STRATEGIC MINERALS EUROPE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(EXPRESSED IN U.S. DOLLARS)

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Strategic Minerals Europe Corp.

Opinion

We have audited the consolidated financial statements of Strategic Minerals Europe Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity (deficiency) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 17(d) to the consolidated financial statements, which explains that certain comparative information as at December 31, 2020 and 2019, and for the year ended December 31, 2020, has been restated. Our opinion is not modified in respect of this matter.

We draw attention to Note 3 to the consolidated financial statements, which explains that the Company changed is presentation currency during the current period, resulting in the restatement of comparative information as at December 31, 2020 and 2019, and for the year ended December 31, 2020. Our opinion is not modified in respect of this matter.

The consolidated financial statements as at December 31, 2020 and 2019, and for the year ended December 31, 2020, excluding the adjustments that were applied to restate the comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 30, 2021.

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As part of our audit of the consolidated financial statements for the year ended December 31, 2021, we also audited the adjustments applied to restate comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, has limited working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 29, 2022

Management's Report

Management is responsible for preparing the consolidated financial statements and accompanying notes. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments, particularly in those circumstances where transactions affecting a current period are dependent upon future events. Management has established and maintains a system of internal controls that is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate.

The Company's external auditors, McGovern Hurley LLP, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. McGovern Hurley LLP has full and free access to the Audit Committee.

The Audit Committee of the Board of Directors, consisting exclusively of independent directors, has reviewed in detail the consolidated financial statements with management and the external auditors. The Board of Directors on the recommendation of the Audit Committee has approved the consolidated financial statements.

Jaime Perez	*Alfonso Granda*
Chief Executive Officer	Chief Financial Officer

Toronto, Canada
March 29, 2022

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN U.S. DOLLARS)
AS AT DECEMBER 31,

	Notes	2021 $	2020 Restated* $	2019 Restated* $
Assets				
Current assets:				
Cash and cash equivalents		**2,235,716**	252,411	20,664
Trade and other receivables	10	**1,500,876**	308,714	241,171
Inventories	9	**218,331**	213,511	140,156
Other current assets		**94,402**	838	22,088
Total current assets		**4,049,325**	775,474	424,079
Non-current assets:				
Property, plant and equipment	7	**22,513,368**	21,192,205	21,184,110
Exploration and evaluation	6	**2,788,050**	3,011,074	2,757,838
Other assets		**374,204**	401,806	382,790
Right-of-use assets	8	**223,203**	280,713	304,122
Total assets		**29,948,150**	25,661,272	25,052,939
Liabilities and shareholder's equity (deficiency)				
Current liabilities:				
Trade and other payables		**2,482,826**	996,740	2,808,694
Current portion of long term liabilities	11	**925,313**	825,887	2,119,868
Total current liabilities		**3,408,139**	1,822,627	4,928,562
Non-current liabilities:				
Long term liabilities	11	**4,147,253**	25,035,176	17,906,156
Decommissioning liabilities	14	**794,131**	848,933	773,129
Total labilities		**8,349,523**	27,706,736	23,607,847
Shareholders' equity (deficiency):				
Share capital	13	**40,817,960**	16,762,382	16,762,382
Other equity		**-**	(9,228,261)	(9,228,261)
Other reserves		**3,800,673**	374,914	374,914
Accumulated other comprehensive loss	13	**(2,610,876)**	(1,462,728)	(1,345,727)
Deficit		**(20,409,130)**	(8,491,771)	(5,118,216)
Total shareholders' equity (deficiency)		**21,598,627**	(2,045,464)	1,445,092
Total liabilities and shareholders' equity (deficiency)		**29,948,150**	25,661,272	25,052,939

* See Notes 3 & 17(d)
Commitments and contingencies (note 1, 6, 14 & 19)
Subsequent events (Note 13e, 21)

On behalf of the Board of Directors:

Campbell Becher	Miguel De la Campa
"Director" (Signed)	"Director" (Signed)

See the accompanying notes to the consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN U.S. DOLLARS)
FOR THE YEARS ENDED DECEMBER 31

	Notes	2021 $	2020 Restated* $
Revenue	12a	**7,549,652**	2,767,492
Changes in inventories of finished goods and work in progress		**(23,781)**	96,821
Raw materials and consumables used		**(659,636)**	(477,910)
Supplies		**(782,489)**	(660,662)
Profit before expenses and other		**6,083,746**	1,725,741
Expenses:			
Depreciation and amortisation expense	7, 8	**(1,708,371)**	(1,672,021)
Employee expenses	12b	**(1,681,353)**	(1,288,411)
Share-based payments	15, 13e	**(1,305,278)**	-
Other operating expenses	12c	**(3,381,738)**	(1,453,285)
Total expenses		**(8,076,740)**	(4,413,717)
Other income (expense)			
Finance income		**13,161**	47,205
Finance costs		**(311,706)**	(633,598)
RTO transaction costs	5	**(835,896)**	-
Other income (expense)		**163,632**	(99,186)
Total other income (expense)		**(970,809)**	(685,579)
Net loss		**(2,963,803)**	(3,373,555)
Other comprehensive loss			
Items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustment		**(1,148,148)**	(117,001)
Comprehensive loss		**(4,111,951)**	(3,490,556)
Net loss per share - Basic and diluted (Note 21)		**(0.02)**	(0.03)
Weighted average number of shares outstanding - Basic and diluted		**163,120,254**	99,383,621

* See Notes 3 & 17(d)

See the accompanying notes to the consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(EXPRESSED IN U.S. DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Share capital and premium	Other equity	Other reserves	Currency translation adjustment	Deficit	Total
	$	$	$	$	$	$
Balance at December 31, 2019	**16,762,382**	**(9,228,261)**	**374,914**	**(1,345,727)**	**(5,118,216)**	**1,445,092**
						-
Total comprehensive loss for the period (restated)*	-	-	-	(117,001)	(3,373,555)	(3,490,556)
Balance at December 31, 2020	**16,762,382**	**(9,228,261)**	**374,914**	**(1,462,728)**	**(8,491,771)**	**(2,045,464)**
Shares issued in settlement of related party debt (note 15)	19,897,266	-	-	-	-	19,897,266
Effects of restructuring (note 13)	-	9,228,261	(274,705)	-	(8,953,556)	-
Private Placements (note 13)	3,452,524	-	2,301,683	-	-	5,754,207
Advisory fee related to private placements	147,736	-	98,491	-	-	246,227
Costs of issue	(170,182)	-	(121,257)	-	-	(291,439)
Share-based compensation (note 13)	-	-	1,300,175	-	-	1,300,175
Issued to Buccaneer security holders (note 5)	728,234	-	121,372	-	-	849,606
Total comprehensive loss for the period	-	-	-	(1,148,148)	(2,963,803)	(4,111,951)
Balance at December 31, 2021	**40,817,960**	-	**3,800,673**	**(2,610,876)**	**(20,409,130)**	**21,598,627**

* See Notes 3 & 17(d)

See the accompanying notes to the consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN U.S. DOLLARS)
FOR THE YEARS ENDED DECEMBER 31

	2021	2020
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the year	**(2,963,803)**	(3,373,555)
Items not involving cash:		
Depreciation	**1,708,371**	1,672,021
RTO Transaction cost (non cash)	**742,568**	-
Share-based payments	**1,305,278**	-
Other income and losses	**23,780**	-
Net change in non-cash working capital items		
Trade and other receivables	**(1,304,517)**	(42,270)
Trade and other payables	**1,758,511**	(136,746)
Income tax paid	**86,681**	(132,269)
Net cash provided by (used in) operating activities	**1,356,869**	(2,012,819)
Investing activities		
Additions to property, plant and equipment	**(4,734,063)**	(15,281)
Cash obtained from RTO transaction	**107,254**	-
Proceeds from sale of property, plant and equipment	**-**	229,501
Other proceeds from disposal	**371,539**	45,576
Net cash provided by (used in) investing activities	**(4,255,270)**	259,796
Financing activities		
Proceeds from borrowings	**-**	2,024,075
Repayment of loans	**(746,026)**	-
Principal elements of lease payments	**(64,511)**	(57,070)
Proceeds from private placements	**5,754,207**	-
Share issue costs	**(45,212)**	-
Net cash provided by financing activities	**4,898,458**	1,967,005
Foreign exchange on cash and cash equivalents	**(16,752)**	17,765
Net increase in cash and cash equivalents	**1,983,305**	231,747
At the beginning of the year	**252,411**	20,664
At the end of the year	**2,235,716**	252,411
Short term bank deposits	**2,017,013**	252,209
Cash	**218,703**	202
	2,235,716	252,411
Supplemental cash flow information		
Non-cash share issue costs	**246,227**	-
Shares issued in settlement of debt (note 15)	**19,897,266**	-

See the accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Strategic Minerals Europe Corp. and its subsidiaries (collectively the “Company” or “Strategic”), formerly Buccaneer Gold Corp. (“Buccaneer”), is a publicly listed company, engaged in the acquisition, exploration and evaluation and operation of mineral properties. The Company’s head office is located at 365 Bay Street, Suite 800, Toronto, Ontario, Canada, M5H 2V1. The Company has also offices in Madrid, Spain.

As described in Note 5, on December 6, 2021, the Company completed a reverse takeover transaction (“RTO Transaction”) with Strategic Minerals Europe Inc. (“SMEI”) by way of share exchange which resulted in the Company becoming the parent company of SMEI. SMEI is deemed to be acquirer in the RTO. As a result, the historical figures of these consolidated statements of financial results represent those of SMEI as it is the deemed accounting acquirer. The acquired company’s results of operations, the cash flows, and the assets and liabilities have been included in these consolidated financial statements since December 6, 2021.

The Company’s shares are listed on the Neo Exchange under the symbol “SNTA” and on the Frankfurt Stock Exchange (“FSE”) open market under the symbol “26K0”.

On July 14, 2021, SMEI entered into an acquisition agreement with Strategic Minerals Spain S.L. (“SMS”), whereby SMEI issued 200,000,000 shares and 1,252,395 share purchase warrants in return for all of the issued and outstanding shares of SMS (the “Vend-in Transaction”). As a result of the Vend-in Transaction, the former shareholders of SMS control SMEI. SMEI is engaged, through its ownership of SMS, in certain mining and exploration activities in Spain (Note 6 and 7). The Vend-in Transaction constituted a restructuring of SMS as there was no substantive change in ownership of SMS. As a result, the number of shares outstanding prior to the Vend-in Transaction have been represented as the number of shares issued in connection with the Vend-in transaction on a retrospective basis.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 29, 2022.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume 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 as they come due.

The Company has incurred a loss of $2,963,803 for the year ended December 31, 2021 (2020 - $3,373,555) and has working capital of $641,393 as at December 31, 2021 (2020 – deficit of $1,047,153).

The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt, or through sufficient cash flows from operations. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the commencement of mining operations and achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

In 2022, the Company will commence mining operations in the Penouta Project Section C of its property. Management expects that successful operation of this part of the project will provide profits and cash flows to further such operations. There can be no assurance that Section C will result in such profitable operations and positive cash flows.

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies set out below were consistently applied to all periods presented unless otherwise noted.

3. BASIS OF PREPARATION

Basis of consolidation

These consolidated financial statements comprise the financial results of the Company, including its wholly owned subsidiaries as follows:

Entity	Property/function	Registered	Functional currency
Strategic Minerals Europe Corp (formerly, "Buccaneer Gold Corp")	Corporate	Canada	Canadian Dollar (CA)
Strategic Minerals Europe Inc. ("SMEI") - *incorporated on June 17, 2021*	Corporate	Canada	Canadian Dollar (CA)
Strategic Minerals Spain S.L. ("SMS") - *incorporated on December 22, 2011*	Penuota Project	Spain	Euro

All significant intercompany balances and transactions have been eliminated upon consolidation.

Subsidiaries are those entities which Strategic controls. Control exists when the Company is exposed to or has rights to the variable returns of the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in US dollars (“USD” or “$”). Each subsidiary of the Company determines its own functional currency based on the primary economic environment in which the subsidiary operates and it is disclosed under the basis of consolidation above.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations in “foreign exchange gain (loss)”.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses for each consolidated statement of operations and cash flows for the years presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
(iii) components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not re-translated; and
(iv) all resulting exchange differences are recognized in other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statement of operations as part of the gain or loss on sale.

Effective December 31, 2021, the Company changed its presentation currency from Euro to U.S. dollars (“USD”). The Company expects this change will facilitate comparison with other mining and resource companies. The change in presentation currency represents a voluntary change in accounting policy.

The Company has applied the presentation currency change retrospectively. All periods presented in the consolidated financial statements have been translated into the new presentation currency, in accordance with the guidance in IAS 21, The Effects of Changes in Foreign Exchange Rates.

(Expressed in U.S. Dollars)

Consolidated Statements of Financial Position

	December 31, 2020		December 31, 2019	
	As reported Euro	**Restated USD**	**As reported Euro**	**Restated USD**
Assets				
Current assets:				
Cash and cash equivalents	205,898	252,411	18,404	20,664
Trade and other receivables	251,827	308,714	214,794	241,171
Inventories	174,167	213,511	124,827	140,156
Other current assets	684	838	19,672	22,088
Total current assets	632,576	775,474	377,697	424,079
Non-current assets:				
Property, plant and equipment	17,287,059	21,192,205	18,867,218	21,184,110
Exploration and evaluation	2,456,215	3,011,074	2,456,215	2,757,838
Deferred tax assets (note 17(d))	722,704	-	-	-
Other assets	327,764	401,806	324,284	382,790
Right-of-use assets	228,985	280,713	270,860	304,122
Total assets	21,655,303	25,661,272	22,296,274	25,052,939
Liabilities and shareholder's equity (deficiency)				
Current liabilities:				
Trade and other payables	856,197	996,740	2,501,509	2,808,694
Current portion of long term liabilities	630,569	825,887	1,888,019	2,119,868
Total current liabilities	1,486,766	1,822,627	4,389,528	4,928,562
Non-current liabilities:				
Long term liabilities	20,421,874	25,035,176	15,947,770	17,906,156
Decommissioning liabilities	692,498	848,933	688,572	773,129
Total labilities	22,601,138	27,706,736	21,025,870	23,607,847
Shareholders’ equity (deficiency):				
Share capital	13,371,343	16,762,382	13,371,343	16,762,382
Other equity	(12,405,913)	(9,228,261)	(7,851,031)	(9,228,261)
Other reserves	321,661	374,914	321,560	374,914
Accumulated other comprehensive loss	-	(1,462,728)	-	(1,345,727)
Deficit	(2,232,926)	(8,491,771)	(4,571,468)	(5,118,216)
Total shareholders' equity (deficiency)	(945,835)	(2,045,464)	1,270,404	1,445,092
Total liabilities and shareholders' equity (deficiency)	21,655,303	25,661,272	22,296,274	25,052,939

(Expressed in U.S. Dollars)

Consolidated Statements of loss and Comprehensive Loss

	Year ended December 31, 2020		Year ended December 31, 2019	
	As reported Euro	Restated USD	As reported Euro	Restated USD
Revenue	2,424,647	2,767,492	2,957,460	3,311,172
Changes in inventories of finished goods and work in progre	84,826	96,821	110,124	123,295
Raw materials and consumables used	(418,705)	(477,910)	(867,166)	(970,881)
Supplies	(578,817)	(660,662)	(868,768)	(972,669)
Profit before expenses and other	1,511,951	1,725,741	1,331,650	1,490,917
Expenses:				
Depreciation and amortisation expense	(1,464,886)	(1,672,021)	(1,471,308)	(1,647,276)
Employee expenses	(1,128,799)	(1,288,411)	(2,199,715)	(2,462,801)
Other operating expenses	(1,273,248)	(1,453,285)	(2,253,739)	(2,523,288)
Total expenses	(3,866,933)	(4,413,717)	(5,924,762)	(6,633,365)
Other income (expense)				
Finance income	41,357	47,205	15,997	17,910
Finance costs	(555,106)	(633,598)	(468,308)	(524,318)
Other income (expense)	(86,879)	(99,186)	473,955	530,640
Total other income (expense)	(600,627)	(685,579)	21,644	24,232
Loss before income taxes	(2,955,610)	(3,373,555)	(4,571,468)	(5,118,216)
Income tax expense (note 17(d))	722,684	-	-	-
Net loss	(2,232,926)	(3,373,555)	(4,571,468)	(5,118,216)
Other comprehensive loss				
Items that may be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustment	-	(117,001)	-	(139,412)
Comprehensive loss	(2,232,926)	(3,490,556)	(4,571,468)	(5,257,628)
Net loss per share - Basic and diluted (note 21)	99,383,621	99,383,621	99,383,621	99,383,621
Weighted average number of shares outstanding - Basic and diluted	(0.02)	(0.03)	(0.05)	(0.05)

(Expressed in U.S. Dollars)

Consolidated Statement of Cash Flow

	Year ended December 31, 2020		Year ended December 31, 2019	
	As reported Euro	Restated USD	As reported Euro	Restated USD
Cash provided by (used in):				
Operating activities				
Net loss for the year	(2,232,926)	(3,373,555)	(4,571,468)	(5,118,216)
Items not involving cash:		-		
Depreciation	1,464,886	1,672,021	1,471,308	1,647,276
Income tax benefit	(722,684)	-	-	-
Net change in non-cash working capital items				
Trade and other receivables	(37,033)	(42,270)	738,780	827,138
Trade and other payables	(119,806)	(136,746)	150,755	168,785
Income tax paid	(115,883)	(132,269)	54,936	61,506
Net cash used in operating activities	(1,763,445)	(2,012,819)	(2,155,689)	(2,413,511)
Investing activities				
Additions to property, plant and equipment	(13,388)	(15,281)	(177,724)	(198,980)
Proceeds from sale of property, plant and equipment	201,070	229,501	236,436	264,714
Other proceeds from disposal	39,930	45,576	10,183	11,401
Net cash provided by investing activities	227,612	259,796	68,895	77,135
Financing activities				
Proceeds from borrowings	1,773,327	2,024,075	2,191,938	2,454,094
Principal elements of lease payments	(50,000)	(57,070)	(108,310)	(121,264)
Net cash provided by financing activities	1,723,327	1,967,005	2,083,628	2,332,830
Foreign exchange on cash and cash equivalents	-	17,765	-	(477)
Net increase in cash and cash equivalents	187,494	231,747	(3,166)	(4,023)
At the beginning of the year	18,404	20,664	21,570	24,687
At the end of the year	205,898	252,411	18,404	20,664

Use of estimates and judgments:

The preparation of these consolidated financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

- **Decommissioning liabilities**

  Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities.

  Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- **Income, value added, withholding and other taxes**

  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- **Recoverability of potential deferred tax assets**

  In assessing the probability of realizing deferred income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- **Share-based payments and warrants**

  Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards and warrants are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates (if applicable) and future employee stock option exercise behaviors and corporate performance (if applicable). Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- **Mineral reserve estimates**

  The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company’s control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management’s assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company’s financial position and results of operation.

- **Estimated useful life of property, plant and equipment**

  Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company’s property, plant and equipment in the future.

- **Impairment of non-current assets**

  Management applies significant judgment in its assessment and evaluation of asset or cash generating units at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties, plant and equipment. External sources of information considered are changes in the Company's economic, legal and regulatory environment, which it does not control, but affect the recoverability of its mining assets. Internal sources of information the Company considers include the manner in which mining properties and plant and equipment are being used or are expected to be used and indications of economic performance of the assets. Calculating the fair value less costs of disposal of cash generating units for impairment tests requires management to make estimates and assumptions with respect to future production levels, operating, capital and closure costs, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

- **Calculation of other provisions**

  See Note 4(n)

- **Contingencies**

  See Note 14 & 19

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and money market funds, with original maturities of three months or less.

(b) Inventories

Mineral inventory is classified as finished goods, it is physically measured and valuated at the lower of cost and realizable value. Net realizable value is the relevant market price less estimated cost of selling the product. Cost is determined by the weighted average method and comprises raw material, direct labour, repairs and maintenance, utilities, depreciation and mine-site overhead expenses.

Supplies and consumables, used during different stages of the concentrate production, are carried at the lower of cost and net realizable value. Provisions are recorded to reduce materials and supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the material or supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

(c) Exploration and evaluation assets

Exploration and evaluation assets involve activities in the search for mineral and metal resources, the determination of the technical feasibility and the evaluation of the commercial viability of an identified resource.

Exploration and evaluation expenditures include costs that are directly attributable to:

- Research and analysis of existing exploration data;
- Conducting geological surveys, exploratory drilling and sampling;
- Examining and testing mining and processing methods;
- Completion of pre-feasibility and feasibility studies; and
- Costs incurred in the acquisition of mineral rights.

Exploration and evaluation expenditures are capitalized by project and are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstration of technical feasibility and commercial viability, the costs are subject to impairment analysis and then reclassified to property, plant and equipment. This determination may also occur when the Company makes the decision to proceed with development.

Upon disposal or abandonment of exploration and evaluation assets, the carrying values are derecognized and a gain/loss is recorded in the consolidated statement of comprehensive (loss) income.

There were no changes to the exploration and evaluation assets during 2021 and 2020 other than as a result of foreign currency translation.

(d) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Expenditures of mineral properties include:

i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of properties acquired as part of a business combination or the acquisition of a group of assets.

ii. Exploration, evaluation and project investigation costs incurred on an area of interest once a determination has been made that a property has economically recoverable Mineral Resources and Mineral Reserves ("R&R") and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property.

iii. Deferred stripping costs which represent the cost incurred to remove overburden and other waste materials to access ore in an open pit mine. Stripping costs incurred prior to the production phase of the mine are capitalized and included as part of the carrying value of the mineral property. During the production phase, stripping costs which provide probable future economic benefits, identifiable improved access to the ore body and which can be measured reliably are capitalized to mineral properties. Capitalized stripping costs are amortized using a unit-of-production basis over the Proven and Probable Mineral Reserve to which they relate.

iv. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a Proven and Probable Mineral Reserve are capitalized. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is capitalized as mineral property when it is probable that additional economic benefit will be derived from future operations. Development costs are amortized using a unit- of-production basis over the Proven and Probable Mineral Reserve to which they relate.

v. Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset, all other borrowing costs are expensed as incurred, incidental pre-production expenditures, if any, are recognized in the statement of earnings, and net proceeds from sales generated during the development phase are deducted from the cost of the asset.

(e) Property, plant and equipment

Administrative concessions which represent mineral property interest, are recorded at the amounts paid for their acquisition and are amortized on a straight-line basis, based on the years of economic exploitation of the mineral reserves estimated on the basis of technical studies and the expected annual production.

Computer software is recorded at acquisition cost, which includes the amounts paid for its development or adaptation and is depreciated on a straight- line basis over four years from the date of entry into operation.

Technical installations and other tangible assets and infrastructure are valued at acquisition or construction cost. This cost includes, in addition to the amount invoiced by the seller, all additional expenses incurred until the asset is ready for use, including financial expenses when the production and installation period exceeds one year.

The acquisition price also includes the initial estimate of the present value of the obligations assumed as a result of dismantling or retirement and others associated with the asset, such as rehabilitation costs, when these obligations give rise to the recording of provisions.

The Company's policy for work carried out by the Company on its own property, plant and equipment is recorded at construction cost, which is valued taking into account the cost of the materials used plus the other direct expenses necessary for the production of the asset, as well as the proportional percentage of the indirect costs and expenses arising from the construction process.

Replacements or renewals of complete items as well as the costs of expansion, modernization or improvement that increase the useful life of the asset, its productivity or its economic capacity, are recorded as an increase in property, plant and equipment, with the consequent retirement of the replaced or renewed items.

Periodic maintenance, upkeep and repair expenses are charged to operations, on an accrual basis, as a cost for the year in which they are incurred.

Depreciation has been calculated on the basis of the useful life of the assets and their residual value. Each part of an item of property, plant and equipment has been depreciated separately on a straight-line basis as follows:

DESCRIPTION	YEARS
Administrative concessions	12
Infrastructure	18
Technical installations and other tangible assets	
Installations	18
Machinery	8
Tools and utensils	8
Furniture	20
Computer processing equipment	4
Other fixed assets	5
Computer software	4

Impairment of property, plant and equipment:

At each statement of financial position date or whenever there are indications of impairment losses, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that such assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). There were no impairment losses during the years 2021 and 2020.

(f) Leasing

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, each operation’s applicable incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for plant and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(g) Decommissioning liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value using a risk-free rate and are provided for and charged to operations, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

(h) Income taxes

Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless such differences arise from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Revenues

Revenues and expenses are recognized on an accrual basis regardless of when the resulting monetary or financial flow arises.

Revenues are measured at the fair value of the consideration received or receivable and represent the amounts receivable for goods delivered and services rendered in the ordinary course of business, less discounts, VAT and other sales-related taxes.

Sales of minerals are recognized when all significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue associated with the rendering of services is also recognized by reference to the stage of completion of the transaction at the statement of financial position date, provided that the outcome of the transaction can be estimated reliably.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly matches estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the asset.

Government assistance

Government assistance is recognized when the Company qualifies for such grants and where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the assistance relates to an expense item, it is recognized as income over the period necessary to match the assistance on a systematic basis to the costs that it is intended to compensate. Where the assistance relates to an asset, it reduces the carrying amount of the asset. The assistance is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

(j) Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to share-based payment reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(k) Loss per common share

Basic loss per share is calculated using the weighted average number of shares outstanding. The diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. All of the Company's outstanding warrants and options were anti-dilutive for the years ended December 31, 2021 and 2020.

(l) Financial assets and liabilities

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and cash equivalents, trade receivables and other amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of operations.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivables have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, and long-term liabilities which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Provisions and contingencies

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Contingent liabilities are possible obligations arising from past events, the future materialization of which is conditional upon the occurrence or non-occurrence of one or more future events beyond the Company's control.

These consolidated financial statements include all provisions for which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements, to the extent that they are not considered to be remote.

(o) Recently adopted accounting pronouncements

During the year ended December 31, 2021, the Company adopted the following amendments. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

(p) Future changes in accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2021, and have not been applied in preparing these financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on January 1, 2023.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC

21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

5. REVERSE TAKEOVER

On December 6, 2021, Buccaneer completed a RTO transaction ("Transaction") with SMEI by way of share exchange pursuant to a share exchange agreement dated effective August 24, 2021, as amended effective November 3, 2021 (the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, Buccaneer changed its name to Strategic Minerals Europe Corp., consolidated its shares (the Buccaneer Shares) on a 5:1 basis and exchanged the shares of SMEI (the "SMEI Shares") for Buccaneer Shares on a 1:1 basis. In connection with the completion of the Transaction, Strategic issued 31,519,395 warrants to existing warrant holders of SMEI and 1,551,083 warrants to shareholders of Buccaneer.

Following completion of the Transaction, the Company carries on the business of SMEI. The Company is focused on the production, development and exploration of tin, tantalum and niobium, with a focus on its Penouta Project, located in Spain.

Immediately after closing of the Transaction, there were 236,471,333 shares outstanding, of which 230,267,000 were held by the former shareholders of SMEI (representing approximately 97.0% of the outstanding shares of the Company) and 6,204,333 were held by the shareholders of Buccaneer. Accordingly, this transaction was accounted for as a reverse acquisition where SMEI is deemed to be the acquirer for accounting purposes.

The reverse acquisition of Buccaneer was accounted for under IFRS 2, Share-based Payment as Buccaneer did not meet the definition of a business under IFRS 3. Accordingly, the fair value of the purchase consideration was accounted for at the fair value of the equity instruments granted by the shareholders of SMEI to the shareholders and option holders of Buccaneer. The fair value of the shares was determined based on the most reliable and observable fair value measure being the price per share as determined by the concurrent financing share price.

(Expressed in U.S. Dollars)

The fair value of the warrants issued include an expected volatility of 120%, risk-free interest rate of 0.50%, share price of CA$0.15 ($0.12), an estimated remaining life of 4.74 years and a dividend yield of 0%.

The excess of the fair value of the RTO Transaction consideration to the Company over the fair value of the assets and liabilities acquired at December 6, 2021, is summarized in the following table:

Purchase price consideration paid		
Fair value of shares issued	$	728,234
Fair value of warrants issued		121,372
Total fair value of consideration		849,606
Identifiable assets acquired (net)		
Cash and cash equivalents		107,254
Receivables		4,165
Other current assets		6,621
Trade and other payables		(11,002)
Net assets acquired		107,038
Excess of consideration paid over net assets acquired		742,568
Total	$	849,606

No value was allocated to Buccaneer's exploration project as the Company does not intend to pursue any work on the project and will seek to terminate or sell the option.

The $742,568 excess of the consideration paid over net assets acquired, along with legal and accounting fees of $93,328, have been expensed in the statement of operations.

6. EXPLORATION AND EVALUATION

As of December 31, 2021 and 2020, the Company holds the mining rights in the Penuota Project, located in the northwestern Spanish province of Ourense, and the Alberta II Project, located in the Galicia Region of northwestern Spain. A summary of the net book value included in Exploration and Evaluation is as follows:

(Expressed in U.S. Dollars)

Net Book Value (USD)	Alberta II Project	Coneto Project	Total
Balance December 31, 2019	**1,179,840**	**1,577,998**	**2,757,838**
Effect of foreign currency exchange differences	108,337	144,899	253,236
Balance December 31, 2020	**1,288,177**	**1,722,897**	**3,011,074**
Effect of foreign currency exchange differences	(95,412)	(127,612)	(223,024)
Balance December 31, 2021	**1,192,765**	**1,595,285**	**2,788,050**

There were no changes to the exploration and evaluation assets during 2021 and 2020 other than as a result of foreign currency translation.

7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment are generally in connection with its mining operations, located north of the town of Penauta, in Concello de Viana do Bolo, Spain. The mine is comprised of two overlapping projects: the exploitation concession (Section B), where the Company has been processing historical tailings, and the research project area (section C), for which the Company has applied for permitting for future mining operations.

As of December 31, 2021 and 2020, a summary of the net book value is as follows:

ASSETS (USD)	Infrastructure	Technical installations and other tangible assets	Fixed assets under construction	Administrative concessions	Computer software	Total
Balance December 31, 2019	**1,368,737**	**10,656,672**	**61,590**	**11,348,676**	**395,852**	**23,831,527**
Additions	-	94,799	-	-	-	**94,799**
Retirements	-	(309,019)	-	-	-	**(309,019)**
Effect of foreign currency exchange differences	125,683	962,679	5,657	1,042,081	36,349	**2,172,449**
Balance December 31, 2020	**1,494,420**	**11,405,131**	**67,247**	**12,390,757**	**432,201**	**25,789,756**
Additions	-	39,715	4,694,348	-	-	**4,734,063**
Retirements	-	(88,211)	-	-	(363,021)	**(451,232)**
Effect of foreign currency exchange differences	(110,689)	(842,788)	(195,438)	(917,759)	(17,285)	**(2,083,959)**
Balance December 31, 2021	**1,383,731**	**10,513,847**	**4,566,157**	**11,472,998**	**51,895**	**27,988,628**

Accumulated Depreciation (USD)	Infrastructure	Technical installations and other tangible assets	Fixed assets under construction	Administrative concessions	Computer software	Total
Balance December 31, 2019	**(164,039)**	**(1,205,715)**	**-**	**(881,916)**	**(395,747)**	**(2,647,417)**
Additions	(53,995)	(543,874)	-	(1,026,250)	(107)	**(1,624,226)**
Retirements	-	34,853	-	-	-	**34,853**
Effect of foreign currency exchange differences	(19,060)	(148,398)	-	(156,956)	(36,347)	**(360,761)**
Balance December 31, 2020	**(237,094)**	**(1,863,134)**	**-**	**(2,065,122)**	**(432,201)**	**(4,597,551)**
Additions	(55,968)	(613,304)	-	(993,556)	-	**(1,662,828)**
Retirements	-	30,050	-	-	363,021	**393,071**
Effect of foreign currency exchange differences	19,832	161,661	-	193,270	17,285	**392,048**
Balance December 31, 2021	**(273,230)**	**(2,284,727)**	**-**	**(2,865,408)**	**(51,895)**	**(5,475,260)**

Net Book Value (USD)	2021	2020	2019
Infrastructure	1,110,501	1,257,326	1,204,698
Technical installations and other tangible assets	8,229,120	9,541,997	9,450,957
Fixed assets under construction	4,566,157	67,247	61,590
Administrative concessions	8,607,590	10,325,635	10,466,760
Computer software	-	-	105
Total Net	**22,513,368**	**21,192,205**	**21,184,110**

The assets under construction represent an investment in new mining and crushing equipment that is expected to be completed in 2022 and reclassified to technical installations and other tangible assets.

(Expressed in U.S. Dollars)

8. RIGHT OF USE ASSETS

The Company has certain leases related to premises and land. The leases are for terms through 2025.

Right of Use Assets (USD)	Total
Balance December 31, 2019	**575,584**
Effect of foreign currency exchange differences	52,850
Balance December 31, 2020	**628,434**
Effect of foreign currency exchange differences	(46,547)
Balance December 31, 2021	**581,887**

Accumulated Depreciation ROU (USD)	Total
Balance December 31, 2019	**(271,462)**
Amortization	(47,795)
Effect of foreign currency exchange differences	(28,464)
Balance December 31, 2020	**(347,721)**
Amortization	(38,271)
Effect of foreign currency exchange differences	27,308
Balance December 31, 2021	**(358,684)**

Net Book Value (USD)	2021	2020	2019
Right-of-use assets	**223,203**	**280,713**	**304,122**
Total - net	**223,203**	**280,713**	**304,122**

9. INVENTORIES

Inventories are comprised of the following:

Inventories (USD)	2021	2020	2019
Finished goods	168,780	185,417	94,503
Materials and supplies	49,551	28,094	45,653
Total	**218,331**	**213,511**	**140,156**

The finished goods as at December 31, 2021 contained concentrate of tin and tantalum in the amount of $154,530 and $14,250, respectively (2020 - $92,662 and $92,755).

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are composed of the following:

Trade and other receivables (USD)	2021	2020	2019
Trade receivables	703,633	78,136	9,530
VAT receivable	797,243	230,578	231,641
Total	**1,500,876**	**308,714**	**241,171**

(Expressed in U.S. Dollars)

11. LONG TERM LIABILITIES

The table below summarizes the outstanding obligations as at December 31, 2021 and 2020:

in USD	2021	2020
Bank loans	3,137,720	4,139,848
Government grants	578,421	624,689
Arrangements with suppliers	1,052,480	1,549,234
Lease liabilities	303,738	387,475
Related party loans	207	19,159,817
Total	5,072,566	25,861,063
Less: current portion	925,313	825,887
Long term liabilities	**4,147,253**	**25,035,176**

Bank loans

The Company has loans with several financial institutions that are payable on a quarterly basis. The outstanding balances as at December 31, 2021 and 2020 are as follows:

2021 (USD)	Starting Date	Due Date	Secured	Annual interest rate	Balance short-term	Balance long-term	Total
Loan (a)	October 2020	October 2025	No	2.00%	39,432	123,128	162,560
Loan (b)	October 2020	October 2025	No	2.00%	42,171	126,513	168,684
Loan (c)	October 2020	October 2025	No	2.00%	20,252	63,236	83,488
Loan (d)	March 2020	December 2025	Secured	2.00%	552,653	1,725,680	2,278,333
Loan (e)	December 2020	September 2025	No	2.50%	44,400	127,962	172,362
Loan (f)	October 2020	April 2025	No	2.30%	32,011	82,878	114,889
Loan (g)	September 2020	October 2025	No	2.25%	39,273	116,190	155,463
Other short debts	-	January 2022	No	-	1,941	-	1,941
Total					**772,133**	**2,365,587**	**3,137,720**

2020 (USD)	Starting Date	Due Date	Secured	Annual interest rate	Balance short-term	Balance long-term	Total
Loan (a)	October 2020	October 2025	No	2.00%	31,387	175,564	206,951
Loan (b)	October 2020	October 2025	No	2.00%	34,158	182,177	216,335
Loan (c)	October 2020	October 2025	No	2.00%	16,119	90,166	106,285
Loan (d)	March 2020	December 2025	Secured	2.00%	439,896	2,460,586	2,900,482
Loan (e)	December 2020	September 2025	No	2.50%	46,772	186,149	232,921
Loan (f)	October 2020	April 2025	No	2.30%	25,480	124,079	149,559
Loan (g)	September 2020	October 2025	No	2.25%	38,052	167,899	205,951
Loan (h)	December 2020	December 2021	No	2.50%	121,364	-	121,364
Total					**753,228**	**3,386,620**	**4,139,848**

Government grants

In January 2019, the Company received a grant equivalent to $578,421 from the Spanish Ministry of Science and Innovation with a 3-year period prior to commencement of repayment. As of the end of 2021, the payment of interest incurred with respect to this grant has not been made. The principal amount due in 2022 is $82,632 and has been recognized as a current liability.

(Expressed in U.S. Dollars)

Agreements with suppliers

During 2020, deferral payment agreements were reached with suppliers with outstanding balances higher than €15,000 ($17,026). Payments are scheduled in quarterly instalments (19 quarters) until 2025. The current portion of $454,176 is included in the “Trade and other payables” balance as at December 31, 2021 (2020 - $441,706). The entire balances were originally recorded in “Trade and other payables” for 2019 and 2020. The comparative balances for 2020 have been reclassified accordingly.

The expected repayments due to the agreements with suppliers are as follows:

Arrangements with suppliers (Euro)	Total	2023	2024	2025
Operating contracts	718,880	271,296	271,296	176,288
Suppliers of fixed assets	208,333	77,207	77,207	53,919
Total	**927,213**	**348,503**	**348,503**	**230,207**

Arrangements with suppliers (USD)	Total	2023	2024	2025
Operating contracts	816,001	307,948	307,948	200,105
Other suppliers assets	236,479	87,638	87,638	61,203
Total	**1,052,480**	**395,586**	**395,586**	**261,308**

Lease liabilities

Lease liabilities (USD)	
Lease liability as at December 31, 2019	**304,122**
Additions	99,403
Interest expense	9,275
Lease payments	(57,070)
Effect of foreign currency exchange differences	31,745
Lease liability as at December 31, 2020	**387,475**
Interest expense	11,591
Lease payments	(81,714)
Effect of foreign currency exchange differences	(13,614)
Lease liability as at December 31, 2021	**303,738**

(USD)	December 31, 2021	December 31, 2020
Current lease liabilities	70,341	72,659
Long-term portion of lease liabilities	233,397	314,816
	303,738	**387,475**

The Company used a discount rate of 3% in determining the present value of lease payments.

(Expressed in U.S. Dollars)

Related party loans

During 2020, the Company had related party loans from certain entities having directors in common with the Company in the amount of $19,159,817. During 2021, a total of $19,897,266 was settled by the issuance of common shares of the Company. In accordance with IFRIC 19, no gain or loss was recorded on the settlement of these loans. As at December 21, 2021, the related party loans amounted to $207. Related party loans are unsecured. See Note 15 for interest expense related to the related party loans.

Scheduled future undiscounted obligations of the Company as at December 31, 2021 are as follows:

Cash flow Obligation (USD)	1 year	1-3 years	More than 3 years	Total
Bank loans	772,132	2,128,896	236,692	3,137,720
Government grants	82,632	495,789	-	578,421
Related party loans	207	-	-	207
Arrangements with suppliers	-	1,052,480	-	1,052,480
Leaese liabilities	70,341	233,397	-	303,738
Total	**925,312**	**3,910,562**	**236,692**	**5,072,566**

12. REVENUES AND EXPENSES

(a) Revenue

Revenue (USD)	2021	2020
Sales	7,546,872	2,767,492
Services	2,780	-
Total	**7,549,652**	**2,767,492**

(b) Employee expenses

The breakdown of the expenses in the profit and loss account is as follows:

Personnel expenses (USD)	2021	2020
Wages and Salaries	1,272,622	899,201
Severance	948	83,307
Social Security paid by the Company	394,558	305,812
Other social benefits	13,225	91
Total	**1,681,353**	**1,288,411**

(Expressed in U.S. Dollars)

(c) Other operating expenses

Other operating expenses (USD)	2021	2020
Leases and royalties	290,982	101,408
Repairs and maintenance	257,887	30,574
Professional services	978,381	501,652
Transportation	17,413	5,906
Insurance premiums	47,197	80,569
Banking and similar services	19,959	31,853
Advertising, publicity and public relations	5,278	32
Supplies	1,327,726	647,388
Administrative	90	-
Consulting expenses	60,476	-
Legal expenses	45,936	-
Audit expenses	53,607	-
Investor relations	8,723	-
Regulatory and transfer agent	79,869	-
Other services	152,951	46,525
Other taxes	35,263	7,378
Total	**3,381,738**	**1,453,285**

13. SHARE CAPITAL

Authorized:
Common Shares: Unlimited

Issued:

	Common Shares #	Warrants #
Balance, December 31, 2019 and 2020	4,554,162	-
Loan settement (a)	4,610,652	-
Restructuring of SMS and SME on June 14, 2021 (b)	(9,164,814)	-
Restructuring of SMS and SME on June 14, 2021 (b)	200,000,000	1,252,395
Private Placements – July 2021 – November 2021(c)	29,025,000	29,025,000
Advisory fee related to private placements (c)	1,242,000	1,242,000
Issued in reverse takeover (note 5) (d)	6,204,333	1,551,083
Balance, December 31, 2021	**236,471,333**	**33,070,478**

As at December 31, 2021, SMEI has 236,471,333 common shares outstanding, and 33,070,478 share purchase warrants exercisable at CA$0.40 and expiring on July 16, 2026 (the “2026 Warrants”); these were issued as follows:

(a) In April and June 2021, a total of $19,897,266 related party loans was settled by the issuance of 4,610,652 common shares of the Company (Note 11).

(Expressed in U.S. Dollars)

(b) On July 14, 2021, SMEI acquired SMS, where-by 200,000,000 common shares and 1,252,395 Warrants were issued to the shareholders of SMS in exchange for all of the shares of SMS pursuant to the acquisition agreement with the shareholders of SMS. See Note 1 regarding the Vend-in Transaction.

(c) Private Placements

Between July and November 2021, SMEI issued 29,025,000 Units in multiple tranches of a Unit financing (the "Financing"). Each Unit consists of one common share and one 2026 Warrant and were issued at CA$0.25 per Unit for aggregate gross proceeds of $5,754,207. Each Unit consisted of one SMEI Share and one SMEI Warrant. Each SMEI Warrant is exercisable into one SMEI Share at a price of CA$0.40 for a period expiring five years after the date of issuance. In conjunction with the Financing, SMEI issued 1,242,000 Units in payment of advisory fees related to the Financing.

The allocation of the Unit between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes pricing model based upon the following assumptions:

Exercise price	CA$0.40
Share price	CA$0.15
Expected life	5.0 years
Expected annualized volatility	120.00% based on representative entities
Expected dividend rate	0%
Risk-free interest rate	0.50%

The relative fair value of the shares was determined to be $3,452,524 and the relative fair value of the warrant was determined to be $2,301,683. As for the advisory fees, the relative fair value of the shares was determined to be $147,736 and the relative fair value of the warrant was determined to be $98,491. On January 19, 2022 the 2026 Warrants were listed on the NEO under the symbol "SNTA.WT"

(d) RTO Transaction

On October 20, 2021, 6,204,333 SMEI shares and 1,551,083 SMEI Warrants were deemed to be exchanged for the shares and warrants of the Company in connection with the Transaction (Note 5). The fair value of the shares and warrants were determined to be $728,234 and $121,372 respectively. The fair value of the warrants was determined using the Black-Scholes pricing model based upon the following assumptions:

Exercise price	CA$0.40
Share price	CA$0.15
Expected life	4.74 years
Expected annualized volatility	120.00% based on representative entities
Expected dividend rate	0%
Risk-free interest rate	0.50%

(Expressed in U.S. Dollars)

(e) Stock option plan

The Company has a rolling stock option plan (the ''Plan'') that authorizes the Board of Directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the Plan. The maximum term for options is 10 years.

On December 7, 2021, subsequent to the closing of the RTO Transaction, the Board approved the grant of a total of 13,215,000 stock options to directors, executive officers, management and consultants, exercisable at CA$0.25 per share and expiring on December 6, 2026. The options have a five-year term and vested immediately.

On December 7, 2021, subsequent to the closing of the RTO Transaction, the Board approved the grant of a total of 500,000 stock options to a consultant, exercisable at CA$0.25 per share and expiring on December 7, 2023. The options have a two-year term and vested immediately.

The stock option fair value of $1,300,175 was determined using a Black-Scholes pricing model which included an expected volatility of 120% based on the volatility of comparable companies, a risk-free interest rate of 1.48%, share price of CA$0.15, an estimated life of 2 - 5 years and a dividend yield of 0%. The weighted average remaining life of the options granted is 4.82 years.

Subsequent to December 31, 2021, the Company granted a total of 100,000 stock options to certain consultants (see Note 21).

14. DECOMISSIONING LIABILITIES

As at December 31, 2021 the Company recognized a provision for future estimated reclamation and water treatment costs associated with the Penouta Project. As at December 31, 2021, the estimated future liability of approximately $794,131 (December 31, 2020 - $848,933), was discounted at a rate of 1.14% (December 31, 2020 - 0.63%). This estimate assumes that future mining operations would never resume and is expected to be updated when mining operations commence. As the Company continues its exploration and development program, and works towards a future mining scenario, the underlying assumptions to the reclamation provision will be adjusted accordingly.

Decomissioning liabilities (USD)	Total
Balance December 31, 2019	**773,129**
Accretion	4,481
Effect of foreign currency exchange differences	71,323
Balance December 31, 2020	**848,933**
Accretion	8,418
Effect of foreign currency exchange differences	(63,220)
Balance December 31, 2021	**794,131**

(Expressed in U.S. Dollars)

15. RELATED PARTIES

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Transactions with related companies, which are recorded under the corresponding headings in the consolidated statements of operations and comprehensive loss are as follows:

The Company leases certain facilities from Sequoia Venture Capital S.L., a director; as at December 31, 2021 and 2020 the outstanding balance was $14,060 and $4,864, respectively. In 2021, a total of $17,747 (2020 – $10,682) was recorded as operating expenses (Note 12c).

The following interest was recorded with respect to related party loans (Note 11).

Related Company (USD)	Loan interest	
	2021	2020
Pacific Strategic Minerals Corp.	154,563	430,965
Salamanca Ing.	1,691	10,119
Highgrade Recursos – Servicios e Investimentos Unipessoal LDA	5,969	35,722
Total	**162,223**	**476,806**

The following table summarized the amounts payable to related parties (Note 11).

Participating loans (USD)	2021	2020
Pacific Strategic Minerals Corp.	165	6,518,590
Salamanca Ing.	42	434,714
Highgrade LDA	-	1,406,818
Ned Land Europe	-	10,799,695
Total	**207**	**19,159,817**

In April and June, 2021 the following balances were converted to common shares (Note 13).

Participating loans capitalized (USD)	2021
Pacific Corp	18,095,751
Salamanca Ing.	425,115
Highgrade LDA	1,376,400
Total	**19,897,266**

(Expressed in U.S. Dollars)

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of directors and key management personnel of the Company for the years ended December 31, 2021 and 2020 was:

Key management personal compensation (USD)	2021	2022
Management fees	292,124	-
Director fees	343,573	45,504
Consulting fees	41,935	-
Share-based compensation	1,071,636	-
Total	**1,749,268**	**45,504**

16. FINANCIAL INSTRUMENTS AND RISK FACTORS

International financial reporting standards require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the reporting date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. At December 31, 2021 and 2020, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at December 31, 2021 and 2020, carrying amounts of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities on the statement of financial position approximate fair market value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company’s credit risk is primarily attributable to cash and cash equivalents. In general, the Company maintains its cash and cash equivalents in financial institution with high credit ratings. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivables are grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at December 31, 2021 and 2020 is nominal as the Company only transacts with a limited number of regular customers that it has trading history with and has not incurred a sustained trend of any credit losses since revenue began.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At December 31, 2021, the Company had cash and cash equivalents of $2,235,716 (December 31, 2020 - $252,411) available to settle current liabilities of $3,407,932 (December 31, 2020 - $1,822,627). All of the Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

The Company's treasury is exposed to interest rate risk, which could have an adverse effect on financial results and cash flows. The Directors consider that the interest rate risk is not significant.

(ii) Foreign Exchange Risk

The Company's functional currency is the CA and Euro, and major purchases and sales are transacted in CA and Euro. As at December 31, 2021, the Company holds a foreign currency balance of $20,476 (December 31, 2020 – $31,584) included in cash which is subject to foreign currency risk.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(Expressed in U.S. Dollars)

17. INCOME TAXES

(a) The items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2020 ‑ 26.5%) are as follows:

in USD	**2021**	**2020**
Total loss and other comprehensive loss before income taxes	(2,963,803)	(3,373,555)
Expected income tax recovery	(785,408)	(893,992)
Adjustments to benefit resulting from:		
Benefits of tax losses not recognized	785,408	893,992
Deferred income tax recovery	**-**	**-**

(b) Tax benefits from non-capital loss carry-forwards have not been recorded in the consolidated financial statements. These losses may reduce taxable income in future years. The Company's Canadian non-capital loss of $2,733,421 (2020 - $2,848,720) expire between 2026 and 2041, and Spanish non-capital loss of $15,986,470 (2020 - $15,468,371) expire between 2029 and 2039.

(c) Unrecognized deferred tax assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

in USD	**2021**	**2020**
Non-capital losses carried forward - Spain	15,986,470	15,468,371
Non-capital losses carried forward - Canada	2,733,421	2,484,720
	18,719,891	**17,953,091**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(d) During 2021, the Company reassessed the deferred tax assets recognized in 2020 in accordance with recognition criteria in IAS 12, Income taxes. The Company had initially recognized the tax value of operating losses from 2020 as it had estimated that such amount would be recoverable from future operations. As part of the 2021 assessment, the Company assessed that the probability of recoverability of its tax balances would be best evidenced by the successful expansion of its project into the mining phase, as evidenced by sustained profitable operations. As a result, the Company determined that the 2020 deferred tax asset should not be recognized. The 2020 financial statements have been restated in this regard. The impact of the restatement is to decrease deferred tax assets and total assets, increase deficit, and decrease equity, decrease income tax recovery and increase loss for the period by $824,894.

18. CAPITAL MANAGEMENT

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation and operation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2021 and 2020 other than related to the RTO Transaction (Note 1).

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than that of the NEO Exchange which requires one of the following to be met: (i) shareholders' equity of at least $2.5 million, (ii) net income from continuing operations of at least $375,000, (iii) market value of listed securities of at least $25 million, or (iv) assets and revenue of at least $25 million each.

19. COMMITMENTS AND CONTINGENCIES

(a) Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Novel Coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

(c) The Company is party to certain operating agreements that contain minimum commitments of approximately CA$150,000 within one year.

20. SEGMENTED DISCLOSURES

The Company currently operates in one operating segment, being the acquisition, exploration and evaluation and operation of mining properties in Spain. As at December 31, 2021 and 2020, all material non-current assets of the Company were located in Spain.

For the year ended December 31, 2021, approximately $7,427,455 (98.4%) of the Company's total revenues was generated from two customers (2020 – $2,644,262 (95.5%)).

21. LOSS PER SHARE

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. The number of outstanding shares has been retrospectively updated as a result of the Vend-In Transaction, which was considered a resurrecting of the previous capital structure of the Company. Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.

22. SUBSEQUENT EVENTS

On January 20, 2022, the Company granted a total of 100,000 stock options to certain consultants, each stock option entitling the holder thereof to acquire one common share of the Company at an exercise price of CA$0.27. All the options vested immediately on the date of the grant and will expire in 5 years.

On February 24, 2022, the Company was listed and accepted for trading on the FSE open market under the symbol "26K0".