STRATEGIC MINERALS EUROPE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

(EXPRESSED IN U.S. DOLLARS)

(Unaudited)

STRATEGIC MINERALS EUROPE CORP.
Condensed Interim Consolidated Statement of Financial Position
As at March 31, 2022 and December 31, 2021
(Expressed in U.S. Dollars)
(Unaudited)

	Notes	March 31, 2022 $	December 31, 2021 $
Assets			
Current assets:			
Cash and cash equivalents		**884,413**	2,235,716
Trade and other receivables	9	**673,120**	1,500,876
Inventories	8	**326,321**	218,331
Other current assets		**70,864**	94,402
Total current assets		**1,954,718**	4,049,325
Non-current assets:			
Property, plant and equipment	6	**21,583,008**	22,513,368
Exploration and evaluation	5	**2,722,960**	2,788,050
Other assets		**366,133**	374,204
Right-of-use assets	7	**205,680**	223,203
Total assets		**26,832,499**	29,948,150
Liabilities and shareholder's equity			
Current liabilities:			
Trade and other payables		**1,941,863**	2,482,826
Current portion of long term liabilities	10	**931,545**	925,313
Total current liabilities		**2,873,408**	3,408,139
Non-current liabilities:			
Long term liabilities	10	**3,531,224**	4,147,253
Decommissioning liabilities	13	**778,773**	794,131
Total labilities		**7,183,405**	8,349,523
Shareholders' equity:			
Share capital	12	**40,817,960**	40,817,960
Other reserves		**3,819,628**	3,800,673
Accumulated other comprehensive loss	12	**(2,967,654)**	(2,610,876)
Deficit		**(22,020,840)**	(20,409,130)
Total shareholders' equity		**19,649,094**	21,598,627
Total liabilities and shareholders' equity		**26,832,499**	29,948,150

Commitments and contingencies (note 1, 13 & 16)

On behalf of the Board of Directors:

"Campbell Becher"
Director (Signed)

"Miguel de la Campa"
Director (Signed)

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
Condensed Interim Consolidated Statement of Operations and Comprehensive Loss
For the three months ended March 31, 2022 and 2021
(Expressed in U.S. Dollars)
(Unaudited)

		Three months ended March 31,	
		2022	**2021**
	Notes	**$**	**$**
Revenue	11a	**1,084,219**	303,213
Changes in inventories of finished goods and work in progress		**81,034**	-
Raw materials and consumables used		**(208,889)**	(49,069)
Supplies		**(276,956)**	(98,410)
Profit before expenses and other		**679,408**	155,734
Expenses:			
Depreciation and amortization expense	6, 7	**(400,196)**	(415,369)
Employee expenses	11b	**(590,785)**	(396,672)
Share-based payments	12	**(18,955)**	-
Other operating expenses	11c	**(1,400,873)**	(375,118)
Total expenses		**(2,410,809)**	(1,187,159)
Other income (expense)			
Finance income		**136,052**	958
Finance costs		**(31,683)**	(135,544)
Other income		**15,322**	24,216
Total other income (expense)		**119,691**	(110,370)
Net loss		**(1,611,710)**	(1,141,795)
Other comprehensive loss			
Items that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustment		**(356,778)**	306,154
Comprehensive loss		**(1,968,488)**	(835,641)
Net loss per share - Basic and diluted (Note 18)		**(0.01)**	(0.01)
Weighted average number of shares outstanding - Basic and diluted		**236,471,333**	99,383,621

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
Condensed Interim Consolidated Statements of Change in Equity (Deficiency)
For the three months ended March 31, 2022 and 2021
(Expressed in U.S. Dollars)
(Unaudited)

	Share capital and premium	Other equity	Other reserves	Currency translation adjustment	Deficit	Total
	$	$	$	$	$	$
Balance at December 31, 2020	**16,762,382**	**(9,228,261)**	**374,914**	**(1,462,728)**	**(8,491,771)**	**(2,045,464)**
Total comprehensive loss for the period	-	-	-	306,154	(1,141,795)	(835,641)
Balance at March 31, 2021	**16,762,382**	**(9,228,261)**	**374,914**	**(1,156,574)**	**(9,633,566)**	**(2,881,105)**
Balance at December 31, 2021	**40,817,960**	-	**3,800,673**	**(2,610,876)**	**(20,409,130)**	**21,598,627**
Share-based compensation (note 12)	-	-	18,955	-	-	18,955
Total comprehensive loss for the period	-	-	-	(356,778)	(1,611,710)	(1,968,488)
Balance at March 31, 2022	**40,817,960**	**-**	**3,819,628**	**(2,967,654)**	**(22,020,840)**	**19,649,094**

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
Condensed Interim Consolidated Statement of Cash Flows
For the three months ended March 31, 2022 and 2021
(Expressed in U.S. Dollars)
(Unaudited)

	Three months ended March 31, 2022 $	2021 $
Cash provided by (used in):		
Operating activities		
Net loss	**(1,611,710)**	(1,141,795)
Items not involving cash:		
Depreciation and amortization expense	**400,196**	415,369
Finance income	**(136,052)**	(958)
Finance expenses	**31,684**	135,522
Share-based payments	**18,955**	-
Other income and losses	**(81,035)**	-
Net change in non-cash working capital items		
Trade and other receivables	**794,564**	35,634
Trade and other payables	**(161,470)**	(75,613)
Income tax paid	**37,025**	(15,601)
Net cash provided used in operating activities	**(707,843)**	(647,442)
Investing activities		
Additions to property, plant and equipment	**(311,071)**	(7,189)
Net cash provided by investing activities	**(311,071)**	(7,189)
Financing activities		
Proceeds from borrowings	**(46,464)**	885,971
Repayment of loans	**(246,046)**	(137,379)
Principal elements of lease payments	**(6,765)**	(1,883)
Net cash provided by (used in) financing activities	**(299,275)**	746,709
Foreign exchange on cash and cash equivalents	**(33,114)**	8,142
Net increase in cash and cash equivalents	**(1,351,303)**	100,220
At the beginning of the period	**2,235,716**	231,181
At the end of the period	**884,413**	331,401
Short term bank deposits	**844,350**	2,017,013
Cash	**40,063**	(1,685,612)
	884,413	331,401

See the accompanying notes to the condensed interim 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.

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 condensed interim consolidated statements of financial results represent those of SMEI as it is the deemed accounting acquirer.

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 5 and 6). 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 condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on May 11, 2022.

These condensed interim 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 $1,611,710 for the three months ended March 31, 2022 (March 31, 2021 - $1,141,795) and has a working capital deficit of $918,690 as at March 31, 2022 (December 31, 2021 working capital surplus of $641,186).

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 commenced 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 condensed interim 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 unaudited interim consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Accountant Standard 34, (“IAS 34”), Interim Financial Reporting. These interim consolidated financial statements do not conform in all respects to the requirements of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company’s December 31, 2021 financial statements.

3. BASIS OF PREPARATION

Basis of consolidation

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

Functional and presentation currency

These condensed interim 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.

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.

Use of estimates and judgments:

The preparation of these interim 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 requires management to make significant judgements, estimates and assumptions in determining carrying values include are the same as those described in the Company’s most recent annual financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent consolidated annual financial statements as at December 31, 2021.

Recently adopted accounting pronouncements

During the period ended March 31, 2022, the Company adopted the following amendments. These new standards and changes did not have any material impact on the Company’s condensed interim consolidated financial statements.

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.

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.

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.

Future changes in accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2022, 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.

(Expressed in U.S. Dollars)

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.

5. EXPLORATION AND EVALUATION

As of March 31, 2022 and December 31, 2021, 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:

Net Book Value (USD)	Alberta II Project	Coneto Project	Total
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**
Effect of foreign currency exchange differences	(27,847)	(37,243)	(65,090)
Balance March 31, 2022	**1,164,918**	**1,558,042**	**2,722,960**

There were no changes to the exploration and evaluation assets during the three months ended March 31, 2022 and 2021 other than as a result of foreign currency translation.

6. 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 Penouta, 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.

(Expressed in U.S. Dollars)

As of March 31, 2022 and December 31, 2021 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, 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**
Additions	-	-	293,830	12,284	4,957	**311,071**
Retirements	-	-	(332,842)	-	-	**(332,842)**
Effect of foreign currency exchange differences	(32,304)	(245,456)	649,855	(1,023,994)	(1,268)	**(653,167)**
Balance March 31, 2022	**1,351,427**	**10,268,391**	**5,177,000**	**10,461,288**	**55,584**	**27,313,690**

Accumulated Depreciation (USD)	Infrastructure	Technical installations and other tangible assets	Fixed assets under construction	Administrative concessions	Computer software	Total
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)**
Additions	(13,083)	(157,298)	-	(217,139)	(220)	**(387,740)**
Retirements	-	-	-	-	-	**-**
Effect of foreign currency exchange differences	6,530	(5,416)	-	129,990	1,214	**132,318**
Balance March 31, 2022	**(279,783)**	**(2,447,441)**	**-**	**(2,952,557)**	**(50,901)**	**(5,730,682)**

Net Book Value (USD)	March 31, 2022	December 31, 2021
Infrastructure	1,071,644	1,110,501
Technical installations and other tangible assets	7,820,950	8,229,120
Fixed assets under construction	5,177,000	5,340,232
Administrative concessions	7,508,731	7,833,515
Computer software	4,683	-
Total Net	**21,583,008**	**22,513,368**

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.

7. RIGHT OF USE ASSETS

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

(Expressed in U.S. Dollars)

Right of Use Assets (USD)	Total
Balance December 31, 2020	**628,434**
Effect of foreign currency exchange differences	(46,547)
Balance December 31, 2021	**581,887**
Effect of foreign currency exchange differences	(13,584)
Balance March 31, 2022	**568,303**

Accumulated Depreciation ROU (USD)	Total
Balance December 31, 2020	**(347,721)**
Amortization	(38,271)
Effect of foreign currency exchange differences	27,308
Balance December 31, 2021	**(358,684)**
Amortization	(12,457)
Effect of foreign currency exchange differences	8,518
Balance March 31, 2022	**(362,623)**

Net Book Value (USD)	March 31, 2022	December 31, 2021
Right-of-use assets	205,680	223,203
Total - net	**205,680**	**223,203**

8. INVENTORIES

Inventories comprise the following:

Inventories (USD)	March 31, 2022	December 31, 2021
Finished goods	244,934	168,779
Materials and supplies	81,387	49,552
Total	**326,321**	**218,331**

The finished goods as at March 31, 2022 contained concentrate of tin and tantalum in the amount of $182,857 and $62,077, respectively (December 31, 2021 - $154,530 and $14,250).

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables are composed of the following:

Trade and other receivables (USD)	March 31, 2022	December 31, 2021
Trade receivables	146,167	703,633
VAT receivable	526,953	797,243
Total	**673,120**	**1,500,876**

(Expressed in U.S. Dollars)

10. LONG TERM LIABILITIES

The table below summarizes the outstanding obligations as at March 31, 2022 and December 31, 2021:

in USD	March 31, 2022	December 31, 2021
Bank loans	2,889,411	3,137,720
Government grants	434,912	578,421
Arrangements with suppliers	858,988	1,052,480
Lease liabilities	279,458	303,738
Related party loans	-	207
Total	4,462,769	5,072,566
Less: current portion	931,545	925,313
Long term liabilities	**3,531,224**	**4,147,253**

Bank loans

The Company has loans with several financial institutions that are payable on a quarterly basis. The outstanding balances as at March 31, 2022 and December 31, 2021 are as follows:

March 31, 2022 (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%	39,323	109,886	149,209
Loan (b)	October 2020	October 2025	No	2.00%	42,010	112,439	154,449
Loan (c)	October 2020	October 2025	No	2.00%	20,195	56,435	76,630
Loan (d)	March 2020	December 2025	Secured	2.00%	550,207	1,540,337	2,090,544
Loan (e)	December 2020	September 2025	No	2.50%	55,155	113,183	168,338
Loan (f)	October 2020	April 2025	No	2.30%	31,825	72,625	104,450
Loan (g)	September 2020	October 2025	No	2.25%	39,193	103,133	142,326
Other short debts	-	January 2022	No	-	3,465	-	3,465
Total					**781,373**	**2,108,038**	**2,889,411**

December 31, 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**

Government grants

In January 2019, the Company received a grant equivalent to $564,917 from the Spanish Ministry of Science and Innovation with a 3-year period prior to commencement of repayment. During the three months ended March 31, 2022, a total repayment of $81,649 was made with respect to this grant. The principal amount due in 12 months is $80,703 and has been recognized as a current liability as at March 31, 2022.

(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 $387,540 is included in the "Trade and other payables" balance as at March 31, 2022 (December 31, 2021 - $454,176).

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

in Euro	Total	2023	2024	2025
Arrangements with suppliers	774,841	196,131	348,503	230,207
Total	**774,841**	**196,131**	**348,503**	**230,207**

in USD	Total	2023	2024	2025
Arrangements with suppliers	858,988	217,431	386,350	255,207
Total	**858,988**	**217,431**	**386,350**	**255,207**

Lease liabilities

Lease liabilities (USD)	
Leaes liability as at December 31, 2020	**387,475**
Additions	-
Interest expense	11,591
Lease payments	(81,714)
Effect of foreign currency exchange differences	(13,614)
Leaes liability as at December 31, 2021	**303,738**
Additions	-
Interest expense	2,343
Lease payments	(19,732)
Effect of foreign currency exchange differences	(6,891)
Leaes liability as at March 31, 2022	**279,458**

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

(USD)	March 31, 2022	December 31, 2021
Current lease liabilities	69,469	70,341
Long-term portion of lease liabilities	209,989	233,397
	279,458	**303,738**

Related party loans

As at March 31, 2022 the related party loans amounted to $nil (December 21, 2021- $207).

(Expressed in U.S. Dollars)

Scheduled future principal obligations of the Company as at March 31, 2022 are as follows:

Cash flow Obligation (USD)	1 year	1-3 years	More than 3 years	Total
Bank loans	781,373	1,914,382	193,656	2,889,411
Government grants	80,703	354,209	-	434,912
Arrangements with suppliers	-	858,988	-	858,988
Leaese liabilities	69,469	209,989	-	279,458
Total	**931,545**	**3,337,568**	**193,656**	**4,462,769**

11. REVENUES AND EXPENSES

(a) Revenue

Revenue (USD)	Three months ended March 31, 2022	Three months ended March 31, 2021
Sales	1,084,219	303,213
Total	**1,084,219**	**303,213**

(b) Employee expenses

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

Personnel expenses (USD)	Three months ended March 31, 2022	Three months ended March 31, 2021
Wages and Salaries	459,998	289,568
Social Security paid by the Company	125,400	99,764
Other social benefits	5,387	7,340
Total	**590,785**	**396,672**

(c) Other operating expenses

Other operating expenses (USD)	Three months ended March 31, 2022	Three months ended March 31, 2021
Leases and Royalties	146,286	90,791
Repairs and Maintenance	63,848	11,763
Professional services	468,349	121,089
Transportation	62	3,080
Insurance premiums	16,254	-
Banking and similar services	4,406	2,760
Advertising, publicity and public relations	5,485	-
Supplies	617,371	122,983
Administrative	6,608	-
Other Services	68,681	4,723
Other Taxes	3,523	17,929
Total	**1,400,873**	**375,118**

12. SHARE CAPITAL

Authorized:

Common Shares: Unlimited

(Expressed in U.S. Dollars)

Issued:

	Common Shares #	Warrants #
Balance, December 31, 2020	4,554,162	-
Loan settement	4,610,652	-
	-	-
Restructuring of SMS and SME on June 14, 2021	(9,164,814)	-
Restructuring of SMS and SME on June 14, 2021	200,000,000	1,252,395
Private Placements – July 2021 – November 2021	29,025,000	29,025,000
Advisory fee related to private placements	1,242,000	1,242,000
Issued in reverse takeover	6,204,333	1,551,083
Balance, December 31, 2021 & March 31, 2022	**236,471,333**	**33,070,478**

As at December 31, 2021 and March 31, 2022, 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.

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 January 20, 2022, the Company granted a total of 100,000 stock options to certain consultants, with 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.

The stock option fair value of $18,955 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 1.68%, share price of CA$0.29, an estimated life of 5 years and a dividend yield of 0%.

13. DECOMISSIONING LIABILITIES

As at March 31, 2022, the Company recognized a provision for future estimated reclamation and water treatment costs associated with the Penouta Project. As at March 31, 2022, the estimated future liability of approximately $778,773 (December 31, 2021 - $794,131), was discounted at a rate of 1.84% (December 31, 2021 - 1.14%). 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.

(Expressed in U.S. Dollars)

Decomissioning liabilities (USD)	Total
Balance December 31, 2020	**848,933**
Accretion	8,418
Effect of foreign currency exchange differences	(63,220)
Balance December 31, 2021	**794,131**
Accretion	3,219
Effect of foreign currency exchange differences	(18,577)
Balance March 31, 2022	**778,773**

14. 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 March 31, 2022 and December 31, 2021, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021 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 March 31, 2022, the Company had cash and cash equivalents of $884,413 (December 31, 2021 - $2,235,716) available to settle current liabilities of $2,873,408 (December 31, 2021 - $3,408,139). 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 March 31, 2022, the Company holds a foreign currency balance of $23,390 (December 31, 2021 – $20,476) 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.

15. 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 three months ended March 31, 2022 and 2021.

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.

16. 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) The Company is party to certain operating agreements that contain minimum commitments of approximately CA$150,000 ($120,000) within one year.

17. 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 March 31, 2022 and December 31, 2021, all material non-current assets of the Company were located in Spain.

For the three months ended March 31, 2022, approximately $1,084,219 (100%) of the Company's total revenues was generated from two customers (December 31, 2021 - $296,797 (97.9%)).

18. LOSS PER SHARE

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.