

**StrategX Elements Corp.**  
(CSE: STGX)

**N/A**

**Current Price: C\$0.30**

**Fair Value: N/A**

**Risk: 5**

**Targeting Critical Minerals/Gold/Copper in Canada – Initiating Coverage**

**Sector / Industry: Junior Resource**

[Click here for more research on the company and to share your views](#)

**Highlights**

- STGX is new publicly traded junior exploring **five early-stage (pre-resource) properties**, primarily targeting cobalt, copper, gold, nickel, and vanadium in the Northwest Territories (NWT) and Nunavut, Canada.
- Its projects in the NWT (939 and EA South) are **located east of Fortune Minerals' (TSX: FT) NICO deposit**, which is the largest primary cobalt deposit in Canada with significant gold credits.
- At **939**, the company has identified two targets, covering 5 km x 5 km, and 2 km x 0.5 km. Sampling has returned numerous **elevated cobalt values** (up to 4,900 ppm). STGX is planning a five-10 hole drill program.
- At **EA South**, a district-scale (100 km x 20 km) mineralized corridor has been identified. Historic shallow drilling has **returned high copper values** over long intervals (80 ft of 1% copper). Management intends to conduct mapping, sampling, and geophysical surveys
- The company's **three properties in Nunavut** (Mel, Nagvaak, and Tasijuag) are prospective for nickel, copper, cobalt, and Platinum Group Elements (PGE). Earlier this month, STGX **commenced a highly anticipated 2,000 m drill program at Nagvaak**, to test areas where prior sampling returned high nickel values. Seven targets within a 6 km x 400 m mineralized corridor have been identified.
- STGX is **pursuing a \$1.5M equity financing**. Upcoming catalysts include drill results from Nagvaak.
- We will assign a rating once we have sufficient information to arrive at a preliminary resource estimate on at least one of its projects.

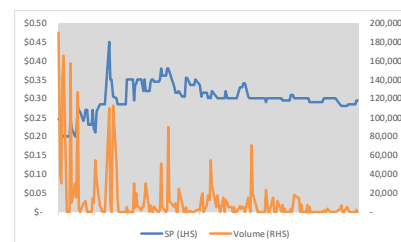
**Risks**

- The value of the company is dependent on commodity prices
- **None of its projects have a NI 43-101 compliant resource**
- Exploration and development risks
- **Access to capital and potential for share dilution**
- No guarantee that the company will be able to advance all its projects simultaneously

**Sid Rajeev, B.Tech, CFA, MBA**  
Head of Research

**Nina Rose Coderis, BSc (Geology)**  
Equity Analyst

**Price Performance (Since Jan 10, 2022)**



	YTD	12M
STGX	N/A	N/A
CSE	-55%	-64%

**Company Data**

52 Week Range	C\$0.19 - C\$0.55
Shares O/S	28M
Market Cap.	C\$8M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.6x

**Key Financial Data (FYE - Dec 31)**

(C\$)	2021	2022 (6M)
Cash	\$831,038	\$906,784
Working Capital	\$475,801	\$636,655
Mineral Assets	\$1,397,558	\$1,596,325
Total Assets	\$2,439,242	\$3,012,754
Net Income (Loss)	-\$578,740	-\$635,594
EPS	-\$0.03	-\$0.03

\*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

## Portfolio Summary

Project Name	Location	Commodity	Exploration Work	Project Status
939	East Arm, NWT	Cobalt	Sampling identified a 5 km x 5 km target; grades of up to 939 ppm cobalt	Identifying drill targets
EA South	East Arm, NWT	Copper/Gold/Cobalt	Prospective Iron Oxide Copper Gold (IOCG) deposit; shallow drilling; has intersected 80 ft of 1% Cu	Mapping, sampling, and geophysical survey planned
Mel	Melville , Nunavut	Nickel/Cobalt/PGE	Rock sampling returned promising gold and silver values	Preliminary exploration
Nagvaak	Melville , Nunavut	Nickel/Vanadium/Cobalt /Silver/PGE	Sampling delineated a 6 km long and 400 m wide zone	Commenced a 2,000 m drill program
Tasijuaq	Melville , Nunavut	Nickel/Cobalt/PGE	Surface sampling returned high grade nickel-copper-cobalt values (0.94% Ni, 2.51% Cu and 0.1% Co); a 3.5 sq.km mineralized areas has been identified	Preliminary exploration

Formed in 2018; shares were listed on the CSE in January 2022

Two projects in the NWT, and three in Nunavut



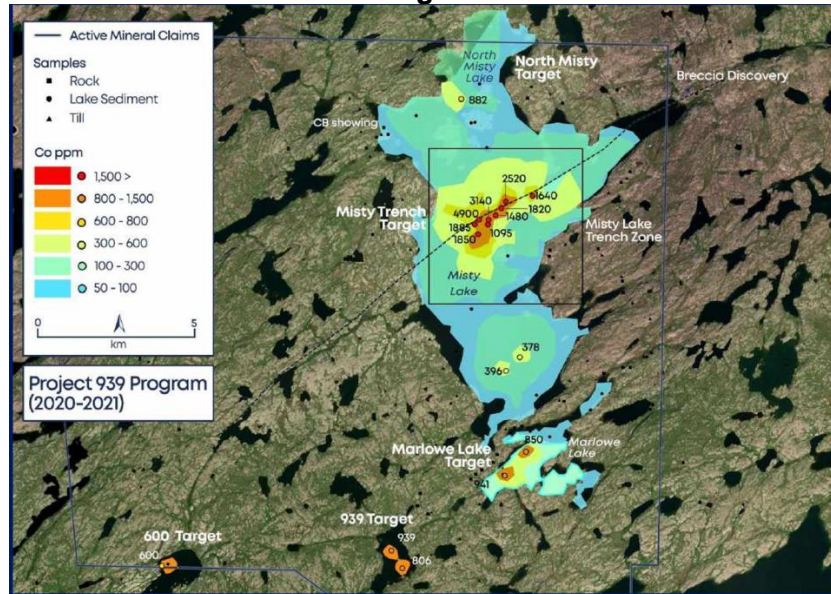
Source: Company



Management has identified five targets, and a five-10 hole drill program (totaling 1,000 m) is planned.

*Five targets: North Misty, Misty Trench, Marlowe Lake, 939, and 600*

**Five Target Areas**



Source: Company

**EA South Project (88,677 hectares)**

The Geological Survey of Canada (GSC) has classified this area as highly prospective for IOCG (iron oxide copper gold) deposits. Historic shallow drilling (1994) has returned **high copper values over long intervals (80 ft of 1% copper)** in the I-2 target area (shown below).

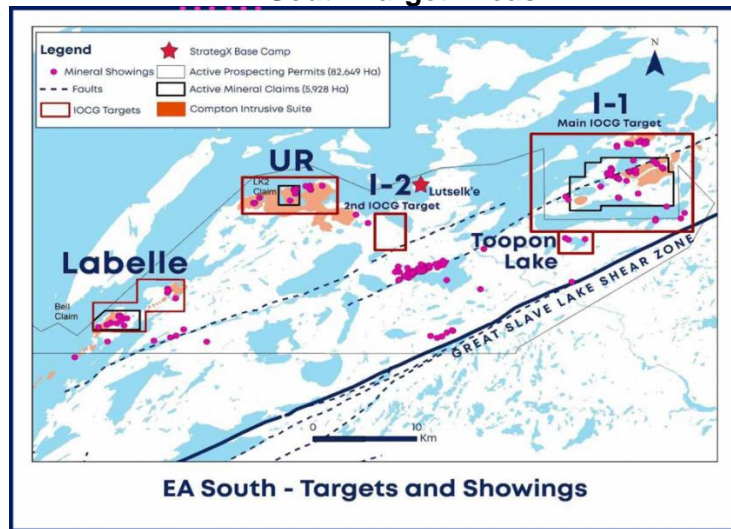
*The project's geophysical signature is typical of IOCG deposits*

*IOCG deposits are known for high copper grades*

*A district-scale (100 km x 20 km) mineralized corridor has been identified along the Great Slave Lake shear zone*

*Five targets identified (I-1, I-2, UR, Labelle, and Toopon Lake)*

**EA South Target Areas**



Source: Company

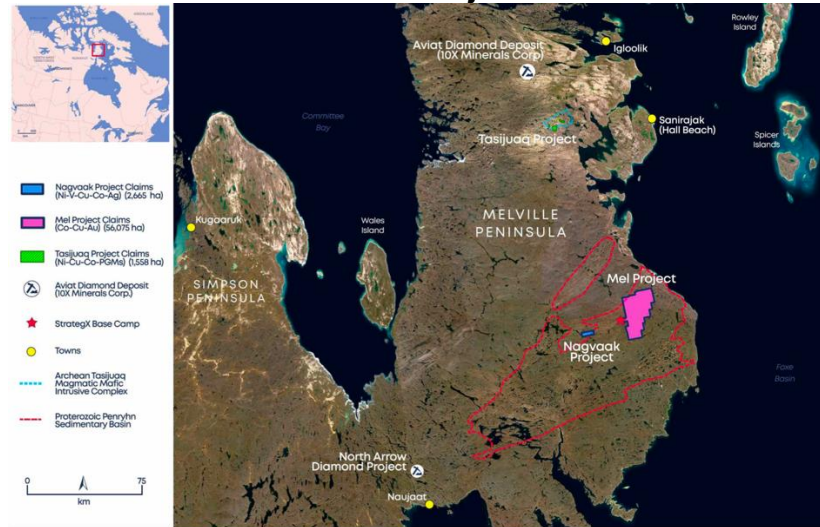
Management intends to conduct a phase-one exploration program, including mapping, prospecting, sampling, and geophysical surveys.

## Melville Projects, Nunavut (60,000 hectares)

Three properties (Mel, Nagvaak, and Tasijuaq) covering 60,300 hectares

Located close to coastal communities, with access to barge routes

### Melville Projects



Source: Company

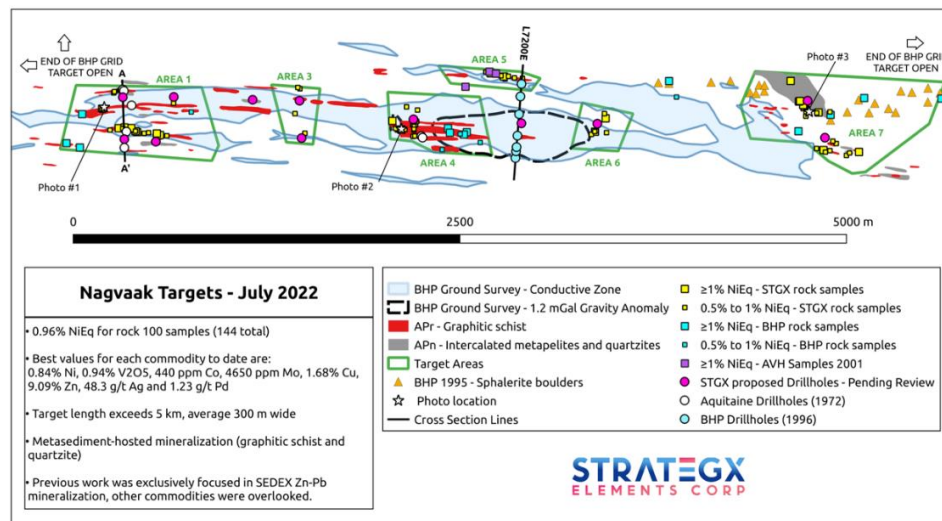
### Nagvaak Project

The project area is prospective for a Hyper-Enriched Black Shale (HEBS) deposit, similar to the large polymetallic Talvivaara deposit in eastern Finland, which has 2.2 Mt of nickel, 1.3 Mt of copper, 5 Mt of zinc, and 0.2 Mt of cobalt. Previous exploration included geophysical surveys, surface sampling, and shallow drilling. These programs **identified large mineralized zones** with potential to host nickel, vanadium, molybdenum, copper, zinc, silver, and PGEs.

Black-shale deposits tend to be large tonnage

Seven targets within a 6 km x 400 m mineralized corridor

100 of 144 surface rock samples returned an average grade of 0.96% NiEq; we note that nickel grades of >0.50% are considered high



Source: Company

STGX has **commenced a 2,000 m drill program** to test areas where sampling returned high nickel values.

## Management and Directors

*The CEO owns 15%, and is the largest shareholder*

Management and Board	Shares	% of Total
Darren Bahrey – President, & CEO	4,109,551	14.84%
Andrea Yuan – CFO	200,000	0.72%
Freeman Smith – Vice President Exploration	320,000	1.16%
Ryan McEachern - Independent Director	10,000	0.04%
Paula Caldwell St-Onge - Independent Director	56,000	0.20%
<b>Total</b>	<b>4,695,551</b>	<b>16.96%</b>

Source: Sedi / FRC

### Darren Bahrey – Chief Executive Officer & President

Mr. Bahrey began his career as a geologist working for Placer Dome from 1989 until 2004, and has formed several junior resource companies since then.

### Ryan McEachern – Independent Director

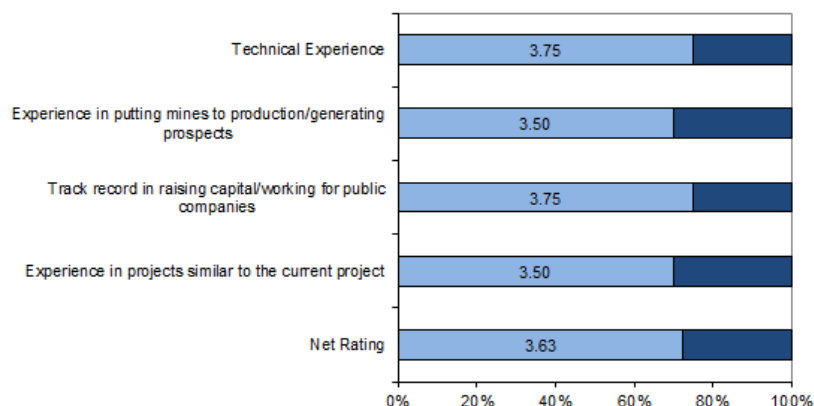
Mr. McEachern has 25 years in the mining industry. He also has experience in capital markets, global supply chains and manufacturing. He now serves as the Managing Director of the Mining Suppliers Trade Association Canada. Mr. McEachern brings expertise in government relations, advanced clean technologies, innovation and advocacy.

### Paula Caldwell St-Onge – Independent Director

Ms. Caldwell St-Onge, a recipient of the Head of the Public Service Award for Excellence in Policy and the Queen’s Gold Jubilee medal, began her career in the Public Service in 1989. She worked in several government departments where she gained expertise in communications, environmental-sustainability, and political risk. She has been a Director General of Canada’s Environmental Federal national programs on enforcement, environmental assessments and emergency and preparedness.

Our rating on the company's management team is 3.6 out of 5.0

**Management Rating**



Two out of three directors are independent

**Strength of Board**

	Poor	Average	Good
Two out of three directors are independent		X	
All three directors hold shares			X
The Audit committee is composed of three board members, two are independent		X	
Management compensation is decided by the board		X	

Source: FRC

**Financials**

\$0.64M in working capital at the end of Q2

Pursuing a \$1.5M equity financing

In-the-money options and warrants can bring in another \$1M

**Financial Position**

(in C\$)	2021	2022 (6M)
Cash	\$831,038	\$906,784
Working Capital	\$475,801	\$636,655
Current Ratio	2.28	2.45
Monthly Burn Rate (G&A)	-\$36,905	-\$53,762
Cash Spent on Properties	-\$531,767	-\$453,164
Cash from Financing Activities	\$1,463,018	\$832,815

Options	#	Exercise Price	Amount
Total	2,100,000	\$0.25	\$525,000
In-the-Money	2,100,000	\$0.25	\$525,000

Warrants	#	Exercise Price	Value
Total	5,668,024	\$0.20	\$1,115,611
In-the-Money	4,250,000	\$0.11	\$477,500

Source: FRC / Company

## Valuation

As the company's projects are in early stages, we are initiating coverage with no rating or fair value estimate. Although historic exploration and STGX's recent work have returned promising values, we are not in a position to speculate on the projects' potential. **We will assign a rating once we have sufficient information to arrive at a preliminary resource estimate on at least one of its projects.** Upcoming catalysts include drill results from Nagvaak.

## Risks

We believe the company is exposed to the following key risks (not exhaustive):

*As with most exploration companies, we are assigning a risk rating of 5 (Highly Speculative)*

- The value of the company is dependent on commodity prices
- **None of its projects have a NI 43-101 compliant resource**
- Exploration and development risks
- **Access to capital and potential for share dilution**
- No guarantee that the company will be able to advance all its projects simultaneously



**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

**Disclaimers and Disclosure**

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analysts do not own shares of the subject company. "FRC" owns shares of the subject company, but does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by STGX to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, STGX has agreed to a minimum coverage term including an initial report and three updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (65%), HOLD (7%), SELL / SUSPEND (28%).

To subscribe for real-time access to research, visit <https://www.researchfrc.com/website/subscribe/> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter. Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.