# STRATEGIC MINERALS EUROPE INC.

# MANAGEMENT´S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED SEPTEMBER 30, 2021

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Strategic Minerals Europe Inc. (the "Company" or "SMEI") should be read in conjunction with the unaudited financial statements and related notes thereto for the three and nine months ended September 30, 2021 (the "Interim Financial Statements").

SMEI was incorporated on June 17, 2021 and acquired all of the issued and outstanding shares of Strategic Minerals Spain, S.L. ("SMS") on July 14, 2021; the acquisition constituted a restructuring of SMS as there was no substantive change in ownership of SMS; therefore SMS' results are reported for SMEI for all periods prior to SMEI's incorporation.

The financial information in this MD&A is derived from the Interim Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. All figures contained herein are expressed in Euros ("EUR" or €), except for production, share data or as otherwise stated.

## DESCRIPTION OF BUSINESS

SMEI was incorporated on June 17, 2021 under the laws of Ontario, Canada. The head office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. It has one wholly-owned subsidiary, SMS, which is the operating entity.

On July 14, 2021, SMEI entered into an acquisition agreement with the shareholders of SMS, whereby the Company 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. The transaction constituted a restructuring of SMS as there was no substantive change in ownership of SMS.

On August 24, 2021, SMEI entered into share exchange agreement with Buccaneer Gold Corp. ("Buccaneer") whereby Buccaneer is expected to acquire all of the issued and outstanding shares of SMEI. The transaction is expected to constitute a reverse acquisition, whereby for financial reporting purposes, the transaction will be presented as the acquisition of Buccaneer by SMEI. The closing of the transaction is subject to a number of terms and conditions includingthe receipt of all necessary regulatory consents and approvals, the listing of the resulting issue on the Neo Exchange Inc. (the "NEO"), and the delisting of Buccaneer from the Canadian Securities Exchange.

The acquisition of Buccaneer (the "RTO") will be recorded as an asset acquisition, whereby for accounting purposes, SME is presented as acquiring the net assets of Buccaneer. Upon completion of the RTO, and prior to reflecting the effects of the financings, existing shareholders of SME are expected to own substantially all of the shares of the combined company, on a basic shares outstanding basis.

Completion of the RTO is subject to a number of conditions, including but not limited to, the NEO's acceptance and Buccaneer shareholder approval. There can be no assurance that the transaction will be completed as proposed or at all.

SMS is a Spanish company formed through both Spanish and external capital, focused on exploring, developing and producing mineral resources in the Spanish territory. Its current registered address is Calle Núñez de Balboa 116, 3ª planta, oficina 2ºB 28006 Madrid, Spain, formerly located at Serrano nº 41, sixth floor, office 2, 28001 Madrid, Spain.

The Company is focused on the exploration, research, industrial processing and commercialization of all kinds of minerals and metals; the constitution, acquisition and sale of mining concessions; the acquisition and sale of shares and mining rights in general; rendering services to other companies or institutions directly or indirectly related to mining; and the incorporation of companies or associations with similar purposes.

Since the end of fiscal 2017, SMS has produced cassiterite (Sn, also referred to as tin) and tantalite (Ta – tantalum) concentrate, as well as some niobium (Nb).

## THIRD QUARTER ENDED SEPTEMBER 30, 2021 HIGHLIGHTS

On July 14, 2021, SMEI entered into an acquisition agreement with SMS, whereby the Company completed the Vend-in Transaction and acquired all of the shares of SMS. The transaction constituted a restructuring of SMS as there was no substantive change in ownership of SMS.

On August 24, 2021, SMEI entered into the share exchange agreement with Bucaneer whereby Buccaneer is expected to acquire all of the issued and outstanding shares of SMEI pursuant to the RTO.

During the third quarter, 2021, SMS continued to improve its operating and financial results through various measures, including:

- SMS continued to optimize operations and control operating expenses.
- International prices of tin and tantalum continued to increase during the third quarter of 2021.
- Significant increase in concentrate and grade sold.
- Restrictions related to COVID-19 have decreased but are not completely eliminated.

## SELECTED FINANCIAL INFORMATION

| Tonnes sold | Q3 2021 | Q3 2020 | Variance | %Var. | YTD Sept 2021 | YTD Sept 2020 | variance | %Var. |
|---|---|---|---|---|---|---|---|---|
| Sn concentrate (Tonnes) | 140.70 | 65.18 | 75.52 | 115.9% | 210.91 | 100.59 | 110.33 | 109.7% |
| Tantalite concentrate (Tonnes) | 42.39 | 32.86 | 9.53 | 29.0% | 78.75 | 54.68 | 24.07 | 44.0% |
| Grade Sn (%) | 67.57 | 54.77 | | | 66.17 | 55.81 | | |
| Grade $Ta_2O_5$ (%) | 16.93 | 13.46 | | | 16.23 | 13.75 | | |
| Grade $Nb_2O_5$ (%) | 17.39 | 15.15 | | | 17.00 | 15.77 | | |

| Selected Financial Information (€ thousands) | Q1 2021 | Q2 2021 | Q3 2021 | YTD 2021 |
|---|---|---|---|---|
| Revenue | 252 | 1,410 | 3,486 | 5,148 |
| **Gross profit** | **196** | **874** | **3,270** | **4,340** |
| *% GP* | *77.8%* | *62.0%* | *93.8%* | *84.3%* |
| Operating expenses | -1,321 | -654 | -1,649 | -3,624 |
| **EBITDA** | **-411** | **206** | **1,989** | **1,785** |
| *% EBITDA* | *-163.1%* | *14.6%* | *57.1%* | *34.7%* |
| **EBT** | **-885** | **-210** | **1,640** | **546** |
| *% EBT* | *-351.2%* | *-14.9%* | *47.1%* | *10.6%* |

| Selected Financial Information (€ thousands) | Q1 2020 | Q2 2020 | Q3 2020 | YTD 2020 |
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| Revenue | 580 | 8 | 849 | 1,436 |
| **Gross profit** | **357** | **-74** | **520** | **803** |
| *% GP* | *61.6%* | *-925.0%* | *61.2%* | *55.9%* |
| Operating expenses | -1,041 | -533 | -1,087 | -2,661 |
| **EBITDA** | **-317** | **-241** | **-205** | **-763** |
| *% EBITDA* | *-54.7%* | *-3012.5%* | *-24.1%* | *-53.1%* |
| **EBT** | **-791** | **-740** | **-755** | **-2,287** |
| *% EBT* | *-136.4%* | *-9250.0%* | *-88.9%* | *-159.2%* |

The following were the Company's key operational and financial metrics for the third quarter of 2021 compared to the third quarter of 2020:

Plant operation continued to improve, reaching an average of 90% availability during the first nine months of 2021. Higher grades and quantities of Sn and Ta-Nb have been obtained in the commercial concentrates sold as higher feed grades and improved metal recoveries were reached at the plant.

Production during the third quarter of 2021 increased by 50% compared to 2020, reaching 175.2 tonnes. Production in the third quarter of 2020 was negatively impacted by the need to take the ball mill out of service for approximately five days due to the need for repairs. There have been no issues with the performance of the ball mill since the repair.

| Production | 2021 (t) | 2020(t) | Variance | % Var. |
|---|---|---|---|---|
| July | 52.37 | 27.62 | 24.75 | 89.6% |
| August | 70.07 | 44.17 | 25.90 | 58.6% |
| September | 52.76 | 45.02 | 7.74 | 17.2% |
| **Total Q3** | **175.2** | **116.81** | **58.39** | **50.0%** |

Tonnes sold during the third quarter of 2021 rose 86.7% (85.05 tonnes) compared to the same period of 2020. Accumulated sales to September 30, 2021 rose 86.6% (134.40 tonnes) year over year.

| Tonnes sold | Q3 2021 | Q3 2020 | variance | %Var. | YTD Sept 2021 | YTD Sept 2020 | variance | %Var. |
|---|---|---|---|---|---|---|---|---|
| Sn concentrate (Tonnes) | 140.70 | 65.18 | 75.52 | 115.9% | 210.91 | 100.59 | 110.33 | 109.7% |
| Tantalite concentrate (Tonnes) | 42.39 | 32.86 | 9.53 | 29.0% | 78.75 | 54.68 | 24.07 | 44.0% |
| Total Tonnes sold | 183.10 | 98.04 | 85.05 | 86.7% | 289.67 | 155.27 | 134.40 | 86.6% |

The price of 3-month forwards of tin on the London Mineral Exchange (LME) experienced a strong increase from US$20,000 per tonne at the beginning of the year to an all-time high US$36,000 per tonne at the end of September 2021, driving the third quarter 2021 average to US$ 33,810 per tonne which favorably compares to the third quarter 2020, which remained at an average of US$17,658 per tonne per Q3 2020.

The price of tantalum increased from US$187 per kg in June 2021 to a maximum of US$202 per kg in August, then dropping up to US$174 at the end of third quarter, compared to an average of US$135 per kg during the third quarter of 2020.

The combination of higher market prices and the increase in concentrates sold resulted in higher revenues during the year compared to the year before.

Gross profit reached €3.270 million during the third quarter 2021 or 93.8% of sales, an improvement of 32.6 percentage points from the year before as a result of higher revenues.

Operating expenses remained under control during 2021. While accumulated production increased 75.1% from the year before, operating expenses increased by 36.2% versus 2020.

During 2021 the Company has not required any new bank financing.

One of the Company's key metrics for measuring its success are its earnings before taxes (EBT), which during the third quarter of 2021 reached $1.640 million or 47.1% of sales, an improvement of €2.395 million from the third quarter of 2020.

The Company reported a net profit of €1.640 million for the third quarter 2021 and a year-to-date profit as at September 30, 2021 of €0.546 million, an improvement of €2.832 million compared to the net loss during the same period of 2020 (€-2.287 million) as a result of enhanced production, higher sales prices and strict control over operating expenses.

## OUTLOOK

The Company during the third quarter of 2021 continued to focus on improving operations by:

- Increasing production in order to reduce unit costs
- Reinvest profits in the Company to achieve organic and sustainable growth
- Looking for new external financing opportunities

The Company continues to pursue its Strategic Plan, which comprises three phases:

**1.) Phase I –** This phase consists of three different projects:

**1.1) Penouta Mine**: expanding production at the mine, which:

- currently produces up to 42 tonnes of primary concentrate per month: 25t of Sn concentrate/month and 17t of Ta-Nb concentrate/month from tailings, which contain a lower mineral content than if mined
- has an installed capacity of 1.1Mt/year
- has the following permits:
  - Section B: fully permitted
  - Section C Investigation Permit: 1.2Mt fully permitted (full concession for 248.1 Ha expected to be fully permitted by the end of 2021).
- reduces consumers' dependence on tin and tantalum obtained from conflict areas
- is the largest producer of tin and tantalum in the EU
- is an enabler of EU Green Deal and Circular Economy
- represents a solution for the new economy

**1.2) The development of a pyrometallurgical plant**: target production contemplates output of tin ingots at 99.95% purity and tantalum and niobium-rich slags

**1.3) Exploration campaigns for tin and lithium in the Company's Penouta permitted areas and the Alberta II Investigation Permit (Lithium Project):** located in NW Iberia, in the Spanish province of Galicia.

- Target minerals at Alberta II: lithium, tin, tantalum, and niobium; to date, no *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report has been prepared for the Alberta II project and accordingly no resources are yet reported for Alberta II; the Company's initial exploration at this project will aim to establish the presence of resources.

- The Company believes that, based on historical data available to it and recent exploration jobs, the Alberta II project shows the potential of finding sub-surface veins containing lithium mineralization.
- At least €1.3 million will be allocated by the Company to exploration and development of the Alberta II project, which will allow the Company to prepare an updated 43-101 technical report, and which is expected to dramatically expand resources and move the Company closer to production from its projects.
- The Company has had a NI 43-101 technical report prepared for the Penouta Project by SRK Consulting (UK) Limited ("SRK") entitled "An Updated Mineral Resource Estimate and NI 43-101 Technical Report on the Penouta Tantalum-Tin Deposit, Ourense, Galicia, Spain" with an effective date of March 5, 2021 (the "Penouta Technical Report"), a copy of which will be available on the Company's website. Subject to the key assumptions, parameters and methods used to estimate the mineral resources as set out therein, the Penouta Technical Report estimates a resource, using a cut-off grade of 60 ppm $Ta_2O_5$ equivalent, comprising the following:
    - Measured Open Pit Mineral Resource of 7.6 Mt at 600 ppm Sn and 85 ppm Ta;
    - Indicated Open Pit Mineral Resource of 68.6 Mt at 426 ppm Sn and 72 ppm Ta; and,
    - Inferred Open Pit Mineral Resource of 57 Mt at 389 ppm Sn and 62 ppm Ta.[1,2]

**2.) <u>Phase II</u> –** this phase includes:

**2.1)** the commencement of production from Alberta II.

**2.2)** complete the refurbishment of the reprocessing plant at the Penouta mine to increase the production of industrial minerals. This will allow a comprehensive opportunity to benefit from the industrial mineral recovery and thereby reduce costs and expand the Company's product base.

**2.3)** the launching of the hydrometallurgical plant, which is expected to produce $Ta_2O_5$ and $Nb_2O_5$ at 99.5% purity.

**3.) <u>Phase III</u>** – Finalize the process of bringing the Macarena + Carlota projects under permit: currently the investigation permits for these areas are being processed.

- Target minerals: lithium, tin, tantalum, niobium, and tungsten

## RESULTS OF OPERATIONS AND OVERALL PERFORMANCE

### PRODUCTION

Monthly production was as follows:

[1] Mineral resources are not mineral reserves and do not have demonstrated economic viability.
[2] Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

| Production | 2021 (t) | 2020 (t) | Variance | % Var. |
|---|---|---|---|---|
| January | - | 17.78 | -17.78 | -100.0% |
| February | 3.33 | 20.23 | -16.90 | -83.5% |
| March | 11.01 | 14.65 | -3.64 | -24.8% |
| April | 9.95 | - | 9.95 | 100.0% |
| May | 44.14 | - | 44.14 | 100.0% |
| June | 53.15 | - | 53.15 | 100.0% |
| July | 52.37 | 27.62 | 24.75 | 89.6% |
| August | 70.07 | 44.17 | 25.90 | 58.6% |
| September | 52.76 | 45.02 | 7.74 | 17.2% |
| Total Tonnes produced | **296.78** | **169.47** | **127.31** | **75.1%** |

During the third quarter of 2021 and year-to-date as at September 30, 2021, production increased compared to 2020. Year-to-date September 2021 the growth was up to 75.1% (127.31 tonnes). In 2020 the plant was closed from mid-March to June due to COVID-19 restrictions.

| | Q3 2021 | Q3 2020 | variance | %Var. | YTD Sept 2021 | YTD Sept 2020 | variance | %Var. |
|---|---|---|---|---|---|---|---|---|
| Total Tonnes produced | 175.2 | 116.81 | 58.39 | 50.0% | 296.78 | 169.47 | 127.31 | 75.1% |

The plant halted in January and February 2021 due to extreme weather conditions, which slightly improved during March and April when the material extracted had low concentrates due to floods. Production in May and June improved as availability, plant feed, and grades reached high levels of operation.

During these months the Company worked on the dewatering of the extraction zone, enabling it to access higher grade zones starting in May where there was an increase in the feed metal grade and plant recovery.

In the third quarter the feed metal grade improved 125%, which favourably impacted the production increase of 50.0%.

The Company is still working on increasing recovery (3.5% above 2020) and the Tin grade in the primary concentrate of 17% (5 points more than the previous quarter), resulting in a higher grade of tin concentrate sold.

## SALES

After the halt in the first quarter of 2021 due to inclement weather, access to the high-grade feed area and a greater availability of the plant during the second quarter favored the production of higher quantities of mineral concentrates, driving the increase in sales and grades of commercial concentrates.

The same positive factors continued during the third quarter of 2021, which resulted in the production of higher quantities of mineral concentrates, which led to a notable increase in sales and grades of commercial concentrates. Specifically, for the same period, sales increased by 85.05 tonnes (86.7%) compared to the third quarter of 2020, while year-to-date for 2021 rose 86.6% (134.4 tonnes) compared to the same period of 2020.

| Sales | 2021 (t) | 2020 (t) | Variance | % Var. |
|---|---|---|---|---|
| July | 55.20 | 5.01 | 50.19 | 1001.8% |
| August | 49.77 | 36.05 | 13.72 | 38.1% |
| September | 78.13 | 56.99 | 21.14 | 37.1% |
| **Total tonnes sold** | **183.10** | **98.05** | **85.05** | **86.7%** |

| Sales | YTD Sept 2021 (t) | YTD Sept 2020 (t) | Variance | %Var. |
|---|---|---|---|---|
| January | 18.11 | 10.08 | 8.03 | 79.6% |
| February | | 24.13 | -24.13 | -100.0% |
| March | | 23.01 | -23.01 | -100.0% |
| April | 10.05 | | 10.05 | |
| May | 29.61 | | 29.61 | |
| June | 48.80 | | 48.80 | |
| July | 55.20 | 5.01 | 50.19 | 1,002.2% |
| August | 49.77 | 36.05 | 13.72 | 38.1% |
| September | 78.13 | 56.99 | 21.14 | 37.1% |
| **Total Tonnes Sold** | **289.67** | **155.27** | **134.40** | **86.6%** |

The difference between production and sales during the third quarter 2021 and year-to-date as of September 30, 2021 with respect to the same periods for 2020 was due to:

- By year end 2019, 4.56 tonnes were held in inventory and sold during January 2020. At year-end 2020, 9.45 tonnes of primary concentrate (8 tonnes of Ta and 1.45 tonnes of Sn) remained in stock and sold in 2021.
- During 2021, the lack of availability of space on ships and the lack of containers for loading delayed shipments, resulting in an additional 29.25 tonnes of inventory at the end of September 2021.

Tonnes sold by type of mineral was as follows:

| Tonnes sold | Q3 2021 | Q3 2020 | variance | %Var. |
|---|---|---|---|---|
| Sn concentrate (Tonnes) | 140.70 | 65.18 | 75.52 | 115.9% |
| Tantalite concentrate (Tonnes) | 42.39 | 32.86 | 9.53 | 29.0% |
| Grade Sn (%) | 67.57 | 54.77 | | |
| Grade $Ta_2O_5$ (%) | 16.93 | 13.46 | | |
| Grade $Nb_2O_5$ (%) | 17.39 | 15.15 | | |

Tin sales reached 140.7 tonnes for the third quarter of 2021, an increase of 115.9% compared to the same period of 2020 with an extraordinary increase in grade from 54.77% tin in 2020 to 67.57% tin in 2021.

Year-to-date to September 30, 2021, the increase in tin sold was 109.7% (110.33 tonnes) compared to the same period of 2020.

| Sn – 2021 | | |
|---|---|---|
| Month | tonnes | Grade Sn (%) |
| July | 40.18 | 65.80 |
| August | 40.19 | 66.60 |
| September | 60.33 | 69.40 |
| **Total Q3 2021** | **140.70** | **67.57** |

| Sn – 2020 | | |
|---|---|---|
| Month | tonnes | Grade Sn (%) |
| July | 5.01 | 57,60 |
| August | 20.07 | 58,00 |
| September | 40.10 | 52,80 |
| **Total Q3 2020** | **65.18** | **54.77** |

Regarding tantalite sales in the third quarter of 2021, 42.39 tonnes represented a 29.0% increase from the same period of the previous year, with a notable improvement in tantalum and niobium pentoxide grades (16.93 % and 17.39% respectively). Congestion at international ports as a consequence of the pandemic, together with the lack of equipment for loading at the ports, led to long delays in obtaining space for shipping.

Accumulated sales to September 2021 increased 44.0% (24.07 tonnes) compared to the same period of 2020.

| Ta – 2021 | | | |
|---|---|---|---|
| Month | tonnes | Grade Ta2O5 (%) | Grade Nb2O5 (%) |
| July | 15.02 | 16.17 | 16.80 |
| August | 9.57 | 15.60 | 15.90 |
| September | 17.80 | 18.29 | 18.69 |
| **Total Q3 2021** | **42.39** | **16.93** | **17.39** |

| Ta – 2020 | | | |
|---|---|---|---|
| Month | tonnes | Grade Ta2O5 (%) | Grade Nb2O5 (%) |
| July | 0 | 0 | 0 |
| August | 15.98 | 13.75 | 15.52 |
| September | 16.89 | 13.18 | 14.80 |
| **Total Q3 2021** | **32.87** | **13.46** | **15.15** |

## REVENUES

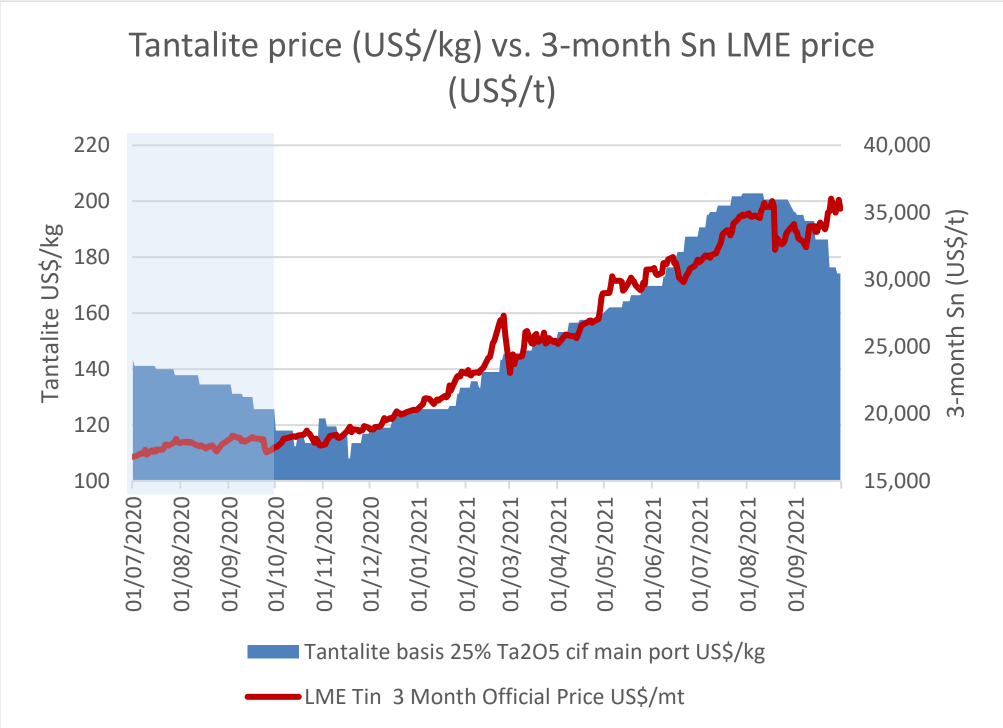
Revenues during 2021 to date have more than tripled compared to those from the previous year's period. Accumulated year to date sales increased by 258.4% (€3.711 million) from the same period of the previous year. Revenues in the third quarter of 2021 increased by 310.7% (€2.637 million) from the previous year. This is a breakdown by mineral:

| Sales by mineral (€ thousands) | Q3 2021 | Q3 2020 | variance | %Var. | YTD Sept 2021 | YTD Sept 2020 | variance | %Var. |
|---|---|---|---|---|---|---|---|---|
| Sn concentrate | 2,467 | 467 | 2,000 | 428.3% | 3,475 | 727 | 2,745 | 377.6% |
| Tantalite concentrate | 1,018 | 382 | 636 | 166.5% | 1,673 | 709 | 965 | 136.1% |
| Total | 3,486 | 849 | 2,637 | 310.7% | 5,148 | 1,436 | 3,711 | 258.4% |

Sales prices continued to be conditioned by the COVID-19 health emergency, which caused the closure of the main ports of SE Asia, leading a strong container deficit in the rest of the world and increasing the freight costs. In addition, the high demand for metals in the technological industry, as well as the inability of the main Asian smelters to recover the rhythm of pre-pandemic production, resulted in a continuous increase in the price of metals.

**Tin:** The LME 3-month tin price experienced a strong increase during the first half of 2021 which continued in the third quarter, with an average US$33,810 per tonne and reaching US$36,000 per tonne at the end of September 2021, an all-time high, compared to the third quarter of 2020, which remained at an average of US$17,658 per tonne.

**Tantalum**: The price of tantalum increased from US$187 per kg in June 2021 to a maximum of US$202 per kg in August, then dropping to US$174 at the end of third quarter, compared to an average price of US$135 per kg during the third quarter of 2020.




[1] 3-month LME Sn (https://www.lme.com)

## OPERATING RESULTS

| Tonnes sold | Q3 2021 | Q3 2020 | variance | %Var. | YTD Sept 2021 | YTD Sept 2020 | variance | %Var. |
|---|---|---|---|---|---|---|---|---|
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| Operating expenses | -1,041 | -533 | -1,087 | -2,661 |
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| **EBT** | **-791** | **-740** | **-755** | **-2,287** |
| *% EBT* | *-136.4%* | *-9250.0%* | *-88.9%* | *-159.2%* |

| | % Net Sales 2021 Q3 | % Net Sales 2020 Q3 | % Net Sales YTD September 2021 | % Net Sales YTD September 2020 |
|---|---|---|---|---|
| % GP | 93.8% | 61.2% | 84.3% | 55.9% |
| % Operating Expenses | 47.3% | 128.1% | 70.4% | 185.3% |
| % EBITDA | 57.1% | -24.1% | 34.7% | -53.1% |
| % EBT | 47.1% | -88.9% | 10.6% | -159.2% |

In the third quarter of 2021, gross profit reached €3.27 million or 93.8% as a percentage of sales (32.6 percentage points above that from the third quarter of 2020) and year-to-date gross profit increased by 440.2% from 2020 for a total of €4.34 million, representing a 28.4 percentage points increase as a percentage of sales (84.3% in 2021 vs 55.9% in 2020).

Operating expenses (including depreciation and amortization expense) increased because during the plant closures from mid-March to June 2020 staff personnel was reduced by 40% and services were suspended. As operations resumed, people were brought back to work and services purchased, but expenses remained under control, increasing by €0.562 million or 51.7% while sales increased 310.7% during the third quarter 2021 and year-to-date as at September 30, 2021, increasing €0.963 million (36.2%)

In the third quarter 2021 the Company reported a net profit of €1.640 million, an improvement of €2.395 million compared to the net loss of €0.755 million in the same period of 2020.
Year-to-date to September 30, 2021, the Company reported a net profit of €0.546 million, an improvement of €2.832 million compared to the net loss of €2.287 million in the same period of 2020.

## OPERATING EXPENSES

As operations returned to normal after COVID-19 closures during 2020 and with the extreme weather conditions during the first four months of 2021, an increase in operating expenses is normal. The main cost increases related to:

- Due to COVID-19 business closures, the Spanish Government approved a law whereby companies could temporarily decrease or suspend its labour contracts. The Company opted for this measure and the cost of salaries during 2020 lockdowns were paid by the Government under the Temporary Employment Regulation Expedient (ERTE by its initials in Spanish) from mid-March to June 2020. Salaries accumulated to September 2021 have increased 34.4% or €0.274 million compared to 2020.

- Utilities (electricity & gas) cost increased by 95.5% or €0.343 million, mainly due to usage as during 2020 the plant was closed from mid-March to June due to the COVID-19 restrictions. Energy cost has significantly increased from June 2021. During 2020, the average electricity expense was €986.2 per day, while during 2021 the average has been €1,777 per day, an increase of 80.2%

| Operating Expenses (€ thousands) | YTD September 2021 | YTD September 2020 | Variance | %Var. |
|---|---|---|---|---|
| Salaries | 1,071 | 797 | 274 | 34.4% |
| Leases and Royalties | 134 | 52 | 82 | 157.7% |
| Repairs and Maintenance | 80 | 20 | 60 | 300.0% |
| Independent professional services | 642 | 316 | 326 | 103.2% |
| Freight | 8 | 1 | 7 | 1,152.0% |
| Insurance premiums | 28 | 30 | -2 | -6.7% |
| Advertising | 4 | 0 | 4 | |
| Banking and similar services | 7 | 21 | -14 | -66.7% |
| Utilities | 702 | 359 | 343 | 95.5% |
| Other Services | 28 | 26 | 2 | 7.7% |
| Other Taxes | 27 | 5 | 22 | 440.0% |
| Other operating income | -152 | -31 | -121 | 390.3% |
| Other gains / (losses) – net | -24 | -30 | 6 | -20.0% |
| Depreciation and amortisation expense | 1,069 | 1,095 | -26 | -2.4% |
| Total Operating Expenses | 3,624 | 2,661 | 963 | 36.2% |

## SOCIALLY RESPONSIBLE, SUSTAINABLE AND SCALABLE

Sustainability is integrated within the organization as a critical concept in each and every activity, in order to ensure that the Company conducts its mining activities in a sustainable way, generating economic, environmental, and social benefits within the framework of a Circular Economy:

- The recovery and sale of abandoned mining wastes in an environmentally degraded area, where no rehabilitation process was carried out after closure of the old mining works. This results in a net reduction in the amount of these wastes.
- The recovery of conflict-free strategic and critical metals like tin, tantalum, and niobium as well as industrial minerals, which together bring a reduction of wastes up to 80%.
- The design and development of a modern mining plant has allowed the efficient use of energy and water resources. The use of chemical substances is avoided, because it is an exclusively gravimetric process (environmentally-friendly technology).
- The Penouta mine scheme could also be applied to other similar mining deposits, not only in Spain but also in Europe which contain Sn associated with various critical rare metals such as tantalum, niobium and tungsten. There are numerous deposits that have been previously exploited and were mostly abandoned after the fall in metal prices.

From the social point of view:

- The Company signed collaboration agreements with local communities in order to prioritize hiring resident workers, as well as to promote the execution of service contracts with local companies. As a result of these commitments, 57% of the direct workers employed in the Company belong to the nearby area of the Viana do Bolo Council, which increases to 71% when the radius is expanded to its surrounding areas.
- At least 30% of the personnel to be employed by the different contractors of the Company (services contracted with companies in the area, such as canteen service, civil works, earthworks, etc.) are agreed to be local staff. As a result, 82% of the people who directly and indirectly work in the mine are from the Viana do Bolo Council and its immediate surroundings.
- This resulted in the creation of more than 70 direct jobs and 30 indirect jobs when starting operations after decades of economic decline and depopulation. The Company will continue to create jobs in a severely degraded rural area.
- Additionally, the Company organizes regular scholars' visits with the Viana do Bolo School and collaborates with the local high school to create vocational training centers, thereby helping the students of the province to develop not only theoretical but also practical training through the Company.

During the short time that the Company has been in business, SMS has been recognized with many different awards:

- Mentioned on the Circular Economy Industry Platform of the Business Europe site since April 2017 for sustainable mining waste exploitation.
- It was selected to take part in a European study to support the preparation of the best practices guide in the waste management plans of the extractive industries.
- The Company has been recognized by the EU as an exemplary company of good practices in

the circular economy, being one of the 10 examples of European projects, developing its own section in the 2019 JRC Science for Policy Report, to reflect good practices in the recovery of critical raw materials.

- We have been invited to participate in several workshops organized by European organizations such as the Operational Group of EIP on Raw Materials (DG Grow).
- Associated with Sustainable Mining of Galicia since February 2019.
- It has been one of the 25 companies recognized in the European Business Awards for the Environment in the EBAE 2019/2020 edition, selected among 115 companies that were nominated. These are awards for those companies that successfully combine the economic viability of their businesses with the protection of the environment.

Additionally, SMS has been involved in European projects and associations for the development of the critical raw materials sector, from the point of view of sustainability and the circular economy:

- Participant in the European Commission's H2020 TARANTULA project to recover critical raw materials from mining waste, using environmentally friendly, sustainable and low-cost metallurgical processes.
- Member of the European Raw Materials Alliance (ERMA) since December 2020.
- Member of the governance group DG Grow of EIP on Raw Materials since June 2021.

With regard to energy consumption, the Company is engaged in advanced discussions with two groups regarding wind and photovoltaic power generation, which will allow access to government subsidies and excess power that the Company can sell to help reduce its carbon footprint.

## FINANCING ACTIVITIES

| SMEI Short and long-term financial liabilities | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Long-term payables to credit institutions | 2,254.9 | 2,762.6 |
| Long-term payables to group companies and associates | - | 15,629.2 |
| Long-term payables to public institutions | 436.8 | 509.6 |
| Long-term lease liabilities | 57.6 | 70.9 |
| Other long-term debts | 88.0 | 185.9 |
| Short-term payables to credit institutions | 673.2 | 614.4 |
| Short-term payables to public institutions | 72.8 | - |
| Short-term lease liabilities | 17.7 | 16.1 |
| Trade and other accounts payable | 1,528.9 | 1,569.3 |
| Employees benefit obligations | 0.1 | 68.1 |
| Other short-term debts | 322.8 | 437.2 |
| **Total Net** | **5,452.8** | **21,863** |

*Short-Term: <= 12 months*
*Long- Term: > 12 months*

As of the end of 2020, the Company had long-term indebtedness with group companies (related parties) for loans received from its shareholders. The participating loans balance as of September 2021 is nil as €15.6 million were capitalized between March and June 2021.

During the third quarter 2021 and year-to-date September 2021 SMS has paid €0.453 million installments on its loans outstanding as at the end of 2020.

In January 2019, the Company received the first installment of a grant equivalent to a total of €509,576 from the Ministry of Science and Innovation. As of September 30, 2021, no interest payment has yet been made, given that the loan has a 3-year grace period.

| Bank | Start date | Due date | December 31, 2020 | Amortization YTD 2021 | Balance September 30, 2021 |
|---|---|---|---|---|---|
| Abanca 1708-0 | oct-20 | oct-25 | 169 | 17 | 152 |
| Abanca 1710-6 | oct-20 | oct-25 | 177 | 19 | 158 |
| Abanca 1932-8 | oct-20 | oct-25 | 87 | 9 | 78 |
| Sabadell 8077053720 | mar-20 | dic-25 | 2,366 | 243 | 2,123 |
| Bankia 02082 | dic-20 | sep-25 | 190 | 29 | 161 |
| Caja Rural 4950 | oct-20 | abr-25 | 122 | 14 | 108 |
| BBVA 1326 | sep-20 | oct-25 | 168 | 23 | 145 |
| SABADELL 0351028039 | dic-20 | dic-21 | 99 | 99 | 0 |

All indebtedness is valued in the liabilities section of the balance sheet at depreciated cost. Financial expenses are recognized on an accruals basis in the income statement using the effective interest method.

On July 14, 2021, SMEI entered into an acquisition agreement with SMS, whereby the Company issued 200,000,000 shares and 1,252,395 share purchase warrants in consideration for all of the issued and outstanding shares of SMS. As a result of this share exchange, the former shareholders of SMS control SMEI. SMEI is engaged in certain mining and exploration activities in Spain. The transaction constituted a restructuring of SMS as there was no substantive change in ownership of SMS.

On August 24, 2021, SMEI entered into a share exchange agreement with Buccaneer whereby Buccaneer is expected to acquire all of the issued and outstanding shares of SMEI. The transaction is expected to constitute a reverse acquisition, whereby for financial reporting purposes, the transaction will be presented as the acquisition of Buccaneer by SMEI. The closing of the transaction is subject to a number of terms and conditions including the receipt of all necessary regulatory consents and approvals, the listing of the resulting issue on the Neo, and the delisting of Buccaneer from the Canadian Securities Exchange.

The transaction with Buccaneer is subject to shareholder and regulatory approval, both of which are outstanding as of the date of this MD&A.

In conjunction with the RTO Transaction, SMEI has raised in excess of €4.746 million in equity financing to support the operations of SMS, and in July SMEI entered into a participating loan with SMEI of €5.0 million. This has resulted in a significant liquidity injection for the Company.

Capital stock - The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2021, SMEI has 225,815,000 common shares outstanding, as well as 27,067,395 share purchase warrants exercisable at CDN$0.40 and expiring five years from their date of issuance (the "2026 Warrants"); these were issued as follows:

(i) One common share was issued on incorporation and subsequently cancelled upon the restructuring of SMS and SMEI on July 14, 2021;
(ii) On July 14, 2021, 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 Vend-in Transaction;
(iii) Between July and September 2021, SMEI issued 24,825,000 units (the "Units") in consecutive tranches of a Unit financing (the "Financing"). The Units consist of one common share and one Warrant and were issued at CDN$0.25 per Unit; and
(iv) Between July and September 2021, SMEI issued 990,000 Units in payment of advisory fees related to the Financing.

## FINANCIAL INFORMATION AND LIQUIDITY

| ASSETS (€ thousands) | Consolidated September 30, 2021 | Consolidated December 31, 2020 |
|---|---|---|
| **Current assets** | **6,212** | **633** |
| Trade and other receivables | 1,154 | 252 |
| Cash and cash equivalents | 4,802 | 206 |
| Inventories | 218 | 174 |
| Other current assets | 38 | 1 |
| **Non-current assets** | **20,375** | **21,023** |
| Property, plant and equipment | 16,712 | 17,287 |
| Exploration and evaluation | 2,456 | 2,456 |
| Deferred tax assets | 722.704 | 722.704 |
| Other assets | 327.764 | 327.764 |
| Right-of-use assets | 155.589 | 228.985 |
| **Total Assets** | **26,587** | **21,655** |

- Non-current assets

Property, plant and equipment, and Exploration and evaluation are made up of:

| Net Book Value (€ thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Infrastructure | 993 | 1,026 |
| Technical installations and other tangible assets | 7,252 | 7,784 |
| Fixed assets under construction | 1,001 | 623 |
| Administrative concessions | 7,466 | 7,855 |
| **Total Net** | **16,712** | **17,287** |

The main intangible fixed assets correspond mainly to administrative concessions for research permits held by the Company.

Disposals during the third quarter of 2021 and year-to-date September 2021 mainly relate to write-offs or losses of fixed assets, which are individually immaterial.

- Trade and other receivables comprise the following:

| Trade and other receivables (€ thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Trade receivables | 815 | 64 |
| Prepaid expenses | 37 | 0 |
| Other current assets | 2 | 1 |
| **Total** | **853** | **64** |

- Cash and cash equivalents

This includes cash and short-term bank deposits with an initial maturity of three months or less. There are no restrictions on the free availability of balances. The carrying amount of these assets approximates their fair value.

| Cash and cash equivalents (€ thousands) | Consolidated September 30, 2021 | Consolidated December 31, 2020 |
|---|---|---|
| Bank accounts | 4,802 | 206 |
| Cash | 0 | 0 |
| **Total** | **4,802** | **206** |

- Inventories – are composed of the following:

| Inventories (€ thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Other supplies | 41 | 46 |
| Finished goods | 213 | 151 |
| Impairments | -35 | -23 |
| **Total** | **218** | **174** |

| EQUITY AND LIABILITIES (€ thousands) | Consolidated September 30, 2021 | Consolidated December 31, 2020 |
|---|---|---|
| Current liabilities | 2,685 | 2,751 |
| Trade and other payables | 1,529 | 1,569 |
| Borrowings | 746 | 614 |
| Contract liabilities | 323 | 437 |
| Employee benefit obligations | 0 | 68 |
| Current tax liabilities | 70 | 45 |
| Lease liabilities | 18 | 16 |
| Non-current liabilities | 3,524 | 19,851 |
| Loans and borrowings | 2,780 | 19,087 |
| Provisions | 687 | 692 |
| Lease liabilities | 58 | 71 |
| Equity | 20,378 | -946 |
| Share capital and share premium | 32,522 | 13,371 |
| Other reserves | 1,744 | 322 |
| Retained earnings | -13,857 | -2,233 |
| Other equity | -31 | -12,406 |
| **Total Equity and Liabilities** | **26,587** | **21,655** |

- Loans and borrowings:

The 2020 balance at year-end of loans with group companies was €15.6 million under participating loans. At the end of September 30, 2021, the loans are fully capitalized, due to the two capital increases carried out in March and June 2021.

The amounts owed by the Company under operating loans accrue interest at 3% per year, calculated on the principal at the time pending repayment, payable at the time of maturity of the loan.

The seven bank loans taken out in 2020 for a total amount of €3.279 million have been reduced during 2021 by €0.354 million through the payment of the corresponding installments.

- Liquidity:
  During the first nine months of 2021 the Company continued to strengthen its financial position by improving its operating performance, enhancing production performance and the cost structure which improved the bottom line by €2.832 million compared to the year before. Management feels confident that working capital requirements will be covered during the ongoing course of business.

  - Cash at the end of the period reached €4.802 million. Inventories at the end of the period were valued at €0.218 million.

  - Trade and other accounts receivable of €1.154 million are consistent with the increase in sales.

  - The 8 tonnes of concentrate in inventory at the end of 2020 were sold in January 2021.

  - Trade accounts payable were negotiated with suppliers holding balances above €15,000 for payment deferrals, which are being paid in 19 quarterly installments, ending in 2025.

  - The bank loans provide additional flexibility to continue improving operations and help the Company achieve its growth plans.

- Level of risk of financial instruments:

  The Company's financial risk management is centralized in the Finance Department, which has established the necessary mechanisms to control exposure to interest rate fluctuations, as wellas credit and liquidity risks. The main financial risks affecting the Company are  indicated below:

  *Credit risk*: In general, the Company maintains its cash and cash equivalents in financial institutions with high credit ratings.

  *Liquidity risk*: In order to ensure liquidity and to be able to meet all payment commitments arising from its activity, the Company has the cash shown in its balance sheet.

  *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. Management of the Company does not consider the interest rate risk to be significant.

  The Company has several loans granted in foreign currencies and could therefore be exposed to exchange rate risk.

- Transactions in foreign currencies:
  The functional currency used by the Company is the Euro. Consequently, transactions in currencies other than the Euro are considered to be denominated in foreign currencies and are recorded at the exchange rates prevailing at the transaction dates

- Share capital:

  At September 30, 2021, the Company has 225,815,000 common shares outstanding, as well as 27,067,395 2026 Warrants exercisable at CDN$0.40 and expiring five years from their date of issue.

| Consolidated Statement of Operations and Comprehensive Loss (€ thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 3,486 | 849 | 5,148 | 1,436 |
| Changes in inventories of finished goods and work in progress | 169 | 0 | 44 | 0 |
| Raw materials and consumables used | -186 | -185 | -367 | -254 |
| Supplies | -199 | -144 | -485 | -379 |
| **Gross profit** | **3,270** | **520** | **4,340** | **803** |
| Other operating income | -10 | 2 | 152 | 31 |
| Other gains/(losses) – net | -6 | 2 | 24 | 30 |
| Depreciation and amortisation expense | -369 | -363 | -1,069 | -1,095 |
| Employee benefit expenses | -390 | -333 | -1,071 | -797 |
| Other operating expenses | -874 | -395 | -1,659 | -831 |
| **Operating profit** | **1,620** | **-567** | **715** | **-1,858** |
| Finance income | 37 | 0 | 42 | 0 |
| Finance costs | -17 | -187 | -211 | -429 |
| **Profit before income tax** | **1,640** | **-755** | **546** | **-2,287** |
| **Profit from continuing operations** | **1,640** | **-755** | **546** | **-2,287** |
| **Net comprehensive income (loss) for the period** | **1,640** | **-755** | **546** | **-2,287** |

| YTD Revenue (€ thousands) | September 30, 2021 | September 30, 2020 | Variance |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5,148 | 1,436 | 3,711 |
| Changes in inventories of finished goods and work in progress | 44 | 0 | 44 |
| Raw materials and consumables used | -367 | -254 | -113 |
| Supplies | -485 | -379 | -105 |
| **Gross profit** | **4,340** | **803** | **3,536** |
| Other operating income | 152 | 31 | 120 |
| Other gains/(losses) – net | 24 | 30 | -7 |
| Depreciation and amortisation expense | -1,069 | -1,095 | 25 |
| Employee benefit expenses | -1,071 | -797 | -274 |
| Other operating expenses | -1,659 | -831 | -828 |
| **Operating profit** | **715** | **-1,858** | **2,573** |
| Finance income | 42 | 0 | 41 |
| Finance costs | -211 | -429 | 218 |
| **Profit before income tax** | **546** | **-2,287** | **2,832** |
| **Profit from continuing operations** | **546** | **-2,287** | **2,832** |
| **Profit for the period** | **546** | **-2,287** | **2,832** |

- Revenues from sales and services rendered:

  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.

  Revenue increased by €3.711 million (by 258.4%) from the same period of 2020, when the plant was closed from mid-March to June 2020 due to the restrictions to avoid the spread of COVID-19. Revenues were also positively impacted by the fact that both the price of tin and tantalum increased during 2021.

- Salaries:

  The increase in salaries of 34.4% (€0.274 million) arose because during March to June

2020 the salaries were paid by the Spanish Government under the Temporary Employment Regulation Expedient (ERTE by its initials in Spanish).

The ERTE was a temporary authorization granted by the Government so that companies can suspend the payment of workers' labor contracts for a determined period of time; and the Government assumes such payment, which it makes directly to the workers.

This measure was only in effect for the months of March to June in 2020; in 2021 this measure was no longer available.

- Provisions and contingencies:
  The Company's 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 financial statements, but are disclosed in the notes to the financial statements, to the extent that they are not considered to be remote.

  Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, considering the information available on the event and its consequences, and any adjustments arising from the restatement of such provisions are recorded as a financial expense as accrued.

## 2020 QUARTERLY

| 2020 Quarterly Revenue (€ thousands) | Q1 2020 | Q2 2020 | Q3 2020 | YTD 2020 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 580 | 8 | 849 | 1,436 |
| Changes in inventories of finished goods and work in progress | | -81 | 81 | |
| Raw materials and consumables used | -68 | -1 | -185 | -254 |
| Supplies | -153 | -1 | -225 | -379 |
| **Gross profit** | **357** | **-74** | **520** | **803** |
| Other operating income | 28 | 25 | -1 | 31 |
| Other gains/(losses) – net | 26 | -21 | 2 | 30 |
| Depreciation and amortisation expense | -367 | -366 | -363 | -1,095 |
| Employee benefit expenses | -406 | -55 | -333 | -797 |
| Other operating expenses | -294 | -116 | -394 | -831 |
| **Operating profit** | **-706** | **-585** | **-567** | **-1,858** |
| Finance income | | | | 0 |
| Finance costs | -108 | -133 | -187 | -429 |
| **Profit before income tax** | **-791** | **-740** | **-755** | **-2,287** |
| **Profit from continuing operations** | **-791** | **-740** | **-755** | **-2,287** |
| | | | | 0 |
| **Profit for the period** | **-791** | **-740** | **-755** | **-2,287** |

## 2021 QUARTERLY

| 2021 Quarterly Revenue (€ thousands) | Q1 2021 | Q2 2021 | Q3 2021 | YTD 2021 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 252 | 1,410 | 3,486 | 5,148 |
| Changes in inventories of finished goods and work in progress | 68 | -193 | 169 | 44 |
| Raw materials and consumables used | -41 | -140 | -186 | -367 |
| Supplies | -82 | -204 | -199 | -485 |
| **Gross profit** | **197** | **874** | **3,270** | **4,340** |
| Other operating income | 2 | 160 | -10 | 152 |
| Other gains/(losses) – net | 19 | 11 | -6 | 24 |
| Depreciation and amortisation expense | -360 | -340 | -369 | -1,069 |
| Employee benefit expenses | -329 | -352 | -390 | -1,071 |
| Other operating expenses | -299 | -486 | -874 | -1,659 |
| **Operating profit** | **-771** | **-133** | **1,620** | **715** |
| Finance income | 1 | 4 | 37 | 42 |
| Finance costs | -114 | -81 | -17 | -211 |
| **Profit before income tax** | **-885** | **-210** | **1,640** | **546** |
| **Profit from continuing operations** | **-885** | **-210** | **1,640** | **546** |
| **Profit for the period** | **-885** | **-210** | **1,640** | **546** |

| Selected Financial Information (€ thousands) | Q1 2021 | Q2 2021 | Q3 2021 | YTD 2021 | Q1 2020 | Q2 2020 | Q3 2020 | YTD 2020 | Variance 2021 - 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 252 | 1,410 | 3,486 | 5,148 | 580 | 8 | 849 | 1,436 | 3,711 |
| **Gross profit** | **196** | **874** | **3,270** | **4,340** | **357** | **-74** | **520** | **803** | **3,536** |
| *% GP* | *77.8%* | *62.0%* | *93.8%* | *84.3%* | *61.6%* | *-925.0%* | *61.2%* | *55.9%* | |
| Operating expenses | -1,321 | -654 | -1,649 | -3,624 | -1,041 | -533 | -1,087 | -2,661 | -963 |
| **EBITDA** | **-411** | **206** | **1,989** | **1,785** | **-317** | **-241** | **-205** | **-763** | **2,548** |
| *% EBITDA* | *-163.1%* | *14.6%* | *57.1%* | *34.7%* | *-54.7%* | *-3012.5%* | *-24.1%* | *-53.1%* | |
| **EBT** | **-885** | **-210** | **1,640** | **546** | **-791** | **-740** | **-755** | **-2,287** | **2,832** |
| *% EBT* | *-351.2%* | *-14.9%* | *47.1%* | *10.6%* | *-136.4%* | *-9250.0%* | *-88.9%* | *-159.2%* | |

Tonnes sold during the third quarter of 2021 increased by 86.7% (85.05 tonnes) and accumulated September 2021 increased 86.6% (134.40 tonnes). Revenues increased by 258.4% (€ 3.711 million) and this growth is due to the increase in Tin and Tantalum prices.

This significant improvement in revenues has driven gross profit to improve by 529.3% (93.8% Q3 of 2021 vs 61.2% Q3 2020 as a percentage of sales) or €2.750 million.

Even as operating expenses have increased during the third quarter of 2021 by 51.7%, EBITDA reached €1.989 million and the EBT improved by €2.395 million.

## ACCOUNTING PRINCIPLES

The abridged annual accounts which this MD&A discusses have been obtained from the Company's accounting records. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting. The Company's presentation currency is the Euro (€).

## CHANGES IN ACCOUNTING CRITERIA

During the third quarter 2021 and year-to-date September 30, 2021, there have been no significant changes in accounting criteria with respect to the criteria applied in the 2020 fiscal year, other than relating to inventory. Until the end of 2020, any variance in inventory was recorded at the closing of the year. Starting in 2021, the variance is registered monthly as the Company believes this to be a more prudent accounting policy.

## CRITICAL ASPECTS OF VALUATION AND ESTIMATION OF UNCERTAINTY GOING CONCERN

In the preparation of the Company's abridged annual accounts, estimates have been made by the Company to value some of the assets, liabilities, income, expenses and commitments recorded in them. These estimates refer to:

- The assessment of possible impairment losses on certain assets,
- The calculation of other provisions, and
- The market value of certain financial instruments.

Although these estimates have been made on the basis of the best information available, as of September 30, 2021, it is possible that events that may occur in the future may make it necessary to modify them (upwards or downwards) in the coming years, which would be done, if necessary, prospectively.

## RISKS AND UNCERTAINTIES

Exploration, development and mining of precious metals involve numerous inherent risks resulting from the economic conditions of the various areas of operation. As such, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows. Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated.

Such risks include, but are not limited to:

1. Liquidity risks
2. Mineral price volatility
3. Future production rates
4. Financing risks: Indebtedness of the Company
5. Restrictive covenants in indebtedness
6. Current global markets and economic conditions
7. Availability and cost of supplies
8. Exploration, development and operations
9. Changes in environmental laws
10. Mining risks and insurance risks
11. Changes in legislation
12. COVID-19

If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently aware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the prices of the Company's securities could decline and investors may lose all or part of their investment.

Given the uncertainty in the duration and consequences of the situation caused by COVID-19, it is not possible to accurately determine the potential impacts that it will have for the entity. However, Board of Directors is analyzing the different scenarios, and is performing mitigating actions. The Company believes that its financial position is such that it faces no going concern issues in the foreseeable future.

Significant events in 2021 that mitigated financial risks included the following:

1. During the second half of 2021 SMEI was incorporated in Canada as a vehicle to obtain a stock exchange listing and financing for SMS and in July, 2021, pursuant to the Vend-in Transaction, the shareholders of SMS exchanged their shares of SMS for shares of SMEI, thereby making SMS a wholly-owned subsidiary of SMEI. On August 24, 2021, SMEI announced that it had signed a share exchange agreement with Buccaneer pursuant to which SMEI would complete the RTO Transaction by way of share exchange with Buccaneer, as a result of which the shareholders of SMEI would gain control of Buccaneer. In conjunction with the RTO Transaction and pursuant to the Financing, as of September 30, 2021, SMEI had raised €4.136 million in equity financing to support the operations of SMS.

2. Subsequent to period end, SMEI has closed another tranche of the Financing, raising CDN$1.05 million through the issuance of 4.2 million Units.

3. SMS underwent two capital increases in the aggregate amount of €15.0 million, which were made in March and June in anticipation of the Vend-in Transaction.

4. A shareholder loan of €5.0 million was entered into between SMS and SMEI.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, total cash costs, and capital expenditures, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements.

The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.

| ABBREVIATION | DESCRIPTION |
|---|---|
| CIF | Cost, Insurance and Freight (Incoterm) |
| CPA | Chartered Professional Accountants |
| DG | Directorate-General |
| EBAE | European Business Awards for the Environment |
| EBIT | Earnings before interest and taxes |
| EBITDA | Earnings before interest, taxes, depreciation and amortization |
| EBT | Earnings before taxes |
| EIP | European innovation partnership |
| ERMA | European Raw Materials Alliance |
| ERTE | Temporary Employment Regulation Expedient (by its initials in Spanish) |
| EU | Europe |
| EUR / € | Euros |
| GP | Gross Profit |
| H2020 | Horizon 2020 |
| Ha | Hectare |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |
| JRC | Joint Research Center |
| Kg | Kilogram |
| Li | Lithium |
| LME | London Metal Exchange |
| MD&A | Management's Discussion and Analysis |
| Mt | Million Tonnes |
| Nb | Niobium |
| Nb2O5 | Niobium pentoxide |
| NI 43-101 | National Instrument 43-101 – Standards of Disclosure for Mineral Projects |
| NW | Northwest |
| ppm | parts per million |
| Q | Quarter |
| RDA | Resource Development Associates Inc. |
| SMEI | Strategic Minerals Europe Inc |
| SMS | Strategic Minerals Spain S.L. |
| Sn | Tin |
| SRK | SRK Consulting (UK) Limited |
| t | Tonnes |
| DG | Directorate-General |
| EBAE | European Business Awards for the Environment |
| H2020 | Horizon 2020 |
| ERMA | European Raw Materials Alliance |
| VAT | Value Added Tax |
| ERTE | Temporary Employment Regulation Expedient (by its initials in Spanish) |