



ELEMENT 29

RESOURCES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

Three months ended March 31, 2023

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, 2023 and December 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash		\$ 645,011	\$ 1,079,849
Restricted Cash		25,000	25,000
Receivables		66,191	57,535
Prepaid expenses		127,808	144,422
Deposit		23,692	22,860
		887,702	1,329,666
Non-current assets			
Property and equipment		89,620	91,607
Exploration and evaluation assets	3	13,630,796	13,121,714
		13,720,416	13,213,321
Total assets		\$ 14,608,118	\$ 14,542,987
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 149,779	\$ 420,735
Loan payable		40,000	40,000
Total liabilities		189,779	460,735
Shareholders' equity			
Share capital	4	23,153,891	21,796,857
Reserves		3,223,353	3,008,624
Subscriptions received in advance		-	720,000
Deficit		(11,958,905)	(11,443,229)
Total shareholders' equity		14,418,339	14,082,252
Total liabilities and shareholders' equity		\$ 14,608,118	\$ 14,542,987

Nature of operations and going concern (Note 1)

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

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

For the periods ended March 31, 2023 and 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2023	2022
General and administrative expenses			
Administration and office		\$ 36,752	\$ 38,856
Corporate development		554	96,831
Investor relations		123,747	174,283
Personnel costs		196,899	186,637
Professional fees		14,831	23,083
Filing fees		23,527	18,753
Foreign exchange gain		(6,793)	(38,961)
Share-based compensation	4	118,354	1,191,093
Depreciation		10,122	4,410
Other		2,320	1,878
Operating loss		520,313	1,696,863
Interest income		(4,637)	(6,097)
Loss and comprehensive loss for the period		\$ 515,676	\$ 1,690,766
Loss per common share			
Basic and fully diluted		\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding		86,524,749	79,240,860
Total common shares issued and outstanding	4	87,203,360	79,240,860

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

Element 29 Resources Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the periods ended March 31, 2023 and 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	Number of Shares	Share capital	Reserves	Subscriptions received in advance	Deficit	Total
Balance at December 31, 2022		79,240,860	\$ 21,796,857	\$ 3,008,624	\$ 720,000	\$ (11,443,229)	\$ 14,082,252
Issuance of share capital – private placement	4	7,725,000	1,313,250	231,750	(720,000)	-	825,000
Issuance of share capital – RSU redemption	4	237,500	135,375	(135,375)	-	-	-
Share issue costs – private placement		-	(91,591)	-	-	-	(91,591)
Loss and comprehensive loss		-	-	-	-	(515,676)	(515,676)
Share-based compensation	4	-	-	118,354	-	-	118,354
Balance at March 31, 2023		87,203,360	\$ 23,153,891	\$ 3,223,353	\$ -	\$ (11,958,905)	\$ 14,418,339

	Note	Number of Shares	Share capital	Reserves	Subscriptions received in advance	Deficit	Total
Balance at December 31, 2021		79,240,86	\$ 21,796,857	\$ 1,416,811	\$ -	\$ (6,201,292)	\$ 17,012,376
Loss and comprehensive loss		-	-	-	-	(1,690,766)	(1,690,766)
Share-based compensation		-	-	1,191,093	-	-	1,191,093
Balance at March 31, 2022		79,240,860	\$ 21,796,857	\$ 2,607,904	\$ -	\$ (7,892,058)	\$ 16,512,703

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

Element 29 Resources Inc.**Condensed Consolidated Interim Statements of Cash Flows**

For the periods ended March 31, 2023 and 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2023	2022
Cash flows used in operating activities			
Loss and comprehensive loss for the year		\$ (515,676)	\$ (1,690,766)
Items not affecting cash:			
Share-based compensation	4	118,354	1,119,093
Unrealized foreign exchange gain		(63,276)	37,455
Depreciation		10,122	4,410
		(450,476)	(457,808)
Changes in non-cash operating working capital:			
Decrease (increase) in receivables and prepaid expenses		7,957	(72,435)
Decrease in accounts payable and accrued liabilities		(95,481)	(572,326)
Increase in deposits		(832)	(15,780)
		(538,832)	(1,118,349)
Cash flows used in investing activities			
Payments for exploration and evaluation assets	3	(689,506)	(1,124,264)
		(689,506)	(1,124,264)
Cash flows from financing activities			
Proceeds from issuance of common shares – private placement	4	825,000	-
Share issuance costs	4	(31,500)	-
		793,500	-
Decrease in cash		(434,838)	(2,242,613)
Cash - beginning of period		1,079,849	7,832,949
Cash - end of period		\$ 645,011	\$ 5,590,336
Supplemental cash flow information (Note 12)			

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

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

1 Nature of operations and going concern

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”. On May 27, 2021, the Company commenced trading on the Over-the-Counter OTCQB Venture Market (“OTCQB”) under the symbol “EMTRF”. On November 16, 2022, the Company commenced trading on the Bolsa de Valores de Lima Exchange (“BVL”) 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 consolidated 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, 2023, the Company has accumulated net losses of \$11,958,905 since inception and has working capital of \$697,923. The operations of the Company have primarily been funded by the issuance of common shares. These consolidated 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. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

If the going concern assumption was not appropriate for these consolidated 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, 2022 (“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 29, 2023.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (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 a 100% interest 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 its 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. The Company is currently behind on the payments under the option agreement and is attempting to negotiate an amendment with the vendor. An additional US\$6 million payment would be due on the positive feasibility study for the claim area.

Elida copper project

The Company owns 100% of the Elida copper project, subject to a 2% NSR to Globetrotters.

Pahuay copper skarn project

The Company owns 100% interest of the Pahuay copper skarn project, subject to a 2% NSR to Globetrotters. The property is located in Peru.

Muñaoarjo copper skarn project

The Company owns 100% interest of the Muñaoarjo copper skarn porphyry project, subject to a 2% NSR to Globetrotters. The project is located in Peru.

Impairment of Non-Current Assets

During the year ended December 31, 2022, the Company re-evaluated the carrying value of the Pahuay and Muñaoarjo projects and, as a result of this review, recorded an impairment charge of \$1,541,503 (2021 – nil)

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

Expenditures for the period ended March 31, 2023 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2022	\$ 4,623,841	\$ 8,497,872	\$ 1	\$ 13,121,714
Additions:				
Option payments	275,222	-	-	275,222
Drilling	-	-	-	-
Geological and mapping	-	13,872	-	13,872
Geophysics and geochemistry	-	14,872	-	14,872
Permitting, concessions and taxes	5,067	48,848	-	53,915
Community, health, safety and environment	-	36,291	-	36,291
Technical report	-	2,700	-	2,700
Geology salaries	-	1,595	-	1,595
Property maintenance and administration	8,019	102,596	-	110,615
Total additions for the year	288,308	220,774	-	509,082
Impairment charge	-	-	-	-
Balance at March 31, 2023	\$ 4,912,149	\$ 8,718,646	\$ 1	\$ 13,630,796

Expenditures for the year ended December 31, 2022 were as follows:

	Flor de Cobre	Elida	Pahuay and Muñaorjo	Total
Balance at December 31, 2021	\$ 1,910,378	\$ 6,342,479	\$ 1,527,754	\$ 9,780,611
Additions:				
Option payments	391,128	-	-	391,128
Drilling	1,227,127	659,557	-	1,886,684
Geological and mapping	19,723	159,026	-	178,749
Geophysics and geochemistry	115,130	114,598	-	229,728
Permitting, concessions and taxes	442,096	275,911	991	718,998
Community, health, safety and environment	127,277	281,208	-	408,485
Technical report	-	35,286	-	35,286
Geology salaries	63,666	97,918	-	161,584
Property maintenance and administration	327,316	531,889	12,759	871,964
Total additions for the year	2,713,463	2,155,393	13,750	4,882,606
Impairment charge	-	-	(1,541,503)	(1,541,503)
Balance at December 31, 2022	\$ 4,623,841	\$ 8,497,872	\$ 1	\$ 13,121,714

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

4 Share capital

a) Common shares

The Company's authorized share capital consists of unlimited common shares without par value. At March 31, 2023, the Company had 87,203,360 (December 31, 2022 – 79,240,860) shares issued and outstanding and 5,654,878 common shares (December 31, 2022 – 5,654,878) held in escrow.

b) Issued share capital

The Company's share capital transactions for the period ended March 31, 2023 as follows:

- On January 6, 2023 the Company closed a non-brokered private placement consisting of 7,725,000 units at a price of \$0.20 per unit which raised gross proceeds of \$1,545,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one share at a price of \$0.30 per share for a period of two years from the closing date. The Company paid an aggregate finder's fee of \$31,500.

c) Share options

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

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.

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 Consolidated Statements of Comprehensive Loss.

Share option transactions are summarized as follows:

	Number of share options	Weighted average exercise price \$
Outstanding – December 31, 2022	6,610,000	0.49
Outstanding – March 31, 2023	6,610,000	0.49

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

At March 31, 2023, the following share options were outstanding and exercisable:

Number of share options	Exercise price per share option \$	Expiry date
300,000	0.30	August 23, 2024
200,000	0.59	November 28, 2024
200,000	0.30	May 19, 2025
350,000	0.30	June 25, 2025
150,000	0.30	June 29, 2025
150,000	0.50	October 28, 2025
225,000	0.50	November 9, 2025
2,100,000	0.45	February 3, 2026
150,000	0.45	April 7, 2026
2,285,000	0.57	March 1, 2027
500,000	0.59	March 29, 2027
6,610,000		

	March 31, 2023
Weighted average exercise price for exercisable share options	\$ 0.49
Weighted average share price for share options exercised	n/a
Weighted average years to expiry for exercisable share options	3.13 years

d) Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding as at December 31, 2022	15,070,678	\$0.72
Issued	3,862,500	0.30
Outstanding as at March 31, 2023	18,933,178	\$0.63

At March 31, 2023, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price per share purchase warrant \$	Expiry date
6,655,200	0.70	December 3, 2023
2,666,478	0.50	December 3, 2023
5,749,000	0.85	December 14, 2024
3,862,500	0.30	January 6, 2025
18,933,178		

No share purchase warrants were exercised as at March 31, 2023.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

e) Deferred share units

DSUs are granted to the Company's directors as a part of compensation under the terms of the Company's deferred share units plan (the "DSU Plan"). Each DSU entitles the participant to receive the value of one common share of the Company (a "Common Share"). The maximum number of awards of DSU's and all other security-based compensation arrangements shall not exceed 10% of the Company's outstanding shares.

Participants are entitled to the value of the Common Share upon termination of their service. In accordance to the DSU Plan, upon each vesting date the Company shall decide at, at its sole discretion whether, participants receive (a) the issuance of Common Shares equal to the number of DSUs vesting, or (b) a cash payment equal to the number of vested DSUs multiplied by the fair market value of a Common Share, calculated as the closing price of the Common Shares on the TSX-V for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

On the grant date of DSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the DSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, DSUs are accounted for as equity settled share-based payments and are valued using the share price of the Common Share on grant date. Since the Company controls the settlement, the DSU's are considered equity settled.

At March 31, 2023, the following DSUs were outstanding:

	Number of DSUs
Outstanding – December 31, 2022	300,000
Outstanding – March 31, 2023	300,000

f) Restricted Share Units

RSUs are granted to the Company's directors, officers, employees and consultants as a part of compensation under the terms of the Company's restricted share units plan (the "RSU Plan"). Each RSU entitles the participant to receive the value of one Common Share. The maximum number of awards of RSU's and all other security based compensation arrangements shall not exceed 10% of the Company's outstanding shares.

The number of RSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. In accordance with the RSU Plan, upon each vesting date the Company shall decide, at its sole discretion, whether participants receive (a) the issuance of Common Shares equal to the number of RSUs vesting, or (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Common Share, calculated as the closing price of the Common Shares on the TSX-V for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

On the grant date of RSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the RSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, RSUs are accounted for as equity settled share-based payments and are valued using the share price of the Common Share on grant date. Since the Company controls the settlement, the RSU's are considered equity settled.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

At March 31, 2023, the following RSUs were outstanding:

	Number of RSUs	Number of RSUs vested
Outstanding – December 31, 2022	500,000	-
Redeemed	(237,500)	237,500
Outstanding – March 31, 2023	262,500	-

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 Exploration and Corporate Secretary.

Direct remuneration paid to the Company's directors and key management personnel during the period ended March 31, 2023 and 2022 was as follows:

	2023	2022
Salaries and benefits – personnel costs	\$ 102,770	\$ 46,170
Consulting fees – personnel costs	55,913	80,100
Directors' fees – personnel costs	25,500	17,291
Share-based compensation	76,112	876,803
	\$ 260,295	\$ 1,020,364

As at March 31, 2023, included in accounts payable and accrued liabilities was an amount of \$27,500 (2022 – 46,950) due to the Company's related parties.

6 Segmented information

The Company has one business segment, the exploration of mineral properties. As at March 31, 2023, all of the Company's significant non-current non-financial assets are located in Peru.

7 Supplemental cash flow information

	Note	March 31, 2023	March 31, 2022
Non-cash investing activities			
- Exploration and evaluation expenditures included in accounts payable		\$ 32,201	\$ 470,604

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the periods ended March 31, 2023 (Unaudited)

(expressed in Canadian dollars, except where indicated)

8 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 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, restricted cash, receivables, deposits, accounts payable and accrued liabilities, and loan payable. Restricted cash represents collateral in respect of the corporate credit card facility with a financial institution.

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, 2023 and 2022:

December 31, 2022	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash	\$ -	\$ 645,011	\$ -	\$ 645,011
Restricted cash	-	25,000	-	25,000
Receivables	-	66,191	-	66,191
Deposit	-	23,692	-	23,692
Total financial assets	\$ -	\$ 759,894	\$ -	\$ 759,894
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 149,779	\$ 149,779
Loan payable	-	-	40,000	40,000
Total financial liabilities	\$ -	\$ -	\$ 189,779	\$ 189,779

9 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.