STRATEGIC MINERALS EUROPE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(EXPRESSED IN U.S. DOLLARS)

Management's Report

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

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

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

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

Toronto, Canada
March 30, 2023

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

	Notes	2022 $	2021 $
Assets			
Current assets:			
Cash and cash equivalents		**899,042**	2,235,716
Trade and other receivables	10	**853,525**	1,500,876
Promissory note	6	**738,300**	-
Inventories	9	**934,122**	218,331
Other current assets		**56,428**	94,402
Total current assets		**3,481,417**	4,049,325
Non-current assets:			
Property, plant and equipment	7	**23,408,996**	22,513,368
Exploration and evaluation	6	**-**	2,788,050
Investment in associate	6	**632,829**	-
Guarantee and other deposits	19	**1,532,040**	374,204
Right-of-use assets	8	**174,689**	223,203
Total assets		**29,229,971**	29,948,150
Liabilities and shareholders' equity			
Current liabilities:			
Trade and other payables		**4,333,832**	2,482,826
Current portion of long term liabilities	11	**1,099,196**	925,313
Total current liabilities		**5,433,028**	3,408,139
Non-current liabilities:			
Long term liabilities	11	**3,120,735**	4,147,253
Decommissioning liabilities	14	**1,929,339**	794,131
Total liabilities		**10,483,102**	8,349,523
Shareholders' equity:			
Share capital	13	**40,829,378**	40,817,960
Contributed surplus	13	**4,211,062**	3,800,673
Accumulated other comprehensive loss	13	**(4,465,140)**	(2,610,876)
Deficit		**(21,828,431)**	(20,409,130)
Total shareholders' equity		**18,746,869**	21,598,627
Total liabilities and shareholders' equity		**29,229,971**	29,948,150

Commitments and contingencies (Note 1, 11, 14 & 19)
Subsequent events (Note 6, 11, 13 & 22)

On behalf of the Board of Directors:

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

See the accompanying notes to the consolidated financial statements

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

	Notes	2022 $	2021 $
Revenue	20	**11,658,693**	7,549,652
Changes in inventories of finished goods and work in progress	9	**726,364**	(23,781)
Raw materials and consumables used	9	**(1,387,969)**	(659,636)
Supplies		**(3,387,597)**	(782,489)
Profit before expenses and other		**7,609,491**	6,083,746
Expenses			
Depreciation and amortization expense	7 & 8	**(1,724,354)**	(1,708,371)
Employee expenses	12a	**(2,502,257)**	(1,681,353)
Other operating expenses	12b	**(5,938,503)**	(3,381,738)
Share-based payments	13	**(18,955)**	(1,305,278)
Total expenses		**(10,184,069)**	(8,076,740)
Other income (expense)			
Finance income		**177,623**	13,161
Finance costs		**(262,928)**	(311,706)
RTO transaction costs	5	**-**	(835,896)
Gain on sale of assets	6	**691,388**	-
Gain on retained investment in associate	6	**296,310**	-
Other income		**252,884**	163,632
Total other income (expense)		**1,155,277**	(970,809)
Net loss		**(1,419,301)**	(2,963,803)
Other comprehensive loss			
Items that may be reclassified to (loss) income in subsequent periods:			
Foreign currency translation adjustment		**(1,854,264)**	(1,148,148)
Comprehensive loss		**(3,273,565)**	(4,111,951)
Loss per share - Basic and diluted	21	**(0.01)**	(0.02)
Weighted average number of shares outstanding - Basic and diluted	21	**236,498,217**	163,120,254

See the accompanying notes to the consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(EXPRESSED IN U.S. DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Share capital and premium	Other equity	Contributed Surplus	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)**
Shares issued in settlement of related party debt (note 13)	19,897,266	-	-	-	-	19,897,266
Effects of restructuring (note 13)	-	9,228,261	(274,705)	-	(8,953,556)	-
Private Placements (note 13)	3,452,524	-	2,301,683	-	-	5,754,207
Advisory fee related to private placements (note 13)	147,736	-	98,491	-	-	246,227
Share issuance cost (note 13)	(170,182)	-	(121,257)	-	-	(291,439)
Share-based compensation (note 13)	-	-	1,300,175	-	-	1,300,175
Issued to Buccaneer security holders (note 5)	728,234	-	121,372	-	-	849,606
Total comprehensive loss for the year	-	-	-	(1,148,148)	(2,963,803)	(4,111,951)
Balance at December 31, 2021	**40,817,960**	-	**3,800,673**	**(2,610,876)**	**(20,409,130)**	**21,598,627**
Shares issued for services (note 13)	11,418	-	-	-	-	11,418
Share-based compensation (note 13)	-	-	18,955	-	-	18,955
Issuance of convertible debenture units (note 11)	-	-	413,946	-	-	413,946
Convertible debenture units issued for Finder's fee (note 11)	-	-	7,986	-	-	7,986
Convertible debenture unit issuance cost (note 11)	-	-	(30,498)	-	-	(30,498)
Total comprehensive loss for the year	-	-	-	(1,854,264)	(1,419,301)	(3,273,565)
Balance at December 31, 2022	**40,829,378**	-	**4,211,062**	**(4,465,140)**	**(21,828,431)**	**18,746,869**

See the accompanying notes to the consolidated financial statements

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

	2022 $	2021 $
Operating activities		
Net loss	**(1,419,301)**	(2,963,803)
Items not involving cash:		
Depreciation and amortization expense	**1,724,354**	1,708,371
RTO Transaction cost	**-**	742,568
Finance income	**(177,623)**	-
Finance expenses	**223,312**	-
Share-based payments	**18,955**	1,305,278
Gain on sale of assets	**(691,388)**	-
Gain on retained investment in associate	**(296,310)**	-
Other income and losses	**26,277**	23,780
Net change in non-cash working capital items		
Trade and other receivables	**(36,673)**	(1,304,517)
Trade and other payables	**818,186**	1,758,511
Income tax paid (received)	**(31,072)**	86,681
Other operating assets and liabilities	**(726,364)**	-
Net cash provided by (used in) operating activities	**(567,647)**	1,356,869
Investing activities		
Additions to property, plant and equipment	**(1,222,458)**	(4,734,063)
Cash obtained from RTO transaction	**-**	107,254
Proceeds from sale of assets	**738,300**	371,539
Net cash used in investing activities	**(484,158)**	(4,255,270)
Financing activities		
Proceeds from borrowings	**203,345**	-
Repayment of loans	**(1,085,439)**	(746,026)
Principal elements of lease payments	**(77,537)**	(64,511)
Proceeds from private placements	**845,620**	5,754,207
Share issue costs	**(30,498)**	(45,212)
Net cash provided by (used in) financing activities	**(144,509)**	4,898,458
Effect of movements in exchange rates on cash and cash equivalents	**(140,360)**	(16,752)
Net change in cash and cash equivalents	**(1,336,674)**	1,983,305
Cash and cash equivalents, at the beginning of the year	**2,235,716**	252,411
Cash and cash equivalent, at the end of the year	**899,042**	2,235,716
Cash and cash equivalents as at December 31, 2022 and 2021		
Short term bank deposits	**-**	2,017,013
Cash	**899,042**	218,703
	899,042	2,235,716
Supplemental cash flow information		
Non-cash share issue costs	-	246,227
Shares issued in settlement of debt	**-**	19,897,266
Units issued for Finder's fee	**22,500**	-
Shares issued for services	**11,418**	-
Increase in property, plant and equipment related to increased decommissioning obligation	**1,181,692**	-
Promissory note received as partial consideration for sale of assets	**738,300**	-

See the accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Strategic Minerals Europe Corp. and its subsidiaries (collectively the "Company" or "Strategic"), formerly Buccaneer Gold Corp. ("Buccaneer"), is a publicly listed company, engaged in the acquisition, exploration and evaluation and operation of mineral properties. The Company's head office is located at 365 Bay Street, Suite 800, Toronto, Ontario, Canada, M5H 2V1. The Company has also offices in Madrid, Spain. The Company's shares are listed on the Neo Exchange Inc. ("NEO") under the symbol "SNTA", the Frankfurt Stock Exchange open market under the symbol "26K0", and the OTCQB under the symbol "SNTAF."

On December 6, 2021, the Company completed a reverse takeover transaction (the "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 was deemed to be the acquirer in the RTO. As a result, the historical figures of these consolidated financial statements represent those of SMEI as it is the deemed accounting acquirer.

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 controlled SMEI. The Vend-in Transaction constituted a restructuring of SMS as there was no substantive change in ownership of SMS. As a result, the number of shares outstanding prior to the Vend-in Transaction have been represented as the number of shares issued in connection with the Vend-in Transaction on a retrospective basis.

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 30, 2023.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

The Company has incurred a loss of $1,419,301 for the year ended December 31, 2022 (2021 - $2,963,803) and has working capital deficiency of $1,951,611 as at December 31, 2022 (2021 – working capital of $641,393).

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

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.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

Basis of consolidation

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

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

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

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

The consolidated financial statements also include the Company's equity interest in associate as outlined in Note 6. Investment in associate is accounted for using the equity method.

Basis of measurement

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

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statements of operations and comprehensive loss under finance income and costs. Foreign exchange gain and losses arising on translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in accumulated other comprehensive loss.

Group companies

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

(i) assets and liabilities for consolidated statements 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).

Effective December 31, 2021, the Company changed its presentation currency from Euro ("EUR" or "€") 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.

Use of estimates and judgments

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

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

- **Decommissioning liabilities**

  Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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

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

- **Recoverability of potential deferred tax assets**

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

- **Convertible debentures**

  Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the embedded derivatives. See note 11.

- **Share-based payments and warrants**

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

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

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

- **Mineral reserve estimates**

  Estimates of the quantities of proven and probable mineral reserves and resources in the expected life of mine are used in the calculation of depletion and depreciation expense, to calculate the recoverable value of a CGU and/or exploration and evaluation assets, and any required impairment. The Company makes estimates of the quantities of reserves and resources, which requires significant estimation that arise from the evaluation of geological, engineering and economic data for a given ore body. These estimates could change over time due to various factors, including new information gained from mining and development, drill results and updated economic data.

- **Impairment of non-current assets**

  Management applies significant judgment in its assessment and evaluation of asset or cash generating units at each reporting date to determine whether there are any indicators that the Company's property, plant and equipment assets and exploration and evaluation assets are impaired. For exploration and evaluation assets, the Company considers indicators including the Company's continued ability and plans to further develop the projects, the potential commercial viability of the projects, evidence indicating that licenses required to advance the projects have expired, and whether exploration results have not led to the discovery of commercially viable quantities of mineral resources. For property, plant and equipment, the Company considers changes in estimated future production, commodity prices, operating cost and capital expenditure estimates, and estimates of recoverable reserves and the Company's ability to convert resources to reserves. Where an indicator of impairment exists for its long-lived assets, the Company performs an analysis to estimate the recoverable amount, which includes various key estimates and assumptions as discussed above.

- **Calculation of other provisions**

  See Note 4(o)

- **Contingencies**

  See Notes 14 and 19

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and cash equivalents

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

(b) Inventories

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

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

(c) Exploration and evaluation assets

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

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

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

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

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

(d) Property, plant and equipment

Mineral properties related to mineral interest in Section B of the Penouta Project are recorded at the amounts paid for their acquisition and are amortized on a straight-line basis, based on the years of economic exploitation of the mineral reserves estimated on the basis of technical studies and the expected annual production.

Other mineral properties are amortized using a unit-of-production basis over the Proven and Probable Mineral Reserve to which they relate. Expenditures include:

i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of properties acquired as part of a business combination or the acquisition of a group of assets. The acquisition price also includes the initial estimate of the present value of the obligations assumed as a result of dismantling or retirement and others associated with the asset, such as rehabilitation costs, when these obligations give rise to the recording of provisions.

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

iii. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a Proven and Probable Mineral Reserve as defined in accordance with National Instrument 43-101, “Standards of Disclosure for Mineral Projects” are capitalized. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is capitalized when it is probable that additional economic benefit will be derived from future operations.

iv. Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset, all other borrowing costs are expensed as incurred, incidental pre-production expenditures, if any, are recognized in the statement of operations and comprehensive loss.

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

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

Depreciation for plant and equipment has been calculated on a straight-line basis, based on the useful life of the assets and their residual value.

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

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

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

Each part of an item of property, plant and equipment has been depreciated separately as follows:

DESCRIPTION	METHOD	YEARS
Mineral properties (Mineral interest - Section B)	Straight-line	12
Other mineral properties	Unit-of-production	
Plant and equipment		
Administrative infrastructure	Straight-line	18
Installations	Straight-line	18
Machinery	Straight-line	8
Tools and utensils	Straight-line	8
Furniture	Straight-line	20
Computer processing equipment	Straight-line	4
Computer software	Straight-line	4

Assets under construction are not amortized as they are not available for use.

Impairment of property, plant and equipment:

At each statement of financial position date or whenever there are indications of impairment losses, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that such assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). There were no indications of impairment losses assessed by the Company in 2022 and 2021 and as a result, no impairment losses were recorded.

(e) Investment in associate

In accordance with IFRS 10, Consolidated Financial Statements (“IFRS 10”), associates are those in which the Company has significant influence, but not control or joint control over the financial and accounting policies.

Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Company’s representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel or the provision of essential technical information. Associates are equity accounted for from the date of commencement of significant influence to the date that the Company ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the investment in the associate is written down to nil.

Thereafter, losses are recognized only to the extent that the Company is committed to providing financial support to such associates. The carrying value of the investment in associates represents the cost of the investment, a share of the post-acquisition retained earnings or losses, accumulated other comprehensive income and any impairment losses. At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment in associate is impaired.

(f) Leasing

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

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

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

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

The lease liability is subsequently measured by:

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

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

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying

asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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

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

(g) Decommissioning liabilities

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

(h) Income taxes

Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

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

(i) Revenues

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

Revenues are measured at the fair value of the consideration received or receivable and represent the amounts receivable for goods delivered and services rendered in the ordinary course of business.

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

(j) Government assistance

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

(k) Share-based payment transactions

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

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

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

(l) Loss per common share

Basic loss per share is calculated using the weighted average number of shares outstanding. The diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. All of the Company's outstanding warrants and options were anti-dilutive for the years ended December 31, 2022 and 2021.

(m) Financial assets and liabilities

Financial assets

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

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

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or

premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of operations.

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

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

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

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

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

Financial liabilities

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

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

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

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

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The convertible notes are considered to contain embedded derivatives. The embedded derivatives are measured at fair value upon initial recognition using the Black-Scholes valuation model and are separated from the debt component of the notes. The debt component of the notes is measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative components are re-measured at fair value at each reporting date while the debt components are accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

Summary of the Company’s classification of financial assets and liabilities:

	Classification
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Promissory note	Amortized cost
Guarantee and other deposits	Amortized cost
Trade and other payables	Amortized cost
Long-term liabilities	Amortized cost

(n) Related party transactions

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

(o) Provisions and contingencies

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

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

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

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

(p) Recently adopted accounting pronouncements

During the year ended December 31, 2022, 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).

(q) 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 these 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 non-current 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.

5. REVERSE TAKEOVER

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

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

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

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

(Expressed in U.S. Dollars)

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

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

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

No value was allocated to Buccaneer’s exploration project as the Company did not intend to pursue any work on the project and the option was terminated in 2022.

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

6. EXPLORATION AND EVALUATION

A summary of the net book value included in Exploration and Evaluation is as follows:

Net Book Value (USD)	Lithium Project	Penouta 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	(71,034)	(114,541)	(185,575)
Transfer to Property, Plant and Equipment (note 7)	-	(1,480,744)	(1,480,744)
Disposal	(1,121,731)	-	-
Balance December 31, 2022	**-**	**-**	**-**

During the year ended December 31, 2022, a total of $1,480,744 exploration and evaluation assets were reclassified to property, plant and equipment as a result of the exploitation permit granted for Section C of the Penouta Project.

There was no impairment of exploration and evaluation assets during the years ended December 31, 2022 and 2021.

Lithium Project

Exploration and Evaluation

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 of the Company 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 and a non-interest bearing promissory note of $738,300.

On December 28, 2022, the Option was exercised, and the Company received the cash payment and promissory note. The promissory note was collected by the Company subsequent to December 31, 2022.

As at December 31, 2022, the promissory note was recorded on the consolidated statement of financial position and a gain of $691,388 was recorded as gain on sale of assets in the consolidated statement of operations and comprehensive Loss.

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 “Agreement”) and a shareholders' agreement that will govern the operation of the Lithium Project. Under the shareholders’ agreement, as a minority shareholder the Company has the right to nominate one director to the Board of ILS.

Under the 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 has determined that it has significant influence over ILS, and its 30% interest was recorded as investment in associate on the Consolidated Statement of Financial Position as at December 31, 2022. There is no operations or liabilities of ILS as of December 31, 2022.

The Company’s 30% interest in ILS was recorded at a fair value as at December 28, 2022 as a result of sale of 70% of the shares of ILS to ILI based on total consideration received.

(Expressed in U.S. Dollars)

The gain on of the investment retained in ILS was recognized in the consolidated statement of operation and comprehensive loss for the year ended December 31, 2022 was determined as follows:

Initial investment in ILS	$	336,519
Gain on the investment retained		296,310
Total investment in associate	$	632,829

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.

7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment are generally held in connection with its mining operations, located north of the town of Penouta, in Concello de Viana do Bolo, Spain.

The initial estimate of the net present value of the obligations assumed as a result of dismantling or retirement and others associated with the asset, such as rehabilitation costs has been capitalized and recorded as technical installations and other tangible assets on the consolidated statement of financial position as of December 31, 2022.

As of December 31, 2022 and 2021, a summary of the net book value is as follows:

ASSETS (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
Balance December 31, 2020	**12,899,551**	**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	(953,477)	(195,438)	(917,759)	(17,285)	**(2,083,959)**
Balance December 31, 2021	**11,897,578**	**4,566,157**	**11,472,998**	**51,895**	**27,988,628**
Additions	-	1,217,801	1,181,692	4,657	**2,404,150**
Transfer from exploration and evaluation	-	-	1,480,744	-	**1,480,744**
Transfer of assets under construction	5,005,002	(5,005,002)	-	-	**-**
Effect of foreign currency exchange differences	(642,521)	(306,310)	(663,731)	(3,029)	**(1,615,591)**
Balance December 31, 2022	**16,260,059**	**472,646**	**13,471,703**	**53,523**	**30,257,931**

Accumulated Depreciation (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
Balance December 31, 2020	**(2,100,228)**	**-**	**(2,065,122)**	**(432,201)**	**(4,597,551)**
Additions	(669,272)	-	(993,556)	-	**(1,662,828)**
Retirements	30,050	-	-	363,021	**393,071**
Effect of foreign currency exchange differences	181,493	-	193,270	17,285	**392,048**
Balance December 31, 2021	**(2,557,957)**	**-**	**(2,865,408)**	**(51,895)**	**(5,475,260)**
Additions	(771,330)	-	(904,925)	(1,364)	**(1,677,619)**
Effect of foreign currency exchange differences	142,162	-	158,710	3,072	**303,944**
Balance December 31, 2022	**(3,187,125)**	**-**	**(3,611,623)**	**(50,187)**	**(6,848,935)**

Net Book Value (USD)	December 31, 2022	December 31, 2021
Plant and equipment	13,072,934	9,339,621
Fixed assets under construction	472,646	4,566,157
Mineral properties	9,860,080	8,607,590
Computer software	3,336	-
Total Net	**23,408,996**	**22,513,368**

(Expressed in U.S. Dollars)

The assets under construction as at December 31, 2021 represent an investment in new mining and crushing equipment that was reclassified to plant and equipment upon completion in 2022.

8. RIGHT OF USE ASSETS

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

Right of Use Assets (USD)	Total
Balance December 31, 2020	**628,434**
Effect of foreign currency exchange differences	(46,547)
Balance December 31, 2021	**581,887**
Effect of foreign currency exchange differences	(34,654)
Balance December 31, 2022	**547,233**

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	(46,735)
Effect of foreign currency exchange differences	32,875
Balance December 31, 2022	**(372,544)**

Net Book Value (USD)	December 31, 2022	December 31, 2021
Right-of-use assets	174,689	223,203
Total - net	**174,689**	**223,203**

9. INVENTORIES

Inventories comprise the following:

Inventories (USD)	December 31, 2022	December 31, 2021
Finished goods	567,240	168,780
Materials and supplies	366,882	49,551
Total	**934,122**	**218,331**

The finished goods as at December 31, 2022 contained concentrate of tin and tantalum in the amount of $406,200 and $161,040, respectively (2021 - $154,530 and $14,250) valued at cost. There were no write-downs recognized during the years ended December 31, 2022 and 2021.

Materials and supplies as at December 31, 2022 were carried at the net realizable value, and the provisions recorded to reduce materials and supplies to net realizable value was $51,322 as at December 31, 2022 (2021 - $40,155).

Inventories recognized as expenses during the year ended December 31, 2022 is $661,605 (2021 - $683,417).

(Expressed in U.S. Dollars)

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are composed of the following:

Trade and other receivables (USD)	December 31, 2022	December 31, 2021
Trade receivables	121,473	703,633
Other tax receivables	732,052	797,243
Total	**853,525**	**1,500,876**

11. LONG-TERM LIABILITIES

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

in USD	December 31, 2022	December 31, 2021
Bank loans	2,430,797	3,137,720
Government grants	428,039	578,421
Convertible debentures - loan	448,489	-
Arrangements with suppliers	569,437	1,052,480
Lease liabilities	343,169	303,738
Related party loans (note 15)	-	207
Total	4,219,931	5,072,566
Less: current portion	(1,099,196)	(925,313)
Long-term liabilities	**3,120,735**	**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 December 31, 2022 and 2021 are as follows:

December 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%	37,831	77,964	115,795
Loan (b)	October 2020	October 2025	No	2.00%	39,659	79,319	118,978
Loan (c)	October 2020	October 2025	No	2.00%	19,428	40,041	59,469
Loan (d)*	March 2020	December 2025	Secured	2.00%	530,215	1,092,695	1,622,910
Loan (e)	December 2020	September 2025	No	2.50%	42,809	77,532	120,341
Loan (f)	October 2020	April 2025	No	2.30%	30,563	47,460	78,023
Loan (g)	September 2020	October 2025	No	2.25%	37,774	71,497	109,271
Loan (h)	September 2022	March 2023	No	2.50%	206,010	-	206,010
Total					**944,289**	**1,486,508**	**2,430,797**

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	-	October 2023	No	-	1,941	-	1,941
Total					**772,133**	**2,365,587**	**3,137,720**

*Secured against the total assets of SMS.

(Expressed in U.S. Dollars)

Convertible debentures

In October 2022, the Company closed a convertible debenture for aggregate gross proceeds of CA$1.167 million ($0.85 million). The Company issued 1,167.50 convertible debenture units (the "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.

For accounting purposes, the convertible debentures are considered compound financial instruments and the equity conversion option was separately classified as equity as the number of shares upon conversion meet the fixed-for-fixed criteria.

The allocation of the Debenture Unit was calculated based on the relative fair value of each of the components. The fair value of the 2024 Warrants and the conversion option of the convertible debentures were determined using the Black-Scholes pricing model based upon the following assumptions:

Exercise price	CA$0.25
Share price	CA$0.14
Expected life	2.0 years
Expected annualized volatility	107.00% based on representative entities
Expected dividend yield	0%
Risk-free interest rate	4.07%

The fair value of the debenture unit was first allocated to the host debt amounting to $437,674. The residual amount was allocated on a relative fair value basis amounting to $206,973 for the conversion option and $204,973 for warrants.

As for the finders' fees paid in Debenture Units, the relative fair value of the convertible debentures, the equity conversion option and the 2024 Warrants and are determined to be $8,311, $3,993 and $3,993, respectively.

As at December 31, 2022, the outstanding balance of the convertible debentures was $448,489 (2021 - $nil).

Interest accrued on the convertible debentures amounted to $5,804 as at December 31, 2022 (2021 - $nil) and was included in trade and other payables on the consolidated statements of financial position.

(Expressed in U.S. Dollars)

Subsequent to December 31, 2022, the Company issued 163,625 common shares in satisfaction of interest payments of $8,181 to certain holders of the convertible debentures at the weighted average trading price of the Company's Common Shares on the NEO for the ten consecutive trading days preceding the interest payment date (CA$0.05 per share).

Government grants

The Company has a government grant payable of $428,039 as of December 31, 2022 (2021 - $578,421) to be repaid by February 1, 2028. During the year ended December 31, 2022, a total repayment of $81,649 was made against this grant. The principal amount due in 12 months is $67,009 and has been recognized as a current liability as at December 31, 2022.

Agreements with suppliers

The Company has agreed to defer payment with certain suppliers. Payments are scheduled in quarterly instalments until 2025. The current portion of $377,888 is included in the "Trade and other payables" balance as at December 31, 2022 (2021 - $454,176).

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

Arrangements with suppliers (USD)	Total	2024	2025
Arrangements with suppliers	569,437	328,977	240,460
Total	**569,437**	**328,977**	**240,460**

Lease liabilities

Lease liabilities (USD)	
Lease liability as at December 31, 2020	**387,475**
Interest expense	11,591
Lease payments	(81,714)
Effect of foreign currency exchange differences	(13,614)
Lease liability as at December 31, 2021	**303,738**
Additions	135,044
Interest expense	4,304
Lease payments	(71,216)
Effect of foreign currency exchange differences	(28,701)
Lease liability as at December 31, 2022	**343,169**

Lease liabilities (USD)	December 31, 2022	December 31, 2021
Current lease liabilities	87,898	70,341
Long-term portion of lease liabilities	255,271	233,397
	343,169	**303,738**

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

(Expressed in U.S. Dollars)

Scheduled future undiscounted obligations of the Company as at December 31, 2022 are as follows:

Cash flow Obligation (USD) - undiscounted	1 year	1-3 years	More than 3 years	Total
Bank loans	984,757	1,531,191	-	2,515,948
Government grants	77,710	233,131	155,421	466,262
Arrangements with suppliers	-	569,437	20,898	590,335
Lease liabilities	99,982	272,760	-	372,742
Total	**1,162,449**	**2,606,519**	**176,319**	**3,945,287**

12. EXPENSES

(a) Employee expenses

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

Personnel expenses (USD)	2022	2021
Wages and Salaries	1,943,415	1,272,622
Severance and other social benefits	15,959	14,173
Social Security paid by the Company	542,883	394,558
Total	**2,502,257**	**1,681,353**

(b) Other operating expenses

Other operating expenses (USD)	2022	2021
Leases and Royalties	394,092	290,982
Repairs and Maintenance	399,975	257,887
Professional services	1,867,958	1,226,992
Transportation	6,326	17,413
Insurance premiums	52,804	47,197
Banking and similar services	94,473	19,959
Advertising, publicity and public relations	45,615	5,278
Supplies (Electricity/Diesel)	2,566,521	1,327,726
Administrative	52,981	90
Other Services	433,536	152,951
Other Taxes	24,222	35,263
Total	**5,938,503**	**3,381,738**

(Expressed in U.S. Dollars)

13. SHARE CAPITAL

Authorized:

Common Shares: Unlimited

Issued:

	Common Shares #	Warrants #
Balance, December 31, 2020	4,554,162	-
Loan settlement	4,610,652	-
Restructuring of SMS and SME on July 14, 2021	(9,164,814)	-
Restructuring of SMS and SME on July 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	**236,471,333**	**33,070,478**
Shares issued for services	62,500	-
Warrants issued on private placement of convertible debentures (note 11)	-	4,670,000
Finder's fee on issuance of convertible debentures (note 11)	-	90,000
Balance, December 31, 2022	**236,533,833**	**37,830,478**

As at December 31, 2022, SMEI has 236,533,833 common shares and 37,830,478 share purchase warrants outstanding.

During the year ended December 31, 2022, the Company issued 62,500 common shares to a consultant at the closing market price on the NEO as at the date of issue (CA$0.24 per share).

During the year ended December 31, 2021, the Company issued common shares as follows:

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

(b) Private Placements

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

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

(Expressed in U.S. Dollars)

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

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

(c) RTO Transaction

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

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

Warrants

As at December 31, 2022, the following warrants were outstanding:

Warrants	Grant Date	Expiry Date	Number of Warrants Outstanding	Exercise Price (CA$)	Remaining Life (in years)
2026 Warrants (listed)	July 16, 2021	July 16, 2026	33,070,478	0.40	3.54
2024 Warrants	October 13, 2022	October 13, 2024	4,760,000	0.25	1.79
			37,830,478	0.38	3.32

Stock options

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, with a maximum of 10% of the issued common shares reserved for issuance under the Plan. The maximum term for options is 10 years.

(Expressed in U.S. Dollars)

Stock option transaction are summarized as follows:

	Options \#	Weighted average exercise price CA$
Options outstanding at December 31, 2020	-	-
Granted	13,715,000	0.25
Options outstanding at December 31, 2021	13,715,000	0.25
Granted	100,000	0.27
Options outstanding at December 31, 2022	13,815,000	0.25

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%.

As at December 31, 2022, the following options were outstanding and exercisable:

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price (CA$)	Remaining Life (in years)
December 7, 2021	December 7, 2026	13,215,000	13,215,000	0.25	3.94
December 7, 2021	December 7, 2023	500,000	500,000	0.25	0.93
January 20, 2022	January 20, 2027	100,000	100,000	0.27	4.06
		13,815,000	13,815,000	0.25	3.83

Subsequent to December 31, 2022, the Company granted a total of 5,695,000 stock options to certain directors, executive officers, management and consultants (see Note 22).

14. DECOMISSIONING LIABILITIES

As at December 31, 2022, the Company recognized a provision for future estimated reclamation costs associated with the Penouta Project. The Company had submitted a mine closure and remediation plan as part of the process to seek approval from the Xunta de Galicia ("Xunta"), for the exploitation concession in Section C of the Penouta Mine. As described in note 6, in June 2022, the Company received approval from the Xunta. As a result, as at December 31, 2022, the Company recorded an increase of $1.182 million (equivalent to 1.107 million Euros) in its provision for decommissioning to reflect a revision of its expected future mine closure and reclamation costs related to the existing mining operation within Section C (based on what was approved by the Xunta with respect to the current operations).

(Expressed in U.S. Dollars)

As at December 31, 2022, the estimated future liability of $1,929,339 (December 31, 2021 - $794,131), was discounted at a rate of 2.31% (December 31, 2021 - 1.14%) expected to be incurred between 2027 and 2052.

The estimated total undiscounted future liability as at December 31, 2022 is $2,737,075 (2021 - $2,910,402).

The underlying assumptions to the reclamation provision will be adjusted accordingly as the Company continues its mining operations as well as its exploration and development program.

Decommissioning 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**
Increase as result of Section C	1,181,692
Accretion	16,813
Effect of foreign currency exchange differences	(63,297)
Balance December 31, 2022	**1,929,339**

15. RELATED PARTIES

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

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

Expenses

The Company leases certain facilities from Sequoia Venture Capital S.L., a corporation controlled by a director; as at December 31, 2022 and 2021, the outstanding balance was $nil and $14,060, respectively. During the year ended December 31, 2022, a total of $27,034 (2021 - $17,747) was recorded as operating expenses (Note 12b).

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

Remuneration of directors and key management personnel of the Company for the years ended December 31, 2022 and 2021 was:

(Expressed in U.S. Dollars)

Key Management Compensation (USD)	2022	2021
Management fees	448,314	292,124
Director fees	335,436	343,573
Consulting fees	-	41,935
Share-based compensation	-	1,071,636
Total	**783,750**	**1,749,268**

Loans

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

In October 2022, certain directors and officers of the Company subscribed for CA$730,000 worth of Debenture Units (Note 11).

See Note 6 regarding transactions with ILI.

See note 13(a) regarding the transaction involving SMS.

16. FINANCIAL INSTRUMENTS AND RISK FACTORS

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

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. At December 31, 2022 and 2021, the Company has no financial instruments carried at fair value to classify in the fair value hierarchy.

As at December 31, 2022 and 2021, carrying amounts of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities on the consolidated 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 institutions 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 receivable are grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at December 31, 2022 and 2021 is $nil 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, and the promissory receivable was received subsequent to year end.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At December 31, 2022, the Company had cash and cash equivalents of $899,042 (December 31, 2021 - $2,235,716) available to settle current liabilities of $5,433,028 (December 31, 2021 - $3,408,139). All of the Company's accounts payable have contractual maturities of less than 30 days. Subsequent to December 31, 2022, a promissory note of $738,300 was collected by the Company pursuant to the Option Agreement with ILI (see note 6).

(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 currencies are the CA and Euro, and major purchases and sales are transacted in CA and Euro. As at December 31, 2022, the Company holds a foreign currency balance of $79,906 (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.

(Expressed in U.S. Dollars)

17. INCOME TAXES

(a) The items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2021 ‑ 26.5%) are as follows:

in USD	2022	2021
Total loss and other comprehensive loss before income taxes	(1,419,301)	(2,963,803)
Expected income tax recovery	(376,115)	(785,408)
Adjustments to benefit resulting from:		
Benefits of tax losses not recognized	376,115	785,408
Deferred income tax recovery	**-**	**-**

(b) Tax benefits from non-capital loss carry-forwards have not been recorded in the consolidated financial statements. These losses may reduce taxable income in future years. The Company's Canadian non-capital loss of $3,817,650 (2021 - $2,733,421) expire between 2026 and 2042, and Spanish non-capital loss of $17,308,746 (2021 - $15,986,470) expire between 2029 and 2040.

(c) Unrecognized deferred tax assets

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

in USD	2022	2021
Non-capital losses carried forward - Spain	17,308,746	15,986,470
Non-capital losses carried forward - Canada	3,817,650	2,733,421
	21,126,396	**18,719,891**

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

18. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an 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 years ended December 31, 2022 and 2021.

19. COMMITMENTS AND CONTINGENCIES

(a) Environmental

The Company's exploration and evaluation and production 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.

The exploitation concession underlying Section C of the Penouta Project requires the Company to provide a financial guarantee in the amount of EUR 3,243,371 ($3,462,298) to be established over the course of five years after the start of the exploitation. The total amount consists of the sum of two items, EUR 1,618,080 ($1,727,300) corresponding to compliance with the obligations related to the financing and viability of the mining works (4% of the investment budget), and EUR 1,625,291 ($1,734,998) corresponding to 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 EUR 1,943,138 ($2,074,300) 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 EUR 2,000,000 ($2,135,000) to be paid as follows:

- On September 16, 2022 – EUR 800,000 ($854,000) (paid)
- On or before October 30, 2022 – EUR 300,000 ($320,250) (paid)
- On or before November 30, 2022 – EUR 400,000 ($427,000)
- On or before December 30, 2023 – EUR 500,000 ($533,750)

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 with payments from July to December 2023 pending of approval.

The payments made in 2022 were recorded as guarantee and other deposits (non-current) on the Consolidated Statement of Financial Position as of December 31, 2022.

(b) The Company is party to certain operating agreements that contain minimum commitments of approximately CA$150,000 ($110,000) within one year.

20. SEGMENTED DISCLOSURES

The Company currently operates in one operating segment, being the acquisition, exploration, evaluation and operation of mining properties in Spain. As at December 31, 2022 and 2021, all material non-current assets of the Company were located in Spain.

For the year ended December 31, 2022, approximately $11,434,077 (98.1%) of the Company’s total revenues was generated from two customers (2021 – $7,427,455 (98.4%)).

21. LOSS PER SHARE

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. For 2021, the number of outstanding shares has been retrospectively updated as a result of the Vend-In Transaction, which was considered a resurrection of the previous capital structure of the Company. Stock options, warrants and conversion option of convertible debentures are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.

22. SUBSEQUENT EVENTS

a) 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.

b) 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 to the Company of 500,000 common shares in the capital of Electric Royalties. 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%, respectively, once CA$1,670,000 in royalty revenues has been paid to Electric Royalties.

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

d) On January 1, 2023, the Company entered into a Power Purchase Agreement (“PPA”) through its subsidiary, SMS, for its Penouta Project. The PPA provides for the supply of seven gigawatts per year of electricity to the Company for five years.

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