *The value of the Company's common shares, as well as its ability to raise equity capital, may be impacted by future issuances of shares.*

The Company is authorized to issue an unlimited number of common shares without par value. The Company may issue more common shares in the future. Sales of substantial amounts of common shares (including shares issuable upon the exercise of stock options or warrants), or the perception that such sales could occur, could materially adversely affect prevailing market prices for the common shares and the ability of the Company to raise equity capital in the future.

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- *The Company's future performance is dependent on key personnel. The temporary or permanent loss of the services of any of the Company's and its subsidiary's executives or directors could have a material adverse effect on the Company's business.*

The Company's performance is substantially dependent on the performance and continued efforts of the Company's executives and its board of directors. The loss of the services of any of the Company's executives or directors could have a material adverse effect on the Company business, results of operations and financial condition. The Company currently does not carry any key person insurance on any of its executives or directors. The Company has limited resources and is currently unable to compete with larger organizations with respect to compensation and perquisites.

- *The Company is exposed to financial risk arising from fluctuations in the exchange rates between the U.S. dollar, Euro, Peruvian Sol and the Canadian dollar.*

While the Company raises funding primarily in Canadian dollars its exploration expenditures are primarily made in either Canadian dollars, U.S. dollars, Euros or the Peruvian Sol. Accordingly, the Company is exposed to financial risk arising from fluctuations in the exchange rates between these currencies and the Canadian dollar, and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risks.