STRATEGIC MINERALS EUROPE CORP.

MANAGEMENT´S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022

The following management's discussion and analysis of the results of operations and financial condition ("MD&A") for Strategic Minerals Europe Corp. (the "Company" or "Strategic Minerals"), is prepared as of March 30, 2023, and should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2022 (the "Financial Statements"), which are available on the Company's web site at www.strategicminerals.com and on www.sedar.com. Readers are encouraged to read the Cautionary Note Regarding Forward-Looking Information included on page 27 of this MD&A. The financial information in this MD&A is derived from the Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Reference should also be made to pages 22 and 23 of this MD&A for information about non-IFRS measures referred to in this MD&A. ***All figures contained herein are expressed in United States dollars ("US" or "$"), except for production or as otherwise stated.***

FOURTH QUARTER AND FULL YEAR 2022 HIGHLIGHTS

Some of the most significant achievements of the Company during the fourth quarter and twelve months of 2022 are as follows:

- During 2022, the Company successfully transitioned to open pit mining at the Penouta Project and commenced operating the primary crushing plant, improving primary concentrate production and quality of concentrate.

- On May 23, 2022, the Company was granted the Concession C Grant (as defined herein), allowing the Company to fully develop the open pit mine at the Penouta Project for 30 years. The Concession C Grant is renewable for up to 75 years to exploit cassiterite (tin), tantalum and niobium, and also to exploit the industrial minerals that exist in the mine, such as quartz, feldspars and micas.

- Total production for 2022 reached a record of 541 tonnes and quality of concentrate improved during the year as well. Cassiterite concentrate production reached 455 tonnes with 70.4% tin content and tantalite/columbite concentrate production reached 86 tonnes with 23.3% tantalite content and 24.6% columbite content. Fourth quarter production was 3.1 times that of the same period of 2021, reaching 105 tonnes of primary concentrate production.

- Sales for the year reached 524 tonnes of concentrates and 351 tonnes of contained minerals (cassiterite, tantalite and columbite concentrates multiplied by the corresponding grade percentage), increasing 52% and 76% respectively from 2021. During the fourth quarter, sales reached 121 tonnes of concentrates and 80 tonnes of contained minerals, an increase of 89% and 113% respectively over the same period of 2021.

- Revenues totaled $11.659 million in 2022, an increase of 54% compared to 2021. Revenues for the fourth quarter were $2.200 million, an increase of 58% from the same period the year before, due to the higher volume of sales, while international prices of metals continued to decrease.

- The Company reduced its net loss for the year from that in 2021, offsetting the adverse effects of low production while waiting for permits, the transition to open pit and commissioning of the plant during the first months of the year. Aggravated by the decrease of international prices of minerals/metals, higher price of its main cost drivers as electricity and diesel, combined with adverse weather conditions throughout the year, resulted in a net loss for the year of $1.419 million ($0.01 per share), an advancement from the net loss during year 2021 ($2,964 million or $0.02 per share).

- In October 2022, the Company closed a non-brokered private placement offering of convertible debenture units (the "Debenture Units") for aggregate gross proceeds of $0.846 million (CA$1.167 million) (the "CD Offering"). In total, 1,190 Debenture Units were issued, inclusive of the finder's fee. The net proceeds from the CD Offering were used to pay an installment of the financial guarantee required in connection with the exploitation underlying the Concession C Grant of the Penouta Project and for general working capital purposes. Subsequent to the reporting period, on February 15, 2023, the Company issued 163,625 common shares pursuant to the CD Offering in satisfaction of interest payments of $8,181 to certain holders of the convertible debentures, in accordance with the terms thereof.

- On December 28, 2022, the Company entered into an option agreement (the "Option Agreement") with IberAmerican Lithium Inc. ("ILI") whereby ILI entered into and exercised an option to acquire a 70% interest in the Alberta II investigation permit and the Carlota application permit (together, the "Lithium Project") in consideration for (i) CA$1 million paid to the Company at closing and (ii) a non-interest bearing promissory note of ILI to pay the Company an additional CA$1 million on February 15, 2023. The Company and ILI have also entered into a joint venture agreement and a shareholders' agreement that will govern the development and eventual operation of the Lithium Project where ILI will serve as the operator of the joint venture agreement. Subsequent to December 31, 2022, the non-interest bearing promissory note was paid pursuant to the Option Agreement.

- Subsequent to the reporting period, on January 24, 2023, the Company announced that it had closed a transaction (the "Gross Revenue Royalty Transaction") whereby Electric Royalties Ltd. (TSXV: ELEC) (OTCQB: ELECF) ("Electric Royalties") acquired a 0.75 percent gross revenue royalty on the production of the Penouta Project in exchange for a cash payment of CA$1,000,000 and the issuance of 500,000 common shares in the capital of Electric Royalties to the Company. Electric Royalties has the option to acquire an additional 0.75% royalty at the Penouta Project in consideration of a further cash payment of CA$1,250,000 until August 24, 2023. The royalty rates will be reduced to 0.5 percent respectively once CA$1,670,000 in royalty revenues have been paid to Electric Royalties.

- The Company entered into a Power Purchase Agreement ("PPA") for its Penouta Project. The PPA provides for the supply of seven gigawatts per year of electricity to the Company for five years starting on January 1st, 2023. A significant portion of the power will be from renewable energy sources and is expected to generate substantial cost savings.

SELECTED FINANCIAL INFORMATION

Operating information	Q4 2022	Q4 2021	Year 2022	Year 2021	Year 2020
Mill feed (thousand tonnes)	156	57	681	406	468
Cassiterite concentrate production (tonnes)	87	25	455	247	194
Tantalite and columbite concentrate production (tonnes)	18	8	86	84	83
Total concentrate production (tonnes)	**105**	**33**	**541**	**331**	278
Cassiterite concentrate sold (tonnes)	100	42	444	253	171
Tantalite and columbite concentrate sold (tonnes)	21	22	80	92	98
Total sales (tonnes)	**121**	**64**	**524**	**345**	268
Grade Tin (%)	69.9	68.2	70.4	66.5	56.1
Grade Ta2O5 (%)	24.3	19.9	23.3	16.8	13.6
Grade Nb2O5 (%)	25.3	20.4	24.6	17.6	15.0
Financial data ($ thousands, except per share amounts)					
Revenue	**2,200**	**1,391**	**11,659**	**7,550**	**2,767**
Changes in inventories of finished goods & work in progress	64	(77)	726	(24)	97
Raw materials and consumables used	(313)	(221)	(1,388)	(660)	(478)
Supplies	(1,215)	(202)	(3,388)	(782)	(661)
Profit before expenses and other	**736**	**891**	**7,609**	**6,084**	**1,726**
Total operating expenses	(2,517)	(3,532)	(10,184)	(8,077)	(4,414)
Adjusted EBITDA [1]	**(1,234)**	**(954)**	**(578)**	**1,184**	**(1,116)**
Total other income (expense)	985	(978)	1,155	(971)	(686)
Net income (loss)	(796)	(3,619)	(1,419)	(2,964)	(3,374)
Net income (loss) per share - Basic and diluted	(0.00)	(0.02)	(0.01)	(0.02)	(0.03)

Balance sheet ($ thousands)	*Dec 31, 2022*	*Dec 31, 2021*	*Dec 31, 2020*
Cash and cash equivalents	899	2,236	252
Total assets	29,230	29,948	25,661
Total non-current liabilities	5,050	4,941	25,884

[1] See "Non-IFRS Measures" for full detail on Adjusted EBITDA

BUSINESS DESCRIPTION

Strategic Minerals Europe Corp. ("Strategic Minerals" or the "Company"), formerly Buccaneer Gold Corp., is a company existing under the laws of Ontario, Canada. The address of the Company's registered and records office is 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. The Company's common shares and share purchase warrants ("Warrants") trade on the Neo Exchange Inc. ("NEO") under the symbols "SNTA" and "SNTA.WT" respectively. Strategic Minerals is also traded on the FSE open market under the symbol "26K0" and on the OTCQB marketplace under the symbol "SNTAF."

The Company completed a reverse takeover transaction ("RTO Transaction") with Strategic Minerals Europe Inc. ("SMEI") by way of share exchange on December 6, 2021. Pursuant to the RTO Transaction, Buccaneer and SMEI entered into a share exchange agreement dated effective August 24, 2021, as amended effective November 3, 2021 (the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, among other things, Buccaneer changed its name to Strategic Minerals Europe Corp. and began carrying on the business of SMEI.

SMEI acquired all of the issued and outstanding shares of Strategic Minerals Spain, S.L. ("SMS") on July 14, 2021, whereby 200,000,000 common shares and 1,252,395 share purchase warrants were issued to the shareholders of SMS in exchange for all of the shares of SMS pursuant to the acquisition agreement with the shareholders of SMS. The acquisition was considered a restructuring of SMS as there was no substantive change in ownership of SMS. SMEI was incorporated on June 17, 2021, under the laws of Ontario, Canada.

The Company, through its ownership of SMS, is engaged in the production, development and exploration of properties with tin, tantalum, niobium and other minerals content, and holds 100% of the mining rights to the Penuota Project, located in the northwestern Spanish province of Ourense, and a 30% interest in the Lithium Project, located in the Galicia Region of northwestern Spain, through its 30% shareholding in a Spanish subsidiary of ILI.

The Penouta Project was operational during the 1970s and focused on exploiting kaolinized leucogranite. Mining operations ceased in 1985 without proper habitat rehabilitation. In 2018, SMS reopened the mine as an advocate for modern, responsible and sustainable mining after building a new processing plant commissioned to work with tailings from previous operations.

In 2020, SMS was granted the permit to produce 1.2 million tonnes in the open pit, and on May 23, 2022, the Company was granted the definitive concession on Section C of the Penouta Project, consisting of 16 mining squares with an area of 155.8 hectares (the “Concession C Grant”), which allows the Company to fully develop the open pit mine to exploit cassiterite (tin), tantalum and niobium, and also to exploit the industrial minerals that exist in the mine, such as quartz, feldspars and micas for a 30 year term, which is renewable for up to 75 years. During the second quarter of 2022, the Company consolidated the transition to open pit mining at the Penouta Project and the commissioning of the new primary crushing plant.

The Company is the largest producer of cassiterite concentrate and tantalite and columbite concentrate in the European Union and is dedicated to 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.

SIGNIFICANT TRANSACTIONS

Convertible Debenture Offering

In October 2022, the Company closed the CD Offering for aggregate gross proceeds of CA$1.167 million ($0.846 million). The Company issued 1,167.50 Debenture Units at a price of CA$1,000 per Debenture Unit. The Company paid legal and transfer agent fees of $47,243 in cash and issued 22.50 Debenture Units in satisfaction of a finders’ fee.

Each Debenture Unit consisted of (i) one 10% senior unsecured convertible debenture having a face value of CA$1,000, convertible into common shares of the Company at a conversion price of CA$0.25

per common share and maturing October 13, 2024; and (ii) 4,000 common share purchase warrants of the Company (each, a "2024 Warrant"). Each 2024 Warrant entitles the holder thereof to purchase one common share at a price of CA$0.25 per share until October 13, 2024. Interest on the convertible debentures is payable semi-annually on June 30 and December 31 in cash or common shares at the option of the holder.

The Company used the net proceeds of the CD Offering to pay an installment of the financial guarantee required to be paid in connection with the Concession C Grant and for general working capital purposes.

Subsequent to the reporting period, on February 15, 2023, the Company issued 163,625 common shares in satisfaction of interest payments of $8,181 to certain holders of the convertible debentures.

Lithium Project

The Lithium Project comprises the Alberta II investigation permit and the Carlota application for permit (collectively, the "Permits"), all located in the Ribeiro Region, Ourense Province, Galicia, Spain.

On December 28, 2022, the Company and its subsidiary, SMS, entered into an option agreement (the "Option Agreement") with IberAmerican Lithium Inc. ("ILI") whereby the Company agreed to, among other things:

a) transfer all the rights of the Lithium Project to IberAmerican Lithium Spain, S.L. ("ILS"), a subsidiary incorporated on December 27, 2022; and
b) grant ILI the option to acquire 70% of the outstanding ILS shares (the "Option"), for a total consideration of $1,476,600, comprising a cash payment of $738,300 paid on the closing date and a non-interest bearing promissory note of $738,300 to be paid on February 15, 2023.

On December 28, 2022, the Option was exercised, and the Company received the cash payment and promissory note. A gain on sale of assets of $0.691 million was recorded. The promissory note was collected by the Company subsequent to December 31, 2022, on February 15, 2023.

Investment in associate

On December 28, 2022, as a result of the exercise of the Option Agreement, the Company, ILS and ILI entered into a joint venture agreement (the "Joint Venture Agreement") and a shareholders' agreement that will govern the development and eventual operation of the Lithium Project. Under the shareholders' agreement, the Company has the right to nominate one director to the board of ILS.

Under the Joint Venture Agreement, 70% of the outstanding shares of ILS will be held by ILI and 30% by the Company, where ILS is the owner of the Lithium Project and ILI will serve as the operator, the Company will have no contribution obligations to maintain its interest in ILS and its 30% interest shall be carried until the completion of a prefeasibility study, after which the Company will have the obligation to fund expenditures pro rata to its interest in ILS. The Agreement contains dilution provisions in that case that required contributions are not made.

The Company's 30% interest in ILS was recorded as investment in associate at fair value based on total consideration received for the sale of 70% of the shares of ILS to ILI. The difference against the initial investment in ILS was recorded as a gain on the investment retained of $0.296 million.

A director of the Company is a director, officer and shareholder of ILI and one officer and one director of the Company are shareholders of ILI. The shareholdings of such individuals do not individually or in the aggregate constitute control of ILI.

Gross Revenue Royalty Transaction

On November 15, 2022, the Company announced that it entered into a letter of intent with Electric Royalties with respect to the Gross Revenue Royalty Transaction and on January 24, 2023, the Company closed the Gross Revenue Royalty Transaction with Electric Royalties, which acquired a 0.75 percent gross revenue royalty on the production of the Penouta Project in exchange for a cash payment of CA$1,000,000 and the issuance of 500,000 common shares in the capital of Electric Royalties to the Company.

Electric Royalties has the option to acquire an additional 0.75% royalty at the Penouta Project in consideration of a further cash payment of CA$1,250,000 until August 24, 2023. The royalty rates will be reduced to 0.5 percent respectively once CA$1,670,000 in royalty revenues have been paid to Electric Royalties.

Power Purchase Agreement

The Company entered into a power purchase agreement with Enerxia Galega Mais, S.L. for the Penouta Project, pursuant to which seven gigawatts of electricity will be supplied to the Company for five (5) years starting on January 1, 2023. A significant portion of the power will be from renewable energy sources and management expects to generate substantial cost savings.

Ancillary Share Issuances

On February 24, 2023, the Company issued 272,727 common shares to a consultant for services rendered at a price of $0.11 per share.

On March 9, 2023, the Company issued to Hybrid Financial Ltd. (“Hybrid”) 1,017,000 common shares at a price of $0.10 per share in satisfaction of certain amounts owing to Hybrid.

OUTLOOK

The Company is focused on improving its operations by increasing production in order to reduce unit costs, reinvesting profits to achieve organic and sustainable growth, and looking for new external financing opportunities.

To execute the above, the Company has formulated a strategic plan consisting of the following two phases:

Phase 1: Development of the Penouta Project

- During phase one, the Company will focus on expanding production at the Penouta Project. Up to the end of 2021, the Penouta Project produced concentrates from tailings. Given the nature of tail mining concentrate, production varied from 40 tonnes per month to 60 by the third quarter of 2021. This production was split 65%/35% between cassiterite and tantalum and niobium concentrates. Once the new crushing plant was operational in mid-January of 2022, the Company began the testing and commissioning process for certain equipment that allowed the Company to work with material from the open pit, which increased production and quality of the concentrate.

- The Company, given the volume of its reserves, is evaluating whether to seek additional financing to expand the plant's capacity to increase concentrate production.

- The Company intends to set up a pilot plant to separate industrial minerals. This pilot plant would allow the Company to identify and separate specific minerals – namely feldspars, micas and quartz. There is potentially a large prospective market primarily supplied by imports from Turkey and other places. The Company is constantly in conversations with potential interested parties who are large distributors of industrial minerals to seek an agreement that, if successful, would allow these products to be distributed, thereby helping to reduce costs and increase cash flow. Additionally, Strategic Minerals intends to undertake further exploration work in the Company's Penouta Project permitted areas.

- In the final quarter of 2022, the Company experienced mechanical breakdowns which resulted in stoppages of its mining operations mainly due to the malfunctioning of the main mill at the Penouta Project. To prevent this from happening in the future, the Company initiated a major overhaul of its main ball mill by ordering the manufacturing of key major parts such as the main crown, shaft, motor, and other key components with several weeks lead time. The Company organized major assembly and repair teams to efficiently coordinate the activities to be done. The works started in February 2023 and finished in March 2023. The end result will be the total upgrade and renewed useful lifetime. The Company believes this upgrade will increase production by reducing maintenance downtime as that experienced in 2022.

- Amid cash constraints due to production interruptions and a severe drop in tin and tantalum prices during the quarter, the company has continued to work on its mine development plan by carrying out the necessary stripping to get to the higher mineralization areas. Resources from financing activities partially contributed to funding this expenditure. Work will continue during 2023 as access to higher mineralization has already been achieved.

- The Company is negotiating offtake agreements and financings, the proceeds of which will be used towards continuing the mine development, improvements in machinery and equipment which will allow to instal back up equipment in certain critical areas to minimize interruptions in the production process, therefore curbing downtime and operational inefficiencies in the future that are a result of mechanical and equipment malfunctions.

Phase 2: Expand exploration work on the Lithium Project

On December 28, 2022 the Company entered into the Joint Venture Agreement in order to accelerate exploration on the Lithium Project while retaining a 30% interest in the property. The Company entered into the Joint Venture Agreement because it currently does not have the resources to carry on an exploration and development campaign of a second property in addition to its exploration and development of the Penouta Project. Given that there is strong market demand for lithium and in order to provide value to an asset that is not currently reflected in the valuation of the Company, the Company decided that the best way to proceed was with partners who possess market experience and who will be able to secure adequate financing for a faster development of the Lithium Project than Strategic could do on its own. Not only does the Joint Venture Agreement allow the Company to secure much needed capital, but it also allows Strategic to retain an important equity position in the Lithium Project, which interest is carried to prefeasibility.

MINERAL RESOURCES

Unless otherwise indicated, the technical information included in this MD&A is based upon information included in the updated Mineral Resource Estimate ("MRE") for the Penouta Project prepared by SRK Consulting (UK) Limited ("SRK") consultant Martin Pittuck (Resource Geology) titled "An Updated Mineral Resource Estimate and NI 43-101 Technical Report on the Penouta Tin Deposit, Ourense, Galicia, Spain" with an effective date of March 5, 2021 (the "Penouta Project Technical Report").

The following table summarizes the MRE for the Penouta Plant dated effective as of March 5, 2021:

Category	Tonnes (Mt)	Grade				Metal	
		Ta_2O_5 Eq (ppm)	Sn (ppm)	Ta (ppm)	Ta_2O_5 (ppm)	Sn (kt)	Ta (kt)
Measured	7.6	184	600	85	103	4.6	0.6
Indicated	68.6	145	426	72	88	29.2	4.9
Total Measured and Indicated	**76.3**	**149**	**443**	**73**	**89**	**33.8**	**5.6**
Inferred	57	129	389	62	76	22	4

1) Mineral resources are not mineral reserves and do not have demonstrated economic viability.
2) All figures are rounded to reflect the relative accuracy of the estimate, numbers may not add up due to rounding.
3) The standard adopted in respect of the reporting of Mineral Resources for the Project is in accordance with the terminology, definitions and guidelines given in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Mineral Reserves (CIM Code)
4) SRK reasonably expects portions of the Penouta deposit to be amenable to open pit mining methods. Open pit Mineral Resources are constrained to within a Whittle optimized pit and reported based on a Ta_2O_5Eq Resource cut-off which considers processing costs and G&A costs totalling 7.79 USD/t. Pit slope angles were set to 45°
5) Resources are reported at an open pit cut-off grade of 60 ppm Ta_2O_5Eq.
6) Cut-off grades are based on a price of USD178/kg and recoveries of 75% for Ta_2O_5, and USD24/kg and recoveries of 75% for tin.
7) It is reasonably expected, but not guaranteed, that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
8) 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.

As of the date of this MD&A, SRK has been engaged to evaluate the Company's metallurgical processing and make recommendations to further expand production in the future.

Please see the "Cautionary Note on Forward-Looking Information" at the end of this MD&A for full disclosure on the limitations related to the MRE.

RESULTS OF OPERATIONS AND OVERALL PERFORMANCE

Production and Sales

Production and sales	Q4 2022	Q4 2021	Year 2022	Year 2021
Mill feed (thousand tonnes)	156	57	681	406
Cassiterite concentrate				
Production (tonnes)	87	25	455	247
Sales (tonnes)	100	42	444	253
Grade Tin (%)	69.9	68.2	70.4	66.5
Tantalite and columbite concentrate				
Production (tonnes)	18	8	86	84
Sales (tonnes)	21	22	80	92
Grade Ta2O5 (%)	24.3	19.9	23.3	16.8
Grade Nb2O5 (%)	25.3	20.4	24.6	17.6
Total Revenue ($ thousands)	2,200	1,391	11,659	7,550

Total production for 2022 reached a record of 541 tonnes, an increase of 64% from 2021. During the year, the Company commenced and consolidated open-pit production at its primary crushing plant. The Company obtained an explosives permit and commenced explosive operations at the Penouta Project in March and on May 23, 2022, the Company was granted the Concession C Grant of the , which allows the Company to fully develop the open pit mine to exploit cassiterite (tin), tantalum and niobium, and also to exploit the industrial minerals that exist in the mine, such as quartz, feldspars and micas for a 30 year term, renewable for up to 75 years.

Quality of concentrate improved during 2022. Cassiterite concentrate production reached 455 tonnes with 70.4% tin content (247 tonnes with 66.5% tin content in 2021), and tantalite/columbite concentrate production reached 86 tonnes with 23.3% tantalite content and 24.6% columbite content (84 tonnes with 16.8% tantalite and 17.6% columbite content in 2021).

Production of primary concentrate during the fourth quarter of 2022 reached 105 tonnes, 3.1 times the production of the same period a year before when maintenance and improvements were made to the main mill in preparation for the open pit operation. Compared to the third quarter of 2022, the quarter with the largest volume to date, production decreased by 49% due to low levels of water in Spain as a consequence of unusual drought, which resulted in 20 days without production during October and November.

Production during the fourth quarter consisted of 87 tonnes of cassiterite concentrate with 69.9% tin content (25 tonnes with 68.2% tin concentrate in 2021), and 18 tonnes of tantalite/columbite concentrate with 24.3% tantalite content and 25.3% columbite content (8 tonnes with 19.9% tantalite and 20.4% columbite content the year before).

Total sales for 2022 amounted to 524 tonnes of concentrates and 351 tonnes of contained minerals, which are 52% and 76% higher than 2021, respectively. Sales of contained cassiterite for the year reached 313 tonnes, an increase of 86% from 168 tonnes in 2021. Sales of contained tantalite and columbite reached 38 tonnes or a 21% increase from the 32 tonnes sold during 2021. Cassiterite contributed 85% of the mix of sales for the full year 2022.

Sales during the fourth quarter reached 121 tonnes of concentrates and 80 tonnes of contained minerals, an increase of 89% and 113% respectively over the same period of 2021. Contained minerals sales breakdown was 70 tonnes of contained cassiterite (cassiterite concentrate multiplied by tin grade percentage) and 10 tonnes of contained tantalite and columbite (tantalite and columbite concentrate multiplied by the corresponding grade percentage). Cassiterite contributed 83% of the mix of sales for the fourth quarter.

International prices of metals decreased during the year as a consequence of, among other things: (i) intensified fears of a global recession which affected demand; (ii) inflation pressure driving tighter monetary policies on the main economies; and (iii) the continuation of the military conflict between Russia and Ukraine. The international price of tin has not been exempt and reached the lowest level of the last two years at the end of October 2022. As of the date of this MD&A, the international price of tin has increased by approximately 29% from the price at the end of October. International prices of tantalum concentrate finished the year approximately 12% above the price at the beginning of the year, after an upward trend during the first half and a return during the second half of the year.

Revenues for 2022 totaled $11.659 million, an increase of 54% compared to 2021, while revenues for the fourth quarter were $2.200 million, a 58% increase from the same period of 2021 due to the higher volume of sales year over year.

Operating results

($ thousands)	**Q4 2022**	**Q4 2021**	**Year 2022**	**Year 2021**
Revenue	2,200	1,391	11,659	7,550
Profit before expenses and other	*736*	*891*	*7,609*	*6,084*
Depreciation and amortization expense	(474)	(429)	(1,724)	(1,708)
Employee expenses	(680)	(400)	(2,502)	(1,681)
Share-based payments	-	(1,305)	(19)	(1,305)
Other operating expenses	(1,363)	(1,397)	(5,938)	(3,382)
Results from operations before other expenses	*(1,781)*	*(2,641)*	*(2,574)*	*(1,992)*
Adjusted EBITDA [1]	***(1,234)***	***(954)***	***(578)***	***1,184***

[1] See "Non-IFRS Measures" for full detail on Adjusted EBITDA

During 2022 the Company transitioned to an open pit mining operation and started the crushing plant, a major achievement resulting in 681,000 tonnes feed in 2022, an increase of 68% compared to 406,000 tonnes in 2021. Operations consolidated and constantly improved despite adverse weather conditions, including severe electric storms during July and August and a drought during October and November, which interrupted the operation of the mine from time to time.

The unusual drought and lack of rain in Spain during the fourth quarter of the year, caused the operations to stop during eleven days in October and nine days in November. In addition to this, the Company operated at a third of its capacity during November and December due to a failure in the main mill and consequent utilization of a secondary ball mill. A major overhaul and upgrade of the main ball mill is expected to be completed during the first quarter of 2023 to prevent future breakdowns and extend its operational lifetime.

Profit before expenses and other reached $7.609 million or 65.3% as a percentage of sales for the year 2022, an increase of 25% from 2021 ($6.084 million or 80.6% as a percentage of sales).

To support the growth in production, additional employees with higher qualifications and salaries were hired during the year. The average headcount during 2022 was 64 employees (43 during 2021) and the average headcount for the fourth quarter was 72 (44 for the same period of 2021). Total employee expenses amounted $2.502 million for the year and $0.680 million for the fourth quarter of 2022, increasing 49% and 70% respectively from the full year and fourth quarter 2021.

Average prices of electricity and diesel increased during 2022. The average cost of electricity for the year ($0.274/KW) increased 65.6% (86% in terms of Euro/KW) from the average of 2021 ($0.166/KW). Consumption of electricity increased 39.6% from 2021 to 2022 as the operations increased after the transition to open pit. During the fourth quarter, electricity consumption was 9.3 times the consumption of the same period the year before. The Company entered into a PPA for the supply of seven gigawatts per year of electricity for five years starting on January 1st, 2023 and expects this will provide substantial cost savings

Consumption of diesel increased during the year as it has been required for the operation of the crushing plant. Cost of diesel increased 40.4% from the average $0.698/l in 2021 to $0.980/l in 2022. Consumption for the fourth quarter of 2022 was 63.2% higher than consumption in the same period of 2021, when operations halted for the construction of the crushing plant and maintenance.

The increase in professional services is due to the required advice and support for the different transactions the Company performed during the year.

Other Services growth was driven by the incorporation of meal services to employees not provided the year before and the increase in security and safety services at the mine. The negative number in Repairs and Maintenance for the fourth quarter of 2022 is due to a reclassification of expenses previously considered as maintenance.

The details regarding these expenses can be found in the tables below:

Other Operating Expenses ($ thousands)	Year 2022	Year 2021	Variance	%Var.
Leases and Royalties	394	291	103	35%
Repairs and Maintenance	400	258	142	55%
Professional services	1,868	1,227	641	52%
Transportation	6	17	(11)	-65%
Insurance premiums	53	47	6	13%
Banking and similar services	94	20	74	370%
Advertising, publicity and public relations	46	5	41	820%
Supplies (electricity / diesel)	2,567	1,328	1,239	93%
Admin & Insurance	53	0	53	100%
Other Services	434	153	281	184%
Other Taxes	24	35	(11)	-31%
Total Other Operating Expenses	**5,938**	**3,382**	**2,557**	**76%**

Other Operating Expenses ($ thousands)	Q4 2022	Q4 2021	Variance	%Var.
Leases and Royalties	72	130	(58)	-45%
Repairs and Maintenance	(67)	162	(229)	-141%
Professional services	485	460	25	5%
Transportation	3	8	(5)	-63%
Insurance premiums	15	14	1	7%
Banking and similar services	22	11	11	100%
Advertising, publicity and public relations	15	0	15	100%
Supplies (electricity / diesel)	670	488	182	37%
Admin & Insurance	28	0	28	100%
Other Services	112	120	(8)	-7%
Other Taxes	7	3	4	100%
Total Other Operating Expenses	**1,363**	**1,397**	**(34)**	**-2%**

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

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%.

Subsequent to year end 2022, on January 16, 2023, the Company granted a total of 5,695,000 stock options to certain directors, executive officers, management and consultants, exercisable at CA$0.085 per share and expiring on January 23, 2028. The options have a five-year term and vested immediately.

As of the date of this MD&A, the following options were outstanding and exercisable:

Grant Date	Vesting Date	Expiry Date	Exercise Price (CA$)	Stock Options Outstanding
7-Dec-21	7-Dec-21	7-Dec-26	0.25	13,215,000
7-Dec-21	7-Dec-21	7-Dec-23	0.25	500,000
20-Jan-22	20-Jan-22	20-Jan-27	0.27	100,000
16-Jan-23	16-Jan-23	16-Jan-28	0.085	5,695,000
			Total	**19,510,000**

SOCIALLY RESPONSIBLE, SUSTAINABLE AND SCALABLE

The Company has established an environmental policy (the "Environmental Policy") based on its responsibility to protect and rehabilitate the environment in areas where the Company has conducted exploration and development work. The Company's primary objective is to prevent environmental damage and protect and rehabilitate the environment in the areas affected by its mining activities, by applying preventative measures at the Penouta Project to minimize its environmental impact as much as possible, reducing the impact that it would have in the surrounding area using protective and corrective measures. Historical mining operations in the area ceased in 1985, leaving behind an area that has been ecologically degraded ever since. The Company is seeking to facilitate environmental recuperation of the area degraded by antiquated mining exploitation.

Within the framework of the Environmental Policy and the primary goal of rehabilitating the environment in the area of the Penouta Project, a restoration plan was established to ensure the environmental rehabilitation of the entire scope of the Penouta Project, including the professional disassembly of all industrial facilities, and applying measures to recuperate the flora and fauna based on the criteria of surrounding landscape.

The Penouta Project has committed from the beginning, actively and voluntarily, to carry out actions aimed at the social, economic and environmental improvement of the environment. It is a circular economy project ("Circular Economy"), in which abandoned mining waste is valorized and generates economic, environmental and social benefits. The Circular Economy looks beyond the current take-make-waste extractive industrial model; a Circular Economy aims to redefine growth, focusing on positive society-wide benefits. It entails gradually decoupling economic activity from consuming finite resources and designing waste out of the system. Underpinned by the transition to renewable energy resources, the circular model builds economic, natural and social capital.

From an environmental point of view, the Company has designed optimal, effective and resource-efficient processes, which allow the maximum use and value-creation from the waste from the old mine located at the Penouta Project. The Company is able to recirculate 75% of the water inputted into its equipment due to the lack of chemical reagents utilized in the process and the physical-chemical properties of the water and is working on reducing the amount of water lost in the process with an aim to increase the water recirculation rate to 85-90% of process water.

The Penouta Project has the following environmental strengths:

- Mining exploitation in a previous environmentally degraded area: after mining, environmental restoration techniques will be applied. The ecological quality will improve with respect to the current state and provide uses non-existent today.
- Obtaining metals from mining wastes in a conflict-free zone.
- The design of the modern mining plant allows the efficient use of energy and water resources. In this process, chemical substances are avoided because it is an exclusively gravimetric process.

To achieve the goal of reducing and eliminating environmental impact, the Company uses information extracted from a detailed pre-operational study conducted in and around the Penouta Project, which includes, for example:

a) Climate study.
b) Surface water and groundwater study.
c) Vegetation study, inventory and distribution of vegetal species.
d) Wildlife study through birdwatching.

This environmental information is used to carry out operational control and restoration work. Restoration work began in 2019 by planting trees around the mine facilities. In September 2022, the Company initiated the restoration of the first tailing pond, planting endemic trees to protect the local ecosystem. During January and February 2023, planting work has continued in this restored area.

In relation to operational environmental impacts, methods are applied to eliminate or reduce them as much as possible. For their identification and preventive control, the Company carries out an environmental monitoring plan whereby:

- The Company carries out annual dust, environmental noise measurements, and vibrations.
- As production requires water and energy consumption, to minimize water consumption a process plant has been designed to reuse 75% of the water.
- The gravimetric process does not include any chemicals so that the process water is not affected by chemicals.
- The Company carries out numerous water quality controls, both surface and groundwater.
- The Company also carries out continuous monitoring of flora and fauna. It uses measures to protect fauna, such as fencing to prevent them from passing through.
- The Company has an industrial waste management system.
- The Company monitors restored areas.

As part of its environmental commitment, the Company also provides continuous training to its workers and the personnel of contracted companies, with whom it has signed an agreement to comply with environmental standards.

During 2022, the Company implemented the UNE-EN ISO 14001[1] Environment Management Systems Standard, and the UNE 22470[2] and UNE 2248[3] Standards on Sustainable Mining Management Systems. The Company plans to carry out the certification process for this management system in 2023.

Corporate Sustainability Actions

During the short time that the Company has been in business, it has been awarded different recognitions:

- Since April 2017, the Mining waste exploitation of the Penouta Project has been mentioned in the Circular Economy Industry Platform of the Business Europe website (http://www.circulary.eu/project/strategic-minerals-recycled-mining-waste/). This is the largest organization representing European companies of all sizes and sectors related to featured projects on the Circular Economy.
- Among the 21 Spanish companies on this platform, SMS aims to be a reference for sustainable mining, in which abandoned waste is revalued and generates economic, environmental, and social benefits within the Circular Economy framework.
- In addition, SMS was selected to be part of a European study to support the preparation of the best practices guide in the waste management plans of the extractive industries in accordance with article 5 of Directive 2006/21 / EC, which was published in February 2021.
- SMS has been recognized within the European Union as an example of good practices in Circular Economy. Specifically, we are mentioned in several sections of Circular Economy reports and

[1] ISO 14001 provides organizations with a framework to protect the environment and respond to changing environmental conditions, in balance with socio-economic needs, by specifying the requirements for an efficient environmental management system.

[2] UNE 22470 Standard aims to establish economic, social and environmental indicators to evaluate the implementation of a sustainable mining-mineral-metallurgical management system. It applies to mining, mineral concentration or transformation and extractive metallurgical industries.

[3] UNE 22480 Standard specifies the requirements for a sustainable mining-mineral-metallurgical management system, aimed at enabling an organization to develop a system for continuous improvement in the performance of sustainability criteria, considering legal requirements and significant sustainability aspects to which the organization subscribes, regardless of the type of mining activity carried out.

critical raw materials of the European Commission, which include:

- Raw Materials and the Circular Economy, JRC Science for Policy Report, December 2017 (https://publications.jrc.ec.europa.eu/repository/bitstream/JRC108710/jrc108710-pdf-21-12-2017_final.pdf)
- Report on Critical Raw Materials and the Circular Economy, January 2018. (https://op.europa.eu/en/publication-detail/-/publication/d1be1b43-e18f-11e8-b690-01aa75ed71a1/language-en)
- Development of a guidance document on best practices in the Extractive Waste Management Plans. Circular Economy Action, January 2019 (https://op.europa.eu/en/publication-detail/-/publication/f18472f8-36aa-11e9-8d04-01aa75ed71a1/language-en/format-PDF/source-87989698)

These recognitions have resulted in the 2019 JRC Science for Policy Report (Recovery of critical and other raw materials from mining waste and landfills. State of play on existing practices), recognizing the Penouta Project as being one of the 10 examples of European mining projects reflecting good practices in the recovery of critical raw materials. https://ec.europa.eu/jrc/en/publication/recovery-critical-and-other-raw-materials-mining-waste-and-landfills:

- Since February 2019, SMS is also part of the Sustainable Mining of Galicia platform (https://minariasostible.gal/es/metales/), which includes mining companies that exploit raw materials in a sustainable way in Galicia.
- Also, in 2020, SMS was one of the 25 companies awarded the European Business Environmental Awards in the EBAE 2019/2020 edition, selected among 115 nominations.

These awards recognize those companies that successfully combine the economic viability of their businesses with the protection of the environment.

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

- October 2020: application for the selection of personnel for the renewal of the members of the governance group DG Grow of EIP on Raw Materials.
- Since December 2020: Strategic Minerals has been a member of the European Raw Materials Alliance (ERMA). https://erma.eu/

From the Social Perspective

The Company has signed collaboration agreements with local communities to prioritize hiring resident workers and to promote the execution of service contracts with local companies. As a result of these commitments, 75% of the direct workers employed by the Company belong to the nearby area of the Viana do Bolo Council, and 82% of the direct workers belong to the province of Ourense.

- 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, 79% of the mine contractors' personnel are from the council of Viana do Bolo and its immediate surroundings, and 85% are from the province of Ourense.

- This has resulted in the creation of 76 direct jobs and 33 indirect jobs that have benefited a region that has experienced decades of economic decline and depopulation.
- Additionally, the Company continues to organize regular student 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 operations. The Company will continue to create jobs in a very degraded rural area.

SUMMARY OF QUARTERLY RESULTS

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating information								
Mill feed (thousand tonnes)	156	226	214	85	57	158	149	42
Cassiterite concentrate production (tonnes)	87	174	153	41	25	131	80	11
Tantalite and columbite concentrate production (tonnes)	18	32	28	8	8	44	27	4
Total concentrate production (tonnes)	*105*	*206*	*181*	*49*	*33*	*175*	*107*	*15*
Cassiterite concentrate sold (tonnes)	100	161	141	41	42	121	80	10
Tantalite and columbite concentrate sold (tonnes)	21	30	24	5	22	34	28	8
Total sales (tonnes)	*121*	*191*	*165*	*46*	*64*	*155*	*108*	*18*
Grade Tin (%)	69.9	70.5	71.2	68.9	68.2	68.0	63.7	64.1
Grade Ta2O5 (%)	24.3	24.3	23.0	16.7	19.9	16.4	15.5	15.1
Grade Nb2O5 (%)	25.3	25.2	25.0	19.4	20.4	16.9	16.7	16.1
Financials ($ thousands, except per share amounts)								
Revenue	**2,200**	**3,687**	**4,688**	**1,084**	**1,391**	**4,155**	**1,700**	**303**
Changes in inventories of finished goods & work in progress	64	606	(25)	81	(77)	204	(152)	-
Raw materials and consumables used	(313)	(291)	(575)	(209)	(221)	(222)	(168)	(49)
Supplies	(1,215)	(966)	(930)	(276)	(202)	(235)	(246)	(99)
Profit before expenses and other	*736*	*3,036*	*3,158*	*680*	*891*	*3,902*	*1,134*	*155*
Depreciation and amortization expense	(474)	(530)	(321)	(400)	(429)	(436)	(428)	(415)
Employee expenses	(680)	(617)	(614)	(591)	(400)	(460)	(424)	(397)
Share-based payments	-	-	-	(19)	(1,305)	-	-	-
Other operating expenses	(1,363)	(1,741)	(1,433)	(1,401)	(1,397)	(1,039)	(571)	(375)
Operating expenses	*(2,517)*	*(2,888)*	*(2,368)*	*(2,411)*	*(3,532)*	*(1,935)*	*(1,423)*	*(1,187)*
Adjusted EBITDA [1]	***(1,234)***	***746***	***1,207***	***(1,296)***	***(954)***	***2,382***	***345***	***(592)***
Finance income	(0)	3	39	136	(37)	43	6	1
Finance costs	(75)	(44)	(112)	(32)	(58)	(17)	(100)	(136)
RTO Transaction cost	-	-	-	-	(836)	-	-	-
Gain on sale of assets	691	-	-	-	-	-	-	-
Gain on retained investment in associate	296	-	-	-	-	-	-	-
Other income (expense)	73	68	96	16	(47)	(21)	207	24
Total other income (expense)	*985*	*27*	*23*	*120*	*(978)*	*5*	*113*	*(111)*
Net income (loss)	(796)	175	813	(1,611)	(3,619)	1,972	(177)	(1,142)
Net Income (loss) per share - Basic and diluted	(0.00)	0.00	0.00	(0.01)	(0.02)	0.01	(0.00)	(0.01)

[1] See "Non-IFRS Measures" for full detail on Adjusted EBITDA

The consistent improvement in the operations from the corresponding quarter of the year before demonstrates the positive impact that both the transition to open pit mining at the Penouta Project and the setup of the new primary crushing plant have had. Several adverse meteorological conditions affected operations in the fourth quarter of 2022, including the halt of operations for 20 days due to the drought that was atypical for Spain.

Quality of concentrate has followed an improving trend during the last eight quarters. Although production for the fourth quarter of 2022 was not the largest of the year, the aggregate of all four quarters of 2022 made it a record year in terms of production and quality of concentrates.

SUMMARY OF FINANCIAL CONDITION AND LIQUIDITY

($ thousands)	Balances as at,			
Financial Position as at,	Dec 31, 2022	Dec 31, 2021	Variance	%Var.
Assets				
Current assets:				
Cash and cash equivalents	899	2,236	(1,337)	(60%)
Trade and other receivables	854	1,501	(647)	(43%)
Promissory note	738	-	738	100%
Inventories	934	218	716	328%
Other current assets	56	94	(38)	(40%)
Total current assets	**3,481**	**4,049**	**(568)**	**(14%)**
Non-current assets:				
Property, plant and equipment	23,409	22,513	896	4%
Exploration and evaluation	-	2,788	(2,788)	(100%)
Investment in associate	633	-	633	100%
Guarantee and other deposits	1,532	375	1,157	309%
Right-of-use assets	175	223	(48)	(22%)
Total assets	**29,230**	**29,948**	**(718)**	**(2%)**
Liabilities and shareholders' equity				
Current liabilities:				
Trade and other payables	4,334	2,483	1,851	75%
Current portion of long term liabilities	1,099	925	174	19%
Total current liabilities	**5,433**	**3,408**	**2,025**	**59%**
Non-current liabilities:				
Long-term liabilities	3,121	4,147	(1,026)	(25%)
Decommissioning liabilities	1,929	794	1,135	143%
Total liabilities	**10,483**	**8,349**	**2,134**	**26%**
Shareholders' equity:				
Share capital	40,829	40,818	11	0%
Contributed surplus	4,211	3,801	410	11%
Accumulated other comprehensive loss	(4,465)	(2,611)	(1,854)	71%
Deficit	(21,828)	(20,409)	(1,419)	7%
Total shareholders' equity	**18,747**	**21,599**	**(2,852)**	**(13%)**
Total liabilities and shareholders' equity	**29,230**	**29,948**	**(718)**	**(2%)**

As at December 31, 2022, the Company had a deficiency in working capital of $1.952 million compared to working capital surplus of $0.641 million at the end of 2021.

Working capital during the year was used to transition to open pit mining, the commissioning of the primary crushing plant and to fulfil financial commitments, resulting in a decrease in the cash position at the end of the period and the use of additional funds received from the CD Offering and the Option Agreement.

Key components of working capital include:

- Cash at December 31, 2022 of $0.899 million, down from $2.236 million at the end of 2021; cash during the year was mainly used for equipment required to transition to open pit, capacity increase, debt repayment and operations.

- Trade and other accounts receivable of $0.854 million at the end of the period, a decrease from the $1.501 million at December 31, 2021. Trade receivables decreased to $0.121 million from $0.704 million in 2021 when some collections were not received before the end of the year. Other account receivables include taxes (VAT) of $0.732 million ($0.797 million a year before).

- The promissory note balance of $0.738 million is the non-interest bearing promissory note to be received from ILI in consideration for the Option Agreement. Subsequent to December 31, 2022, the non-interest bearing promissory note was paid pursuant to the Option Agreement with ILI.

- Inventories at the end of the period were valued at $0.934 million, which is greater than the $0.218 million at the end of 2021 due to an increase in finished goods, containing concentrate of tin and tantalum in the amount of $0.406 million and $0.161 million respectively (December 31, 2021 - $0.155 million and $0.014 million) in addition to higher materials and supplies inventory in the amount of $0.367 million compared to $0.050 million on December 31, 2021.

- Trade accounts payable increased to $4.334 million from $2.483 million at the end of 2021 as a result of the increased payment terms (from 30 to 60 days) the Company was able to negotiate with its main suppliers, and the balance of the agreement made during 2020 with suppliers holding balances above €15,000 (approximately $16,013) for payment deferrals, which are being paid in 19 quarterly installments, ending in 2025.

Operating activities

Net cash used in operating activities during 2022 amounted to $0.568 million, compared to net cash provided by operating activities of $1.357 million in 2021. Funds were used to pay an installment of the financial guarantee required in connection with the exploitation concession underlying the Concession C Grant.

Investing activities

The main use of funds during the year was the investment related to the primary crushing plant and installation of equipment required for the transition to the open pit and increase in production capacity. Net cash used in investing activities for 2022 was $0.484 million, including the proceeds from the sale of the Permits related to the Lithium Project.

Financing activities

The Company has continued to fulfill its financial commitments, which include the: i) repayment of existing loans in the amount of $1.085 million; and ii) payment of the principal amount of leases equal to $0.078 million. The Company received a new bank financing for $0.203 million (payment at maturity on March 23 of 2023 and cost of Euribor (1yr) + 250bps). The Company also received net proceeds from the CD Offering of $0.846 million, resulting in net cash used in financing activities of $0.145 million.

As at December 31, 2022, all financial liabilities are related to operations and the Company does not foresee liquidity problems to maintain operations, fulfill its financial commitments or to continue with its long-term plan. The following table summarizes the Company's payments due from contractual obligations for the following years.

Contractual Obligation ($ thousands - undiscounted)	1 year	1-3 years	More than 3 years	Total
Bank loans	985	1,531	-	2,516
Government grants	78	233	155	466
Arrangements with suppliers	-	569	21	590
Lease liabilities	100	273	-	373
Total	**1,162**	**2,607**	**176**	**3,945**

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has the following securities outstanding:

(a) 237,987,185 common shares ("Common Shares").
(b) 37,830,478 warrants exercisable into 37,830,478 Common Shares in aggregate as follows:

Number of warrants	Exercise price	Expiry date
33,070,478	CA$0.40	July 16, 2026
4,760,000	CA$0.25	Oct 13, 2024

(c) 1,190 Convertible Debentures.
(d) 19,510,000 Stock Options to purchase an aggregate of 19,510,000 Common Shares.

The Company issued 62,500 common shares on July 27, 2022, to a consultant at the quoted closing market price at the date of issue (CA$0.24 per share).

Subsequent to year end 2022, on January 16, 2023, 5,695,000 stock options were granted pursuant to the Company's Stock Option Plan at an exercise price of CA$0.085.

On February 15, 2023, the Company issued 163,625 common shares in satisfaction of interest payments of $8,181 to certain holders of the convertible debentures pursuant to the Offering.

On February 27, 2023, the Company issued 272,727 common shares to a consultant for services rendered.

On March 9, 2023, the Company issued Hybrid 1,017,000 common shares at a price of $0.10 per share in satisfaction of certain amounts owing to Hybrid.

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 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 the future development of the business.

Management reviews its capital management approach on an ongoing 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 year ended December 31, 2022.

The exploitation concession on Section C of the Penouta Project requires the Company to provide a financial guarantee for a total amount of €3.243 million (equivalent to $3.462 million at the December 31, 2022 exchange rate) to be established during the following five years, starting with a financial guarantee of €1.943 million (equivalent to $2.074 million) this year. The total amount consists of the sum of two items: i) €1.618 million (equivalent to $1.727 million) in compliance with obligations related to the financing and viability of the mining works (4% of the investment budget); and ii) €1.625 million (equivalent to $1.735 million) in compliance with the restoration plan.

In September 2022, the Company entered into an agreement with a financial institution to provide a bank guarantee in the amount of €1.943 million (equivalent to $2.074 million) on behalf of the Company to cover obligations required for Section C of the Penouta Project. Per the agreement, the Company is required to provide a deposit to the financial institution for the amount of €2.000 million (equivalent to $2.135 million) to be paid as follows:

- On September 16, 2022 – €0.800 million ($0.854 million) (paid).
- On or before October 30, 2022 – €0.300 million ($0.320 million) (paid).
- On or before November 30, 2022 – €0.400 million ($0.427 million).
- On or before December 30, 2022 – €0.500 million ($0.534 million).

In November 2022, the financial institution agreed to extend the payments due in November 2022 and December 2022 to March 2023 and April 2023 respectively. A further extension has been requested for those to be paid on installments from July to December 2023, still pending of approval.

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.

SUBSEQUENT EVENTS

a) The Company entered into a power purchase agreement for its Penouta Project, pursuant to which seven gigawatts per year of electricity will be supplied to the Company for five (5) years starting on January 1st, 2023. A significant portion of the power will be from renewable energy sources and management expects to generate substantial cost savings.

b) On January 16, 2023, the Company granted a total of 5,695,000 stock options to certain directors, executive officers, management and consultants, exercisable at CA$0.085 per share and expiring on January 23, 2028. The options have a five-year term and vested immediately.

c) On January 24, 2023, the Company announced that it had closed the Gross Revenue Royalty Transaction whereby Electric Royalties acquired a 0.75 percent gross revenue royalty on the production of the Penouta Project in exchange for a cash payment of CA$1,000,000 and the issuance of 500,000 common shares in the capital of Electric Royalties to the Company. Electric Royalties has the option to acquire an additional 0.75% royalty at the Penouta Project in consideration of a further cash payment of CA$1,250,000 until August 24, 2023. The royalty rates will be reduced to 0.5 percent respectively once CA$1,670,000 in royalty revenues have been paid to Electric Royalties.

d) On February 15, 2023, the Company issued 163,625 common shares in satisfaction of interest payments of $8,181 to certain holders of the convertible debentures pursuant to the CD Offering.

e) On February 15, 2023, payment of the non-interest bearing promissory note was received by the Company pursuant to the Option Agreement with ILI.

f) On February 27, 2023, the Company issued 272,727 common shares to a consultant for services rendered.

g) On March 9, 2023, the Company issued Hybrid 1,017,000 common shares at a price of $0.10 per share in satisfaction of certain amounts owing to Hybrid.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals, as well as certain persons performing similar functions. Transactions with related companies, which are recorded under the corresponding headings in the consolidated statements of operations and comprehensive loss, are as follows:

The Company leases certain facilities to Sequoia Venture Capital S.L.[4]; as at December 31, 2022 and December 31, 2021, the outstanding balance was $nil and $14,060, respectively. During 2022, a total of $27,034 (2021- $17,747) was recorded as operating expenses.

During the year ended December 31, 2022, the Company incurred fees of $17,523 (2021 - $nil) from Salamanca Ingenieros S.L., a corporation beneficially owned by a director.

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

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

[4] Sequoia Venture Capital S.L. and Salamanca Ingenieros S.L. are beneficially owned by Francisco Garcia Polonio (Director of the Company).

Remuneration of directors and key management personnel of the Company for 2022 was:

Key Management Compensation ($ thousands)	Year 2022	Year 2021
Management fees	448	292
Director fees	335	344
Consulting fees	-	42
Share-based compensation	-	1,072
Total	**784**	**1,749**

In connection with the CD Offering, certain directors and officers of the Company subscribed for CA$0.730 million worth of Debenture Units.

Regarding the Lithium Project, a director of the Company is a director, officer and shareholder of ILI and one officer and one director of the Company are shareholders of ILI. The shareholdings of such individuals do not individually or in the aggregate constitute control of ILI.

NON-IFRS MEASURES

The non-IFRS measures included in this document, such as EBITDA and adjusted EBITDA, are intended to provide additional information for the reader as the Company believes certain investors could use this information to evaluate the Company's underlying performance of its core operations and its ability to generate cash flow and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to other issuers.

Non-IFRS measures referred to in this MD&A are defined as follows:

Adjusted EBITDA represents earnings before interest, income taxes, depreciation, and amortization ("EBITDA"), adjusted to exclude share-based payments, gain on retained investment in associate, gain on sales of assets and RTO Transaction costs.

The following table provides a reconciliation of adjusted EBITDA to net loss as reported in the consolidated financial statements:

($ thousands)	Q4 2022	Q4 2021	Year 2022	Year 2021	Year 2020
Net income (loss)	**(796)**	(3,619)	**(1,419)**	(2,964)	**(3,374)**
Finance income	0	37	(178)	(13)	(47)
Finance costs	75	58	263	312	633
Depreciation and amortization expense	474	429	1,724	1,708	1,672
EBITDA	**(247)**	(3,095)	**391**	(957)	**(1,116)**
RTO Transaction cost	-	836	-	836	-
Gain on sale of assets	(691)	-	(691)	-	-
Gain on retained investment in associate	(296)	-	(296)	-	-
Share-based payments	-	1,305	19	1,305	-
Adjusted EBITDA	**(1,234)**	(954)	**(578)**	1,184	**(1,116)**

The following table provides details of the primary components of adjusted EBITDA:

($ thousands)	Q4 2022	Q4 2021	Year 2022	Year 2021	Year 2020
Revenue	2,200	1,391	11,659	7,550	2,767
Changes in inventories of finished goods & work in progress	64	(77)	726	(24)	97
Raw materials and consumables used	(313)	(221)	(1,388)	(660)	(478)
Supplies	(1,215)	(202)	(3,387)	(782)	(660)
Other operating expenses	(1,363)	(1,397)	(5,938)	(3,382)	(1,454)
Employee expenses	(680)	(400)	(2,502)	(1,681)	(1,289)
Other income (expense)	73	(47)	253	163	(99)
Adjusted EBITDA	**(1,234)**	**(954)**	**(578)**	**1,184**	**(1,116)**
RTO Transaction cost	-	(836)	-	(836)	-
Gain on sale of assets	691	-	691	-	-
Gain on retained investment in associate	296	-	296	-	-
Share-based payments	-	(1,305)	(19)	(1,305)	-
EBITDA	**(247)**	**(3,095)**	**391**	**(957)**	**(1,116)**

RISK OF FINANCIAL INSTRUMENTS

The Company's financial risk management is centralized in its finance department, which has established the necessary mechanisms to control exposure to interest rate fluctuations, as well as 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 Company's functional currencies are the Canadian dollar and Euro, and major purchases and sales are transacted in Canadian dollars and Euros. As at December 31, 2022, the Company has a foreign currency balance of $79,906 (December 31, 2021 – balance of $20,476) included in cash, which is subject to foreign currency risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CHANGE IN REPORTING CURRENCY

Effective December 31, 2021, the Company changed its presentation currency from Euro to 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.

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in the Company's accounting estimates during the year ended December 31, 2022.

Recently adopted accounting pronouncements

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

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 year ended December 31, 2022, and have not been applied in preparing the consolidated financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. In February 2021, the

IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on January 1, 2023.

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

IFRS 10 – and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

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. Therefore, 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. Market Price
2. Dilution
3. Payment of Dividends
4. Limited Operating History and Financial Resources
5. Dependence on the Penouta Project
6. Mineral Deposits May Not be Economical
7. Market Price of Metals
8. Mining Operations May Not Be Established or Profitable
9. Ability to Exploit Future Discoveries
10. Financing Risks
11. Geopolitical tensions and the start of the military conflict between Russia and Ukraine
12. Mining is Inherently Dangerous
13. Operations and Exploration Subject to Governmental Regulations
14. Operation and Exploration Activities are Subject to Environmental and Endangered Species Laws and Regulations

15. Permits and Licenses
16. Additional Costs May Be Incurred by Mineral Property Operators as a Result of International Climate Change Initiatives
17. Community Relations
18. Competition
19. Defects in Title to Mineral Properties
20. Future Litigation Could Affect Title
21. Deficient Third Parties' Reviews, Reports and Projections
22. Directors and Officers May Have Conflicts of Interest
23. Global Financial Conditions May Be Volatile
24. Epidemic and Pandemic Diseases
25. Adequate Infrastructure May Not Be Available to Develop the Penouta Project and Alberta II Project
26. Future Acquisitions and Partnerships
27. Partial Ownership or Joint Venture Agreements
28. Canada Revenue Agency's Recent Focus on Foreign Income Earned by Canadian Companies May Result in Adverse Tax Consequences
29. Anti-Bribery Laws (Such as the Corruption of Foreign Public Officials Act of Canada)
30. The Company Will Be Exposed to Foreign Exchange Risk
31. Equipment, Materials and Skilled Technical Workers
32. Risks Relating to Attracting and Retaining Qualified Management and Technical Personnel
33. Disruption from Non-Governmental Organizations
34. Strategic's Operations Are Subject to Human Error
35. Health & Safety
36. Nature and Climatic Conditions
37. Uninsured or Uninsurable Risks
38. Disruption in Strategic's Activities Due to Acts of God May Adversely Affect Strategic
39. Changes in Technology

The foregoing is not an exhaustive list and readers are encouraged to read a more comprehensive list in the Annual Information Form dated March 30, 2023 available on the Company's web site at *www.strategicminerals.com* and on *www.sedar.com*.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures and internal controls over financial reporting have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for evaluating the disclosure controls and procedures and internal controls over financial reporting.

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believes that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed and operated, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

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 or any variations (including negative variations) of such words and phrases. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, total cash costs, the mineral resource estimate (MRE) 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. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "Risk Factors" in the Company's Annual Information Form dated as of March 30, 2023, which is available for review on SEDAR at www.sedar.com.

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.