

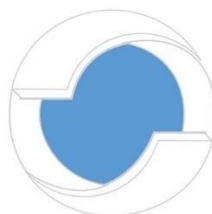
# **STRATEGIC MINERALS EUROPE CORP.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and six months ended June 30, 2023 and  
2022**

(EXPRESSED IN U.S. DOLLARS)

(Unaudited)



**STRATEGIC MINERALS EUROPE CORP.**

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in U.S. Dollars) (Unaudited)

As at		June 30,2023	December 31,2022
	Notes	\$	\$
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		587,995	899,042
Trade and other receivables	9	1,490,781	853,525
Promissory note	5	-	738,300
Inventories	8	1,376,491	934,122
Other current assets		114,056	56,428
<b>Total current assets</b>		<b>3,569,323</b>	<b>3,481,417</b>
Non-current assets:			
Property, plant and equipment	6	23,337,737	23,408,996
Investment in associate	5	610,593	632,829
Investment, at fair value	5	118,960	-
Guarantee and other deposits	17	1,927,238	1,532,040
Right-of-use assets	7	154,301	174,689
<b>Total assets</b>		<b>29,718,152</b>	<b>29,229,971</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Trade and other payables		4,675,389	3,955,944
Current portion of long-term liabilities	10	1,704,178	1,477,084
<b>Total current liabilities</b>		<b>6,379,567</b>	<b>5,433,028</b>
Non-current liabilities:			
Long-term liabilities	10	3,298,536	3,120,735
Decommissioning liabilities	13	1,998,566	1,929,339
<b>Total liabilities</b>		<b>11,676,669</b>	<b>10,483,102</b>
Shareholders' equity:			
Share capital	12	40,938,474	40,829,378
Contributed surplus	12	4,475,434	4,211,062
Accumulated other comprehensive loss		(4,230,792)	(4,465,140)
Deficit		(23,141,633)	(21,828,431)
<b>Total shareholders' equity</b>		<b>18,041,483</b>	<b>18,746,869</b>
<b>Total liabilities and shareholders' equity</b>		<b>29,718,152</b>	<b>29,229,971</b>

Going concern (Note 1)

Commitments and contingencies (Notes 10, 13 & 17)

Subsequent events (Notes 17 & 20)

On behalf of the Board of Directors:

"Campbell Becher"  
Director (Signed)

"Miguel de la Campa"  
Director (Signed)

See the accompanying notes to the condensed interim consolidated financial statements.

**STRATEGIC MINERALS EUROPE CORP.**

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)  
(Expressed in U.S. Dollars) (Unaudited)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue	18	4,628,217	4,688,264	7,529,997	5,772,483
Changes in inventories of finished goods and work in progress	8	550,571	(25,663)	424,580	55,371
Raw materials and consumables used	8	(602,636)	(574,182)	(1,061,670)	(783,071)
Supplies		(1,432,722)	(929,979)	(2,538,039)	(1,206,935)
<b>Profit before expenses and other</b>		<b>3,143,430</b>	<b>3,158,440</b>	<b>4,354,868</b>	<b>3,837,848</b>
<b>Expenses</b>					
Depreciation and amortization expense	6 & 7	(488,532)	(320,530)	(958,802)	(720,726)
Employee expenses	11a	(887,494)	(614,012)	(1,639,613)	(1,204,797)
Other operating expenses	11b	(1,713,005)	(1,433,464)	(3,373,648)	(2,834,337)
Share-based payments	12	-	-	(247,699)	(18,955)
<b>Total expenses</b>		<b>(3,089,031)</b>	<b>(2,368,006)</b>	<b>(6,219,762)</b>	<b>(4,778,815)</b>
<b>Other income (expense)</b>					
Finance income		4,220	38,478	141,513	174,530
Finance costs		(91,190)	(112,298)	(238,710)	(143,981)
Gain on sale of assets	6	-	-	529,379	-
Loss from investment in associate	5	(22,236)	-	(22,236)	-
Change in fair value of investment	5	1,791	-	(12,987)	-
Gain on settlement of debt	12	-	-	7,520	-
Other income		61,180	96,632	208,951	111,954
<b>Total other (expense) income</b>		<b>(46,235)</b>	<b>22,812</b>	<b>613,430</b>	<b>142,503</b>
<b>Income (loss) before income taxes</b>		<b>8,164</b>	<b>813,246</b>	<b>(1,251,464)</b>	<b>(798,464)</b>
Income tax expense		(225)	-	(61,738)	-
<b>Net income (loss)</b>		<b>7,939</b>	<b>813,246</b>	<b>(1,313,202)</b>	<b>(798,464)</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that may be reclassified to income (loss) in subsequent periods:</b>					
Foreign currency translation adjustment		18,035	(1,197,698)	234,348	(1,554,476)
<b>Total comprehensive income (loss)</b>		<b>25,974</b>	<b>(384,452)</b>	<b>(1,078,854)</b>	<b>(2,352,940)</b>
Earnings (loss) per share - Basic	19	0.000	0.003	(0.006)	(0.003)
Earnings (loss) per share - Diluted	19	0.000	0.003	(0.006)	(0.003)
Weighted average number of shares outstanding - Basic	19	237,987,185	236,471,333	237,480,651	236,471,333
Weighted average number of shares outstanding - Diluted	19	237,987,185	240,031,882	237,480,651	236,471,333

See the accompanying notes to the condensed interim consolidated financial statements.

**STRATEGIC MINERALS EUROPE CORP.**

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in U.S. Dollars) (Unaudited)

	Share capital and premium	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
	\$	\$	\$	\$	\$
<b>Balance at December 31, 2021</b>	<b>40,817,960</b>	<b>3,800,673</b>	<b>(2,610,876)</b>	<b>(20,409,130)</b>	<b>21,598,627</b>
Share-based compensation (note 12)	-	18,955	-	-	18,955
Total comprehensive loss for the period	-	-	(1,554,476)	(798,464)	(2,352,940)
<b>Balance at June 30, 2022</b>	<b>40,817,960</b>	<b>3,819,628</b>	<b>(4,165,352)</b>	<b>(21,207,594)</b>	<b>19,264,642</b>
<b>Balance at December 31, 2022</b>	<b>40,829,378</b>	<b>4,211,062</b>	<b>(4,465,140)</b>	<b>(21,828,431)</b>	<b>18,746,869</b>
Shares issued for debt settlement (note 12)	66,378	-	-	-	66,378
Shares issued for interest payments (note 12)	24,700	-	-	-	24,700
Shares issued for services (note 12)	18,018	-	-	-	18,018
Share-based compensation (note 12)	-	247,699	-	-	247,699
Warrants issued (note 10)	-	16,673	-	-	16,673
Total comprehensive loss for the period	-	-	234,348	(1,313,202)	(1,078,854)
<b>Balance at June 30, 2023</b>	<b>40,938,474</b>	<b>4,475,434</b>	<b>(4,230,792)</b>	<b>(23,141,633)</b>	<b>18,041,483</b>

See the accompanying notes to the condensed interim consolidated financial statements.

**STRATEGIC MINERALS EUROPE CORP.**  
Condensed Interim Consolidated Statements of Cash Flows  
For the six months ended June 30, 2023 and 2022  
(Expressed in U.S. Dollars) (Unaudited)

		Six months ended June 30,	
		2023	2022
	Notes	\$	\$
<b>Operating activities</b>			
Net loss		(1,313,202)	(798,464)
Items not involving cash:			
Depreciation and amortization expense	6 & 7	958,802	720,726
Finance income		(141,513)	(174,530)
Finance costs		193,123	143,981
Share-based payments	12	247,699	18,955
Shares issued for services	12	18,018	-
Change in fair value of investment	5	12,987	-
Gain on settlement of debt	12	(7,520)	-
Gain on sale of assets	6	(529,379)	-
Loss from investment in associate	5	22,236	-
Other income and losses		73,701	(55,371)
Net change in non-cash working capital items			
Trade and other receivables		(668,743)	180,106
Trade and other payables		76,810	229,923
Inventories and other current assets and liabilities		(424,580)	-
<b>Net cash provided by (used in) operating activities</b>		<b>(1,481,561)</b>	<b>265,326</b>
<b>Investing activities</b>			
Additions to property, plant and equipment	6	(690,603)	(514,821)
Promissory note receivable	5	738,300	-
Proceeds from sale of assets	6	738,900	-
<b>Net cash provided by (used in) investing activities</b>		<b>786,597</b>	<b>(514,821)</b>
<b>Financing activities</b>			
Proceeds from issuance of promissory note	10	1,075,000	-
Promissory note issuance cost	10	(16,627)	-
Repayment of loans	10	(645,812)	(423,357)
Lease payments	10	(44,136)	(16,994)
<b>Net cash provided by (used in) financing activities</b>		<b>368,425</b>	<b>(440,351)</b>
Effect of movements in exchange rates on cash and cash equivalents		15,492	(15,080)
<b>Net change in cash and cash equivalents</b>		<b>(311,047)</b>	<b>(704,926)</b>
<b>Cash and cash equivalents, at the beginning of the period</b>		<b>899,042</b>	<b>2,235,716</b>
<b>Cash and cash equivalent, at the end of the period</b>		<b>587,995</b>	<b>1,530,790</b>
<b>Cash and cash equivalents as at June 30, are comprised of the following:</b>			
Short term bank deposits		-	1,502,685
Cash		587,995	28,105
<b>Cash and cash equivalent</b>		<b>587,995</b>	<b>1,530,790</b>
<b>Supplemental cash flow information</b>			
Shares issued for debt settlement and interest payments	12	66,378	-
Investment received as consideration for sale of royalty interest	6	129,308	-
Warrants issued on connection with Notes	10	16,673	-
Income taxes paid		39,308	-

See the accompanying notes to the condensed interim consolidated financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Strategic Minerals Europe Corp. and its subsidiaries (collectively the “Company” or “Strategic”), 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."

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on August 14, 2023.

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

The Company has incurred a loss of \$1,313,202 for the six months ended June 30, 2023 (June 30, 2022 - \$798,464) and has a working capital deficiency of \$2,810,244 as at June 30, 2023 (December 31, 2022 - \$1,951,611).

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

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.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

**2. STATEMENT OF COMPLIANCE**

These unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accountant Standard 34, (“IAS 34”), Interim Financial Reporting. These condensed interim consolidated financial statements do not conform in all respects to the requirements of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) for annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s annual December 31, 2022 consolidated financial statements.

**3. BASIS OF PREPARATION**

**Basis of consolidation**

These condensed interim consolidated financial statements comprise the financial results of Strategic Minerals Europe Corp., including its wholly owned subsidiaries as follows:

Entity	Property/function	Registered	Functional currency
Strategic Minerals Europe Corp.	Corporate	Canada	Canadian Dollar (CA)
Strategic Minerals Europe Inc. (“SMEI”)	Corporate	Canada	Canadian Dollar (CA)
Strategic Minerals Spain S.L. (“SMS”)	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.

These condensed interim consolidated financial statements also include the Company’s equity interest in its associate IberAmerican Lithium Spain, S.L. (“ILS”) as outlined in Note 5.

**Basis of measurement**

These condensed interim consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments carried at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

accrual basis of accounting, except for cash flow information.

**Functional and presentation currency**

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

*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 condensed interim consolidated statements of operations and comprehensive loss under finance income and costs.

*Group companies*

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

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

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



**Use of estimates and judgments:**

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

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include are the same as those described in the Company's most recent annual financial statements, which can be found on the Company's SEDAR profile at [www.sedarplus.ca](http://www.sedarplus.ca).

**4. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2022 except as disclosed below.

*Recently adopted accounting pronouncements*

Effective January 1, 2023, the Company adopted the following amendments. These new standards and changes did not have any material impact on the Company's condensed interim consolidated financial statements.

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

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

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.

*Future changes in accounting pronouncements*

A number of new standards, and amendments to standards and interpretations, are not yet effective for the periods commencing January 1, 2024 or later, and have not been applied in preparing these financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements (“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.

**5. INVESTMENTS**

Investments (USD)	Investment in associate (ILS)	Investment at fair value (Electric Royalties)	Total
<b>Balance, December 31, 2022</b>	<b>632,829</b>	-	<b>632,829</b>
Additions	-	129,308	129,308
Change in carrying value	(22,236)	(12,987)	(35,223)
Effect of foreign currency exchange differences	-	2,639	2,639
<b>Balance, June 30, 2023</b>	<b>610,593</b>	<b>118,960</b>	<b>729,553</b>

*Investment in associate (ILS)*

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 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 in February 2023.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

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 the 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 an investment in associate on the condensed interim consolidated statements of financial position as at June 30, 2023 and December 31, 2022.

The Company's 30% interest in ILS was recorded at cost as at December 28, 2022 as a result of sale of 70% of the shares of ILS to ILI based on total consideration received. During the six months ended June 30, 2023, \$22,236 was recorded as a change in the carrying value of the Company's interest in ILS and as loss from investment in associate in the condensed interim consolidated statement of operations.

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.

*Investment at fair value (Electric Royalties)*

On January 24, 2023, the Company closed a transaction (the "Royalty Transaction") whereby Electric Royalties Ltd. (TSXV: ELEC) ("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. The common shares received in the capital of Electric Royalties were recorded as investments, at fair value determined using Electric Royalties' closing share price of CA\$0.35 on January 24, 2023. Those common shares are classified as a financial asset measured at fair value through profit or loss ("FVPL"). During the six months ended June 30, 2023, \$12,987 was recorded as a change in fair value of investment on the condensed interim consolidated statements of operations. See note 6.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

**6. PROPERTY, PLANT AND EQUIPMENT**

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

As of June 30, 2023 and December 31, 2022 a summary of the net book value is as follows:

Assets (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
<b>Balance, December 31, 2021</b>	<b>11,897,578</b>	<b>4,566,157</b>	<b>11,472,998</b>	<b>51,895</b>	<b>27,988,628</b>
<i>Additions</i>	-	1,217,801	1,181,692	4,657	2,404,150
<i>Transfer from exploration and evaluation</i>	-	-	1,480,744	-	1,480,744
<i>Transfer of assets under construction</i>	5,005,002	(5,005,002)	-	-	-
<i>Effect of foreign currency exchange differences</i>	(642,521)	(306,310)	(663,731)	(3,029)	(1,615,591)
<b>Balance, December 31, 2022</b>	<b>16,260,059</b>	<b>472,646</b>	<b>13,471,703</b>	<b>53,523</b>	<b>30,257,931</b>
<i>Additions</i>	503,208	20,296	167,099	-	690,603
<i>Transfer of assets under construction</i>	315,545	(315,545)	-	-	-
<i>Disposals</i>	-	-	(473,808)	-	(473,808)
<i>Effect of foreign currency exchange differences</i>	367,839	5,359	296,282	1,178	670,658
<b>Balance, June 30, 2023</b>	<b>17,446,651</b>	<b>182,756</b>	<b>13,461,276</b>	<b>54,701</b>	<b>31,145,384</b>

Accumulated Depreciation (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
<b>Balance, December 31, 2021</b>	<b>(2,557,957)</b>	-	<b>(2,865,408)</b>	<b>(51,895)</b>	<b>(5,475,260)</b>
<i>Additions</i>	(771,330)	-	(904,925)	(1,364)	(1,677,619)
<i>Effect of foreign currency exchange differences</i>	142,162	-	158,710	3,072	303,944
<b>Balance, December 31, 2022</b>	<b>(3,187,125)</b>	-	<b>(3,611,623)</b>	<b>(50,187)</b>	<b>(6,848,935)</b>
<i>Additions</i>	(471,753)	-	(462,255)	(782)	(934,790)
<i>Disposals</i>	-	-	134,979	-	134,979
<i>Effect of foreign currency exchange differences</i>	(74,527)	-	(83,262)	(1,112)	(158,901)
<b>Balance, June 30, 2023</b>	<b>(3,733,405)</b>	-	<b>(4,022,161)</b>	<b>(52,081)</b>	<b>(7,807,647)</b>

Net Book Value (USD)	June 30, 2023	December 31, 2022
Plant and equipment	13,713,246	13,072,934
Assets under construction	182,756	472,646
Mineral properties	9,439,115	9,860,080
Computer software	2,620	3,336
<b>Total Net</b>	<b>23,337,737</b>	<b>23,408,996</b>

As part of the Royalty Transaction (Note 5) 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 rate will be reduced to 0.5%, respectively, once CA\$1,670,000 in royalty revenues has been paid to Electric Royalties. See Note 20.

The royalty expense of \$34,680 and \$52,149 was recorded under other operating expenses on the statement of operations for the three and six months ended June 30, 2023, respectively.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

The Royalty Transaction resulted in a gain on partial disposal of the interest in the Penouta Project, determined as follows:

Consideration received		
Cash consideration (CA\$1,000,000)	\$	738,900
Fair value of 500,000 common shares of Electric Royalties		129,308
<b>Total consideration received</b>		<b>868,208</b>
Net book value of assets disposed		338,829
<b>Gain on sale of assets</b>	<b>\$</b>	<b>529,379</b>

The Company estimated the portion of cost and resulting gain by comparing the expected life of mine value prior to and after applying the effects of the royalty and reducing the net book value of the mineral properties a corresponding proportion.

## 7. 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
<b>Balance, December 31, 2021</b>	<b>581,887</b>
Effect of foreign currency exchange differences	(34,654)
<b>Balance, December 31, 2022</b>	<b>547,233</b>
Effect of foreign currency exchange differences	12,048
<b>Balance, June 30, 2023</b>	<b>559,281</b>

Accumulated Depreciation Right-of-Use Assets (USD)	Total
<b>Balance, December 31, 2021</b>	<b>(387,376)</b>
Amortization	(51,793)
Effect of foreign currency exchange differences	66,625
<b>Balance, December 31, 2022</b>	<b>(372,544)</b>
Amortization	(24,012)
Effect of foreign currency exchange differences	(8,424)
<b>Balance, June 30, 2023</b>	<b>(404,980)</b>

Net Book Value (USD)	June 30, 2023	December 31, 2022
Right-of-use assets	154,301	174,689
<b>Total - net</b>	<b>154,301</b>	<b>174,689</b>

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

**8. INVENTORIES**

Inventories comprise the following:

<b>Inventories (USD)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Finished goods	732,182	567,240
Materials and supplies	644,309	366,882
<b>Total</b>	<b>1,376,491</b>	<b>934,122</b>

The finished goods as at June 30, 2023 contained concentrate of tin and tantalum in the amount of \$652,399 and \$79,783, respectively (December 31, 2022 - \$406,200 and \$161,040), valued at cost. There were no write-downs recognized during the six months ended June 30, 2023 and 2022.

Materials and supplies as at June 30, 2023 were carried at the net realizable value, and the provision recorded to reduce materials and supplies to net realizable value was \$106,699 as at June 30, 2023 (December 31, 2022 - \$51,322).

Inventories recognized as expenses during the three and six months ended June 30, 2023 are \$52,065 and \$637,090, respectively (June 30, 2022 - \$599,845 and \$727,700, respectively).

**9. TRADE AND OTHER RECEIVABLES**

Trade and other receivables are composed of the following:

<b>Trade and other receivables (USD)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Trade receivables	474,967	121,473
Other tax receivables	1,015,814	732,052
<b>Total</b>	<b>1,490,781</b>	<b>853,525</b>

The amount of other tax receivables principally comprises receivables from taxation authorities for harmonized sales tax (HST) and value-added tax (VAT).

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

**10. LONG-TERM LIABILITIES**

The table below summarizes the outstanding obligations as at June 30, 2023 and December 31, 2022:

in USD	June 30, 2023	December 31, 2022
Bank loans	1,901,005	2,430,797
Government grants	368,977	428,039
Convertible debentures - loan	569,917	448,489
Promissory notes	1,035,622	-
Arrangements with suppliers	779,227	947,325
Lease liabilities	347,966	343,169
<b>Total</b>	<b>5,002,714</b>	<b>4,597,819</b>
Less: current portion	(1,704,178)	(1,477,084)
<b>Long-term liabilities</b>	<b>3,298,536</b>	<b>3,120,735</b>

***Bank loans***

The Company has loans with several financial institutions that are payable on a quarterly basis. The outstanding balances as at June 30, 2023 and December 31, 2022 are as follows:

June 30, 2023 (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%	39,052	60,057	99,109
Loan (b)	October 2020	October 2025	No	2.00%	40,533	60,799	101,332
Loan (c)	October 2020	October 2025	No	2.00%	20,056	30,844	50,900
Loan (d)*	March 2020	December 2025	Secured	2.00%	547,318	841,726	1,389,044
Loan (e)	December 2020	September 2025	No	2.50%	44,300	56,951	101,251
Loan (f)	October 2020	April 2025	No	2.30%	31,667	32,575	64,242
Loan (g)	September 2020	October 2025	No	2.25%	41,687	53,440	95,127
<b>Total</b>					<b>764,613</b>	<b>1,136,392</b>	<b>1,901,005</b>

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
<b>Total</b>					<b>944,289</b>	<b>1,486,508</b>	<b>2,430,797</b>

\*Secured against the total assets of SMS.

***Convertible debentures***

In October 2022, the Company closed a convertible debenture offering 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 finder's fee.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

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.

On February 15, 2023 and June 30, 2023, the Company issued 163,625 and 328,331 common shares in satisfaction of interest payments of \$6,101 and \$18,599 respectively. The common shares were valued based on the volume weighted average price of the common shares for the ten (10) consecutive trading days preceding the applicable interest payment date. On June 30, 2023, the Company paid interest of \$25,491 in cash.

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 which included an expected volatility of 107% based on the volatility of comparable companies, a risk-free interest rate of 4.07%, share price of CA\$0.14, exercise price of CA\$0.14, an estimated life of 2 years and an expected dividend yield of 0%.

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 finder's 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 June 30, 2023, the outstanding balance of the convertible debentures was \$569,917 (December 31, 2022 - \$448,489).

Interest accrued on the convertible debentures amounted to \$853 as at June 30, 2023 (December 31, 2022 - \$5,084) and was included in trade and other payables on the condensed interim consolidated statements of financial position.

During the six months ended June 30, 2023, accretion expenses of \$109,159 (2022 - \$nil) were recorded as finance costs on the statement of operations related to the convertible debentures.



**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

***Promissory notes\****

On April 11, 2023, the Company's subsidiary, SMS, issued promissory notes (the "Notes") to Jaime Perez Branger and Miguel de la Campa, both directors or officers of the Company (together, the "Related Parties") for an aggregate principal amount of \$1.075 million. The Notes bear interest at a rate of 10% per annum and are set to mature on April 11, 2025. The Company paid legal fees of \$16,627 in cash.

The principal amount of the notes shall be payable in scheduled payments of \$134,375 beginning October 11, 2023 and further payment of \$134,375 shall be made every three months thereafter until January 11, 2025, with a final payment in the amount of \$268,750 on April 11, 2025. Interest shall accrue on a non-compounded basis and shall be paid quarterly in arrears. The fair value of the Notes on initial recognition was determined to be \$1,041,700.

An additional consideration for providing the Notes, the Related Parties received an aggregate of 537,500 common share purchase warrants of the Company (each, a "2026 Warrant").

Each 2026 Warrant entitles the holder thereof to purchase one common share at a price of CA\$0.06 per share until April 11, 2026. The fair value of the 2026 Warrants was determined using the Black-Scholes pricing model which included an expected volatility of 75.06% based on the volatility of comparable companies, a risk-free interest rate of 3.96%, share price of CA\$0.075, an estimated life of 2.87 years and an expected dividend yield of 0%.

As at June 30, 2023, the amortized balance of the Notes was \$1,035,622 (December 31, 2022 - \$nil) using an effective interest rate of 18%.

Interest accrued on the Notes amounted to \$23,560 as at June 30, 2023 (December 31, 2022 - \$nil) and was included in trade and other payables on the condensed interim consolidated statements of financial position.

During the six months ended June 30, 2023, accretion expenses of \$5,024 (2022 - \$nil) were recorded as finance costs on the statement of operations related to the Note.

\* Secured by second ranking charges and security interests in, to and over all securities and other equity interest held by Strategic Minerals Europe Inc. in SMS.

***Government grants***

The Company has a government grant payable of \$368,977 as of June 30, 2023 (December 31, 2022 - \$428,039) to be repaid by February 1, 2028. During the six months ended June 30, 2023, a total repayment of \$78,125 was made with respect to this grant. The principal amount due in 12 months is \$70,197 and has been recognized as a current liability as at June 30, 2023.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

***Arrangements with suppliers***

The Company has agreed to defer payment with certain suppliers. Payments are scheduled in quarterly instalments until 2025.

***Lease liabilities***

<b>Lease liabilities (USD)</b>	
<b>Lease liability as at December 31, 2021</b>	<b>303,738</b>
Additions	135,044
Interest expense	4,304
Lease payments	(71,216)
Effect of foreign currency exchange differences	(28,701)
<b>Lease liability as at December 31, 2022</b>	<b>343,169</b>
Additions	36,580
Interest expense	4,557
Lease payments	(44,136)
Effect of foreign currency exchange differences	7,796
<b>Lease liability as at June 30, 2023</b>	<b>347,966</b>

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

<b>Lease liabilities (USD)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Current lease liabilities	97,791	87,898
Long-term portion of lease liabilities	250,175	255,271
<b>Total</b>	<b>347,966</b>	<b>343,169</b>

Scheduled future principal obligations of the Company as at June 30, 2023 are as follows:

<b>Cash flow Obligation (USD) - undiscounted</b>	<b>1 year</b>	<b>1-3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Bank loans	794,861	1,167,572	-	1,962,433
Government grants	79,421	158,842	158,842	397,105
Promissory notes	403,125	671,875	-	1,075,000
Arrangements with suppliers	380,217	424,594	-	804,811
Lease liabilities	132,722	325,424	57,117	515,263
<b>Total</b>	<b>1,790,346</b>	<b>2,748,307</b>	<b>215,959</b>	<b>4,754,612</b>

**11. EXPENSES**

(a) **Employee expenses**

<b>Employee expenses (USD)</b>	<b>Three months ended June 30, 2023</b>	<b>Three months ended June 30, 2022</b>	<b>Six months ended June 30, 2023</b>	<b>Six months ended June 30, 2022</b>
Wages and Salaries	681,474	474,529	1,262,147	934,527
Social Security	202,120	129,525	367,718	254,925
Severance and other social benefits	3,900	9,958	9,748	15,345
<b>Total</b>	<b>887,494</b>	<b>614,012</b>	<b>1,639,613</b>	<b>1,204,797</b>

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

(b) Other operating expenses

Other operating expenses (USD)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Leases	71,679	85,156	183,089	231,442
Royalties (note 6)	34,680	-	52,149	-
Repairs and Maintenance	196,667	176,116	398,814	239,964
Professional services	416,303	438,739	994,136	907,088
Transportation	94	-	13,086	62
Insurance premiums	16,320	5,581	28,576	21,835
Banking and similar services	30,143	5,934	51,005	10,340
Advertising, publicity and public relations	4,912	11,590	11,459	17,075
Supplies (Electricity/Diesel)	748,164	523,302	1,317,932	1,140,673
Administrative	12,967	16,348	19,486	22,956
Other Services	146,259	164,705	255,616	233,386
Other Taxes	34,817	5,993	48,300	9,516
<b>Total</b>	<b>1,713,005</b>	<b>1,433,464</b>	<b>3,373,648</b>	<b>2,834,337</b>

**12. SHARE CAPITAL**

**Authorized:**

Common Shares: Unlimited

**Issued:**

	Common Shares #	Warrants #
<b>Balance, December 31, 2021</b>	<b>236,471,333</b>	<b>33,070,478</b>
Shares issued for services	62,500	-
Warrants issued on private placement of convertible debentures (note 10)	-	4,670,000
Finder's fee on issuance of convertible debentures (note 10)	-	90,000
<b>Balance, December 31, 2022</b>	<b>236,533,833</b>	<b>37,830,478</b>
Shares issued for debt settlement	1,017,000	-
Shares issued for services	272,727	-
Shares issued for interest on convertible debenture	491,956	-
Warrants issued	-	537,500
<b>Balance, June 30, 2023</b>	<b>238,315,516</b>	<b>38,367,978</b>

As at June 30, 2023, the Company has 238,315,516 common shares outstanding (December 31, 2022 – 236,533,833).

On February 27, 2023, the Company issued 272,727 common shares to a consultant at the closing market price at the date of issue (CA\$0.09 per share).

Common shares issued in satisfaction of interest payments associated with the convertible debentures, represent the volume weighted average trading price of the Company's Common Shares for the ten consecutive trading days preceding the interest payment date. On February 15, 2023 and June 30, 2023, the Company issued 163,625 and 328,331 respectively, common shares in satisfaction of interest payments of \$6,101 and \$18,599 respectively to certain holders of the convertible debentures at a price of CA\$0.05 and CA\$0.075 per share respectively.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

On March 9, 2023, the Company issued 1,017,000 common shares at the closing market price of CA\$0.09 per share in satisfaction of certain amounts owing to a supplier of the Company. A total of \$7,520 was recorded as gain on settlement on the condensed interim consolidated statement of operations for the six months ended June 30, 2023.

### **Warrants**

As at June 30, 2023, the following warrants were outstanding:

<b>Warrants</b>	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of Warrants Outstanding</b>	<b>Exercise Price (CA\$)</b>	<b>Remaining Life (in years)</b>
2026 Warrants (listed)	July 16, 2021	July 16, 2026	33,070,478	0.40	3.05
2024 Warrants (note 10)	October 13, 2022	October 13, 2024	4,760,000	0.25	1.29
2026 Warrants (note 10)	May 29, 2023	April 11, 2026	537,500	0.06	2.78
			<u>38,367,978</u>	<u>0.38</u>	<u>2.83</u>

### **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.

As at June 30, 2023, the following options were outstanding and exercisable:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of Stock Options Outstanding</b>	<b>Number of Stock Options Exercisable</b>	<b>Exercise Price (CA\$)</b>	<b>Remaining Life (in years)</b>
December 7, 2021	December 7, 2026	13,215,000	13,215,000	0.25	3.44
December 7, 2021	December 7, 2023	500,000	500,000	0.25	0.44
January 20, 2022	January 20, 2027	100,000	100,000	0.27	3.56
January 16, 2023	January 16, 2028	5,695,000	5,695,000	0.085	4.55
		<u>19,510,000</u>	<u>19,510,000</u>	<u>0.20</u>	<u>3.69</u>

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 five 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 an expected dividend yield of 0%.

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 16, 2028. The options have a five-year term and vested immediately.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

The stock option fair value of \$247,699 was determined using a Black-Scholes pricing model which included an expected volatility of 110% based on the volatility of comparable companies, a risk-free interest rate of 2.95%, share price of CA\$0.075, exercise price of CA\$0.085, an estimated life of five years and an expected dividend yield of 0%.

**13. DECOMMISSIONING LIABILITIES**

As at June 30, 2023, the Company recognized a provision for future estimated reclamation costs associated with the Penouta Project. The decommissioning liabilities are as follows:

<b>Decommissioning liabilities (USD)</b>	<b>Total</b>
<b>Balance, December 31, 2021</b>	<b>794,131</b>
Increase as result of Section C	1,181,692
Accretion	16,813
Effect of foreign currency exchange differences	(63,297)
<b>Balance, December 31, 2022</b>	<b>1,929,339</b>
Accretion	26,509
Effect of foreign currency exchange differences	42,718
<b>Balance, June 30, 2023</b>	<b>1,998,566</b>

As at June 30, 2023, the estimated carrying value of the liability of \$1,998,566 (December 31, 2022 - \$1,929,339), was discounted at a rate of 3.81% (December 31, 2022 – 2.31%).

The estimated total undiscounted future liability as at June 30, 2023 is \$2,797,329 (December 31, 2022 - \$2,737,037) and is expected to be incurred between 2027 and 2052.

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.

**14. 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 condensed interim 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 June 30, 2023 and December 31, 2022, the outstanding balance was \$nil. During the six months ended June 30, 2023, a total of \$21,437 was recorded as operating expenses (2022 - \$11,046) (Note 11b).

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

During the six months ended June 30, 2023, the Company incurred professional fees of \$8,990 (2022 - \$nil) from Salamanca Ingenieros S.L., a corporation beneficially owned by a director. As at June 30, 2023, and December 31, 2022, the outstanding balance was \$nil.

Remuneration of directors and key management personnel of the Company for the three and six months ended June 30, 2023 and 2022 was:

Key Management Compensation (USD)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Management fees	132,191	113,373	252,678	232,633
Director fees	108,911	85,599	183,768	179,022
Share-based compensation	-	-	184,850	-
<b>Total</b>	<b>241,102</b>	<b>198,972</b>	<b>621,296</b>	<b>411,655</b>

*Related Party Balances*

On April 11, 2023, the Company's subsidiary, SMS, issued the Notes to the Related Parties for an aggregate principal amount of \$1.075 million. As an additional consideration for providing the Notes, the Related Parties received an aggregate of 537,500 common share purchase warrants of the Company. As at June 30, 2023, the outstanding balance of the Notes was \$1.036 million (December 31, 2022 - \$nil) (Note 10).

Also see Note 5 regarding transactions with ILI.

**15. FINANCIAL INSTRUMENTS AND RISK FACTORS**

IFRS requires 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. The Company's only financial instrument carried at fair value as at June 30, 2023 is its investment in Electric Royalties, which is classified as Level 1 of the fair value hierarchy.

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.

**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. 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 receivables are grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at June 30, 2023 and December 31, 2022 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.

(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 June 30, 2023, the Company had cash and cash equivalents of \$587,995 (December 31, 2022 - \$899,042) available to settle current liabilities of \$6,379,567 (December 31, 2022 - \$5,433,028). All of the Company's accounts payable included in the "Trade and other payables" balance have contractual maturities of less than 60 days.

(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 Company considers that the interest rate risk is not significant.

(ii) Foreign Exchange Risk

The Company's functional currency is the CA and Euro, and major purchases and sales are transacted in CA and Euro. As at June 30, 2023, the Company holds a foreign currency balance of \$1,021,846 (December 31, 2022 - \$79,906) included in cash and cash equivalents and the promissory notes which are 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.

**16. CAPITAL MANAGEMENT**

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

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the six months ended June 30, 2023 and 2022.

**17. 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 (\$3,538,517) 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 (\$1,765,325) 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 (\$1,773,192) 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 (\$2,119,964) 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 (\$2,182,000) to be paid as follows:



**STRATEGIC MINERALS EUROPE CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended June 30, 2023 and 2022**  
**(Expressed in U.S. Dollars) (Unaudited)**

---

- On September 16, 2022 – EUR 800,000 (\$872,800) (paid)
- On or before October 30, 2022 – EUR 300,000 (\$327,300) (paid)
- On or before November 30, 2022 – EUR 400,000 (\$436,400)
- On or before December 30, 2022 – EUR 500,000 (\$545,500)

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, which is pending approval. The payments made in 2022 were recorded as guarantee and other deposits (non-current) on the consolidated statements of financial position as of June 30, 2023 and December 31, 2022. On July 31, 2023, the Company made a payment to the financial institution for the amount of EUR 70,000 (\$76,076).

(b) The Company is party to certain operating agreements that contain minimum commitments of approximately CA\$60,000 (\$45,000) within one year.

(c) On April 14, 2023, the Company entered into a cassiterite offtake agreement with Traxys Europe S.A. (“Traxys”) which expires on December 31, 2023. Pursuant to the agreement, the Company is required to deliver to Traxys 100% of the material produced from the Penouta Project over the term of the contract.

(d) See notes 5 and 20 for the royalty agreement with Electric Royalties.

## **18. SEGMENTED DISCLOSURES**

The Company currently operates in one operating segment, being the acquisition, exploration and evaluation and operation of mining properties in Spain. As at June 30, 2023 and December 31, 2022, all material non-current assets of the Company were located in Spain.

For the three months ended June 30, 2023 approximately 72% and 28% of the Company’s total revenues were generated from two customers respectively (June 30, 2022 – 89% and 11%).

For the six months ended June 30, 2023 approximately 61% and 27% of the Company’s total revenues were generated from two customers respectively (June 30, 2022 – 89% and 11%).

## **19. EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is computed by dividing reported net income (loss) by the weighted average number of common shares issued and outstanding for the reporting period.

Diluted earnings (loss) per share is computed by dividing earnings (loss) by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares of the Company during the reporting periods. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of warrants and vested stock options.

For the three month period ended June 30, 2023, 19,510,000 options and 38,367,978 warrants were excluded from the computation of diluted earnings per share, since the effect of conversion of these options and warrants would have been anti-dilutive. For the periods where the Company had a loss, options, warrants and the conversion option of the convertible debentures were considered anti-dilutive and excluded from the calculation of diluted loss per share.

## **20. SUBSEQUENT EVENTS**

On July 27, 2023, Electric Royalties exercised its option to increase its existing 0.75% gross revenue royalty on the production of the Penouta Project by a further 0.75% in exchange for a cash payment of CA\$1,250,000. Electric Royalties now holds an aggregated 1.5% gross revenue royalty on the production of the Penouta Project.

Upon receipt by Electric Royalties of CA\$1,666,667 in aggregate royalty revenues, the royalty rate will be reduced to 1.25%. Upon receipt by Electric Royalties of CA\$3,333,334 in aggregate royalty revenues, the royalty rate will be reduced to 1.0%.