



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

Three months ended March 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Element 29 Resources Inc. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by a company's auditor.

Element 29 Resources Inc.**Condensed Consolidated Interim Statements of Financial Position**

As at March 31, 2021 and December 31, 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		\$ 5,755,562	\$ 6,219,707
Receivables		47,577	38,177
Prepaid expenses		175,669	43,968
		5,978,808	6,301,852
Non-current assets			
Promissory notes receivable	5	57,728	57,456
Property and equipment		2,601	2,601
Exploration and evaluation assets	3	6,186,304	6,135,571
		6,246,633	6,195,628
Total assets		\$ 12,225,441	\$ 12,497,480
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 195,421	\$ 200,937
		195,421	200,937
Non-current liabilities			
Loan payable		40,000	40,000
Total liabilities		235,421	240,937
Shareholders' equity			
Share capital	4	15,282,360	15,068,459
Reserves		995,042	483,657
Deficit		(4,287,382)	(3,295,573)
Total shareholders' equity		11,990,020	12,256,543
Total liabilities and shareholders' equity		\$ 12,225,441	\$ 12,497,480

Nature of operations (Note 1)

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

Element 29 Resources Inc.**Condensed Consolidated Interim Statements of Comprehensive Loss**

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2021	2020
General and administrative expenses			
Administration and office		\$ 23,785	\$ 12,322
Investor relations		142,636	14,220
Personnel costs		179,818	185,518
Professional fees		45,024	26,761
Filing fees		15,312	-
Foreign exchange loss (gain)		25,489	(106,589)
Share-based compensation	4	566,286	-
Other		1,192	389
Operating loss		999,542	132,621
Interest income		(7,733)	-
Interest expense		-	4,683
Accretion expense		-	2,815
Change in fair value of embedded derivatives		-	(2,147)
Loss and comprehensive loss for the period		\$ 991,809	\$ 137,972
Loss per common share			
Basic and fully diluted		\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding		67,866,590	45,912,500
Total common shares issued and outstanding		68,281,368	45,945,833

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total
Balance at December 31, 2020		66,791,368	\$ 15,068,459	\$ 483,657	\$ (3,295,573)	\$ 12,256,543
Issuance of share capital – share options	4	1,490,000	213,901	(54,901)	-	159,000
Loss and comprehensive loss		-	-	-	(991,809)	(991,809)
Share-based compensation	4	-	-	566,286	-	566,286
Balance at March 31, 2021		68,281,368	\$ 15,282,360	\$ 995,042	\$ (4,287,382)	\$ 11,990,020

	Note	Number of Shares	Share capital	Reserves	Deficit	Total
Balance at December 31, 2019		45,645,833	\$ 5,929,000	\$ 90,790	\$ (1,211,120)	\$ 4,808,670
Issuance of share capital – share options		300,000	39,541	(9,541)	-	30,000
Cancellation of common shares	5	(1,000,000)	(100,000)	-	-	(100,000)
Loss and comprehensive loss		-	-	-	(137,972)	(137,972)
Balance at March 31, 2020		44,945,833	\$ 5,868,541	\$ 81,249	\$ (1,349,092)	\$ 4,600,698
Issuance of share capital – share options		50,000	24,105	(9,105)	-	15,000
Issuance of share capital – initial public offering		13,310,400	6,475,852	179,348	-	6,655,200
Issuance of share capital – corporate finance fee		50,000	-	-	-	-
Issuance of share capital – conversion of secured convertible debenture		3,895,707	1,558,605	-	-	1,558,605
Issuance of share capital – conversion of unsecured convertible debentures		789,428	264,455	-	-	264,455
Issuance of share capital – Pahuay acquisition		3,750,000	1,500,000	-	-	1,500,000
IPO and share issuance costs		-	(623,099)	-	-	(623,099)
Loss and comprehensive loss		-	-	-	(1,946,481)	(1,946,481)
Share-based compensation		-	-	232,165	-	232,165
Balance at December 31, 2020		66,791,368	\$ 15,068,459	\$ 483,657	\$ (3,295,573)	\$ 12,256,543

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2021	2020
Cash flows used in operating activities			
Loss and comprehensive loss		\$ (991,809)	\$ (137,972)
Items not affecting cash:			
Share-based compensation	4	566,286	-
Unrealized foreign exchange gain		(12,448)	-
Accretion		-	2,815
Change in fair value of derivatives		-	(2,147)
Accrued interest expense		-	4,683
Other		(272)	-
		(438,243)	(132,621)
Changes in non-cash operating working capital:			
Increase in receivables and prepaid expenses		(141,101)	(53,454)
(Decrease) increase in accounts payable and accrued liabilities		(5,516)	12,565
		(584,860)	(173,510)
Cash flows (used in) from investing activities			
Receipts from promissory notes receivable	5	-	115,000
Payment for exploration and evaluation assets	3	(38,285)	(96,970)
		(38,285)	18,030
Cash flows from financing activities			
Proceeds from unsecured convertible debentures		-	295,000
Finance fees – convertible debentures		-	(13,140)
Proceeds from issuance of common shares – share options	4	159,000	30,000
		159,000	311,860
Decrease in cash and cash equivalents		(464,145)	(156,380)
Cash and cash equivalents - beginning of period		6,219,707	424,562
Cash and cash equivalents - end of period		\$ 5,755,562	\$ 580,942
Cash and cash equivalents is represented by:			
Cash		\$ 5,755,562	\$ 580,942
Cash equivalents		-	-
Total cash and cash equivalents		\$ 5,755,562	\$ 580,942

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

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

1 Nature of operations

Nature of operations

Element 29 Resources Inc. together with its subsidiaries (collectively referred to as the “Company” or “E29”), is focused on the exploration of mineral property interests in Peru.

The Company was incorporated on August 30, 2017 in British Columbia. The Company’s registered office is at 1900-1040 West Georgia Street, Vancouver, BC, V6E 4H3, Canada. The Company completed an initial public offering (“IPO”) on December 3, 2020 and the Company’s common shares commenced trading on the TSX Venture Exchange (“TSX-V”) on December 7, 2020 under the symbol “ECU”.

All amounts are expressed in Canadian dollars, except for certain amounts denoted in United States dollars (“US\$”).

The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

Going concern

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has not generated revenues from its operations to date. As at March 31, 2021, the Company has accumulated net losses of \$4,287,382 since inception and has working capital of \$5,783,387. The operations of the Company have primarily been funded by the issuance of common shares. These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, then adjustments may be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2 Basis of presentation

Basis of presentation

The Company prepares its condensed consolidated interim financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretation of the International Reporting Interpretations Committee (“IFRIC”). These should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2020 (“annual financial statements”). The accounting policies and critical estimates and judgements applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual financial statements, unless otherwise stated.

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value or amortized cost.

The Board of Directors of the Company approved these condensed consolidated interim financial statements and authorized them for issue on May 7, 2021.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries:

- Candelaria Resources S.A.C. (“Candelaria”)
- Elida Resources S.A.C. (“Elida”)
- Pahuay Resources S.A.C. (“Pahuay”)

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

3 Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title to the mineral property assets remains in good standing.

Flor de Cobre copper project

The Company owns 100% of the Flor de Cobre copper project, with the exception of certain claims (“Candelaria claims”), where it has an option to earn 100% interest.

The Company can earn 100% interest in the Candelaria claims at Flor de Cobre by making payments to the vendor in the total amount of approximately US\$5 million over five years between 2020 and 2024. An additional US\$6 million payment would be due on the positive feasibility study for the claim area.

In 2019, the Company acquired several claims through a government auction (the “San Jose Property”). The San Jose Property forms part of the Flor de Cobre project.

Elida copper project

The Company owns 100% of the Elida copper project, subject to a 2% net smelter royalty (“NSR”) to Globetrotters Resource Group Inc. (“Globetrotters”), a private company incorporated under the laws of British Columbia, Canada.

Pahuay copper skarn project

The Company owns 100% of the Pahuay copper skarn project, subject to a 2% NSR to Globetrotters. The property is located 270 kilometres south of Lima, Peru.

Muñaoarjo copper skarn project

The Company owns 100% of the Muñaoarjo copper skarn porphyry project, subject to a 2% NSR to Globetrotters. The project is located approximately 200 kilometres northeast of Arequipa, Peru.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

Expenditures for the three months ended March 31, 2021 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2020	\$ 1,449,929	\$ 3,173,864	\$ 1,511,778	\$ 6,135,571
Additions:				
Option payments	8,580	-	-	8,580
Geological and mapping	930	-	-	930
Geophysics	-	-	-	-
Permitting	1,239	-	-	1,239
Community, health, safety and environment	22	-	-	22
Concessions and taxes	-	-	1,442	1,442
Technical report	905	3,115	-	4,020
Property maintenance and administration	8,147	13,195	13,158	34,500
Balance at March 31, 2021	\$ 1,469,752	\$ 3,190,174	\$ 1,526,378	\$ 6,186,304

Expenditures for the period ended December 31, 2020 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2019	\$ 1,148,499	\$ 2,859,246	\$ 1,504,563	\$ 5,512,308
Additions:				
Option payments	136,499	-	-	136,499
Geological and mapping	335	-	-	335
Geophysics	22,043	-	-	22,043
Permitting	2,986	4,667	-	7,653
Community, health, safety and environment	21,491	88,408	-	109,899
Concessions and taxes	5,481	117,031	6,201	128,713
Technical report	14,852	13,750	-	28,602
Property maintenance and administration	97,743	90,762	1,014	189,519
Balance at December 31, 2020	\$ 1,449,929	\$ 3,173,864	\$ 1,511,778	\$ 6,135,571

4 Share capital

a) Common shares

The Company's authorized share capital consists of unlimited common shares without par value. At March 31, 2021, the Company had 68,281,368 (December 31, 2020 – 66,791,368) shares issued and outstanding.

b) Share options

The Company provides share-based compensation to its directors, officers, employees, and consultants through grants of share options.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

The Company has adopted a stock option plan (the “Plan”), as amended, to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding shares of the Company. Vesting is determined at the discretion of the Board of Directors.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. For employees, the share-based compensation expense is amortized on a graded vesting basis over the requisite service period which approximates the vesting period. Share-based compensation expense for share options granted to non-employees is recognized over the contract services period or, if none exists, from the date of grant until the share options vest.

The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected term of the share options. Since the Company has not paid and does not anticipate paying dividends on its common shares, the expected dividend yield is assumed to be zero. Companies are required to utilize an estimated forfeiture rate when calculating the share-based compensation expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of nil in determining the share-based compensation expense recorded in the accompanying condensed consolidated interim statements of comprehensive loss.

Share option transactions are summarized as follows:

	Number of share options	Weighted average exercise price \$
Outstanding – December 31, 2020	3,365,000	0.24
Exercised	(1,490,000)	0.11
Granted	2,525,000	0.45
Outstanding – March 31, 2021	4,400,000	0.40

At March 31, 2021, the following share options were outstanding:

Number of share options	Number of share options vested	Exercise price per share option \$	Expiry date
300,000	300,000	0.30	August 23, 2024
200,000	66,667	0.30	May 19, 2025
850,000	283,333	0.30	June 25, 2025
150,000	50,000	0.30	June 29, 2025
150,000	50,000	0.50	October 28, 2025
225,000	75,000	0.50	November 9, 2025
2,525,000	1,262,500	0.45	February 3, 2026
4,400,000	2,087,500		

	March 31, 2021
Weighted average exercise price for exercisable share options	\$0.40
Weighted average share price for share options exercised	\$0.43
Weighted average years to expiry for exercisable share options	4.51 years

For the three months ended March 31, 2021, the total share-based compensation charges relating to options granted and vested to directors, officers, employees and consultants was \$566,286 (2020 - \$Nil).

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

The weighted average fair value at date of grant for the options granted during the period ended March 31, 2021 was \$0.45 (2020 - \$Nil) per option. The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

	2021
Risk-free interest rate	0.40%
Expected life of share options (years)	5.00 years
Expected volatility	115.00%
Expected dividend	0.00%

c) Share purchase warrants

At March 31, 2021, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share purchase warrant \$	Expiry date
394,714	0.50	December 3, 2021
6,655,200	0.70	December 3, 2023
2,666,478	0.50	December 3, 2023
9,716,392		

No share purchase warrants were exercised during the three month period ended March 31, 2021.

5 Related party transactions

The Company's related parties include key management personnel and directors. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board of Directors and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Vice President of Exploration, the former Non-Executive Chairman and the former Vice President of Business Development.

Direct remuneration paid to the Company's directors and key management personnel during the three months ended March 31, 2021 and 2020 was as follows:

	2021	2020
Salaries and benefits – personnel costs	\$ 102,366	\$ 76,718
Consulting fees – personnel costs	22,500	92,300
Directors' fees – personnel costs	24,486	-
Share-based compensation	366,201	-
	\$ 515,553	\$ 169,018

As at March 31, 2021, included in accounts payable and accrued liabilities was an amount of \$Nil (2020 - \$24,067) due to the Company's Chief Executive Officer and \$Nil (2020 - \$4,900) due to the Company's Chief Financial Officer.

The Company has issued common shares of the Company to certain executives in exchange for promissory notes (the "Promissory Note") to the Company.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

In November 2018, the former Non-Executive Chairman was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of \$150,000. The Non-Executive Chairman's Promissory Note bears interest at 2% per annum, matures on April 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. In January 2020, the Non-Executive Chairman repaid \$51,250 of the outstanding balance. In May 2020, the Non-Executive Chairman resigned from the Company and cancelled the remaining balance of the Promissory Note. As a result, 1,000,000 common shares in relation to this Promissory Note were returned to treasury and cancelled.

In January 2019, the Chief Executive Officer was issued 2,000,000 common shares of the Company in exchange for a Promissory Note of \$200,000. The Chief Executive Officer's Promissory Note bears interest at 2% per annum, matures on September 15, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. For the three month period ended March 31, 2021, the Chief Executive Officer repaid \$Nil (2020 - \$50,000) of the Promissory Note.

In February 2019, the former Vice President of Business Development was issued 1,500,000 common shares of the Company in exchange for a Promissory Note of \$150,000. The Vice President of Business Development's Promissory Note bears interest at 2% per annum, matures on September 1, 2022 and is secured by the 1,500,000 common shares of the Company acquired with the Promissory Note and are held in escrow. In November 2020, the former Vice President of Business Development resigned from the Company and repaid the remaining balance of the Promissory Note.

The following is a continuity schedule of Promissory Notes:

Balance at January 1, 2020	\$ 459,000
Repayments	(301,899)
Cancellation	(100,000)
Interest	355
Balance at December 31, 2020	57,456
Interest	272
Balance at March 31, 2021	\$ 57,728

Name	Position	Initial Loan	Interest	Repayments	Balance at March 31, 2021
Brian Booth	Director and Chief Executive Officer	\$ 200,000	\$ 3,877	\$ (146,149)	\$ 57,728

6 Segmented information

The Company has one business segment, the exploration of mineral properties. As at March 31, 2021, all of the Company's significant non-current non-financial assets are located in Peru.

7 Financial instruments

a) Fair value classification of financial instruments

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020 (Unaudited)

(expressed in Canadian dollars, except where indicated)

quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents, receivables, promissory notes receivable, accounts payable and accrued liabilities, and loan payable.

The carrying values of these financial instruments approximate their fair value due to their short terms to maturity.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2021:

	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash and cash equivalents	\$ -	\$ 5,755,562	\$ -	\$ 5,755,562
Receivables	-	47,577	-	47,577
Promissory notes receivable	-	57,728	-	57,728
Total financial assets	\$ -	\$ 5,860,867	\$ -	\$ 5,860,867
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 195,421	\$ 195,421
Loan payable	-	-	40,000	40,000
Total financial liabilities	\$ -	\$ -	\$ 235,421	\$ 235,421

8 Capital management

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. There are no external restrictions on management of capital and there has been no changes to the Company's capital management during the current year. The Company believes it will be able to raise new funds as required in the long term to fund its exploration programs but recognizes there will be risks involved that may be beyond its control.