



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

Three months ended March 31, 2022

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, 2022 and December 31, 2021 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 5,590,336	\$ 7,832,949
Restricted Cash		25,000	25,000
Receivables		17,200	30,178
Prepaid expenses		135,495	50,082
Deposit		24,680	8,900
		5,792,711	7,947,109
Non-current assets			
Property and equipment		73,086	75,993
Exploration and evaluation assets	3	11,336,518	9,780,611
		11,409,604	9,856,604
Total assets		\$ 17,202,315	\$ 17,803,713
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 649,612	\$ 751,337
Loan payable		40,000	40,000
Total liabilities		689,612	791,337
Shareholders' equity			
Share capital	4	21,796,857	21,796,857
Reserves		2,607,904	1,416,811
Deficit		(7,892,058)	(6,201,292)
Total shareholders' equity		16,512,703	17,012,376
Total liabilities and shareholders' equity		\$ 17,202,315	\$ 17,803,713

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, 2022 and 2021 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2022	2021
General and administrative expenses			
Administration and office		\$ 51,356	\$ 23,785
Investor relations		174,283	142,636
Corporate development		96,831	-
Personnel costs	5	186,637	179,818
Professional fees		23,083	45,024
Filing fees		18,753	15,312
Foreign exchange (gain) loss		(38,961)	25,489
Share-based compensation	4,5	1,191,093	566,286
Depreciation		4,410	-
Other		(10,622)	1,192
Operating loss		1,696,863	999,542
Interest income		(6,097)	(7,733)
Loss and comprehensive loss		\$ 1,690,766	\$ 991,809
Loss per common share			
Basic and fully diluted		\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding		79,240,860	67,866,590
Total common shares issued and outstanding	4	79,240,860	68,281,368

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, 2022 and 2021 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total
Balance at December 31, 2021		79,240,860	\$ 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	4	-	-	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

	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		1,490,000	213,901	(54,901)	-	159,000
Loss and comprehensive loss		-	-	-	(991,809)	(991,809)
Share-based compensation		-	-	566,286	-	566,286
Balance at March 31, 2021		68,281,368	\$ 15,282,360	\$ 995,042	\$ (4,287,382)	\$ 11,990,020

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, 2022 and 2021 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	Note	2022	2021
Cash flows used in operating activities			
Loss and comprehensive loss		\$ (1,690,766)	\$ (991,809)
Items not affecting cash:			
Share-based compensation	4	1,191,093	566,286
Unrealized foreign exchange loss (gain)		37,455	(12,448)
Depreciation		4,410	-
Other		-	(272)
		(457,808)	(438,243)
Changes in non-cash operating working capital:			
Increase in receivables and prepaid expenses		(72,435)	(141,101)
Decrease in accounts payable and accrued liabilities		(572,326)	(5,516)
Increase in deposits		(15,780)	-
		(1,118,349)	(584,860)
Cash flows used in investing activities			
Payment for exploration and evaluation assets	3	(1,124,264)	(38,285)
		(1,124,264)	(38,285)
Cash flows from financing activities			
Proceeds from issuance of common shares – share options		-	159,000
		-	159,000
Decrease in cash		(2,242,613)	(464,145)
Cash - beginning of period		7,832,949	6,219,707
Cash - end of period		\$ 5,590,336	\$ 5,755,562

Supplemental cash flow information (Note 7)

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 month period ended March 31, 2022 (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”. On May 27, 2021, the Company commenced trading on the Over-the-Counter OTCQB Venture Market (“OTCQB”) under the symbol “EMTRF”.

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, 2022, the Company has accumulated net losses of \$7,892,058 since inception and has working capital of \$5,103,099. 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, 2021 (“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 10, 2022.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (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% 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 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.

Pahuay copper skarn project

The Company owns 100% interest of the Pahuay copper skarn project. The property is located in Peru.

Muñaoarjo copper skarn project

The Company owns 100% interest of the Muñaoarjo copper skarn porphyry project. The project is located in Peru.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

Expenditures for the three months ended March 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	8,363	-	-	8,363
Drilling	830,570	123,037	-	953,607
Geological and mapping	11,663	37,440	-	49,103
Geophysics and geochemistry	20,863	11,367	-	32,230
Permitting, concessions and taxes	136,414	54,676	268	191,358
Community, health, safety and environment	44,075	50,431	-	94,506
Geology salaries	29,983	2,563	-	32,546
Property maintenance and administration	128,889	63,029	2,276	194,194
Total additions for the period	1,210,820	342,543	2,544	1,555,907
Balance at March 31, 2022	\$ 3,121,198	\$ 6,685,022	\$ 1,530,298	\$ 11,336,518

Expenditures for the year ended December 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	339,344	-	-	339,344
Geological and mapping	1,721	650,959	-	652,680
Geophysics	41,839	26,678	-	68,517
Geochemistry	-	1,325,934	-	1,325,934
Permitting	1,159	2,588	-	3,747
Community, health, safety and environment	18,927	280,791	-	299,718
Concessions and taxes	435	502,848	1,559	504,842
Technical report	905	3,115	-	4,020
Geology salaries	-	224,661	-	224,661
Property maintenance and administration	56,119	151,041	14,417	221,577
Total additions for the year	460,449	3,168,615	15,976	3,645,040
Balance at December 31, 2021	\$ 1,910,378	\$ 6,342,479	\$ 1,527,754	\$ 9,780,611

4 Share capital

a) Common shares

The Company's authorized share capital consists of unlimited common shares without par value. At March 31, 2022 the Company had 79,240,860 (December 31, 2021 – 79,240,860) shares issued and outstanding.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

b) 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. 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, 2021	3,825,000	0.42
Granted	2,845,000	0.57
Outstanding – March 31, 2022	6,670,000	0.49

At March 31, 2022, the following share options were outstanding:

Number of share options	Number of share options vested	Exercise price per share option \$	Expiry date
200,000	50,000	0.59	November 28, 2022
300,000	300,000	0.30	August 23, 2024
200,000	133,333	0.30	May 19, 2025
350,000	233,333	0.30	June 25, 2025
150,000	100,000	0.30	June 29, 2025
150,000	100,000	0.50	October 28, 2025
225,000	150,000	0.50	November 9, 2025
2,100,000	2,100,000	0.45	February 3, 2026
150,000	75,000	0.45	April 7, 2026
2,345,000	1,172,500	0.57	March 1, 2027
500,000	250,000	0.59	March 29, 2027
6,670,000	4,664,166		

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

	March 31, 2022
Weighted average exercise price for exercisable share options	\$0.47
Weighted average share price for share options exercised	n/a
Weighted average years to expiry for exercisable share options	4.00 years

For the three months ended March 31, 2022, the total share-based compensation charges relating to options granted and vested to directors, officers, employees and consultants was \$735,093 (2021 - \$566,286).

The weighted average fair value at date of grant for the options granted during the three months ended March 31, 2022 was \$0.44 (2021 - \$0.45) per option. The following weighted average assumptions were used for the Black-Scholes valuation of share options granted:

Risk-free interest rate	1.72%
Expected life of share options (years)	5.0 years
Expected volatility	97.43%
Expected dividend	0.00%

c) Deferred Share Units (“DSU”)

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.

On March 3, 2022, the Company granted 300,000 (2021 – nil) DSUs to the Company’s directors and recorded share-based compensation of \$171,000 (2021 – nil). The fair value per DSU granted was determined to be C\$0.57 (2021 – nil) which was the share price of the Common Share on grant date.

d) Restricted Share Units (“RSU”)

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

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

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.

On March 3, 2022, the Company issued 500,000 (2021 – nil) RSUs to employees and consultants of the Company all of which vest 50% after the first anniversary of the grant date and 50% after the second anniversary of the grant date. The Company recorded share-based compensation expense of \$285,000 (2021 – nil). The fair value per RSU granted was determined to be C\$0.57 (2021 – nil) which was the share price of the Common Share on grant date.

e) Share purchase warrants

At March 31, 2022, 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
15,070,678		

No share purchase warrants were exercised during the three month period ended March 31, 2022.

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 interim Chief Executive Officer, former Chief Executive Officer and President, Chief Financial Officer, Vice President – Exploration, and Corporate Secretary.

Direct remuneration paid to the Company's directors and key management personnel during the three months ended March 31, 2022 and 2021 were as follows:

	2022	2021
Salaries and benefits – personnel costs	\$ 46,170	\$ 102,366
Consulting fees – personnel costs	80,100	22,500
Directors' fees – personnel costs	17,291	24,486
Share-based compensation	876,803	366,201
	\$ 1,020,364	\$ 515,553

As at March 31, 2022, included in accounts payable and accrued liabilities was an amount of \$46,950 (2021 - nil) due to the Company's related parties.

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

6 Segmented information

The Company has one business segment, the exploration of mineral properties. As at March 31, 2022, all of the Company's significant non-current non-financial assets are located in Peru.

7 Supplement cash flow information

	March 31, 2022	March 31, 2021
Non-cash investing activities		
- Exploration and evaluation expenditures included in accounts payable	\$ 470,604	\$ -

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.

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, 2022:

March 31, 2022	FVTPL	Amortized cost (financial assets)	Amortized cost (financial liabilities)	Total
Financial assets				
Cash	\$ -	\$ 5,590,336	\$ -	\$ 5,590,336
Restricted cash	-	25,000	-	25,000
Receivables	-	17,200	-	17,200
Deposit	-	24,680	-	24,680
Total financial assets	\$ -	\$ 5,657,216	\$ -	\$ 5,657,216
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 649,612	\$ 649,612
Loan payable	-	-	40,000	40,000
Total financial liabilities	\$ -	\$ -	\$ 689,612	\$ 689,612

Element 29 Resources Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the three month period ended March 31, 2022 (Unaudited)

(expressed in Canadian dollars, except where indicated)

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.