STRATEGIC MINERALS EUROPE CORP.

MANAGEMENT´S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2023

The following management's discussion and analysis of the results of operations and financial condition ("MD&A") for Strategic Minerals Europe Corp. (the "Company" or "Strategic Minerals"), is prepared as of March 27, 2024, and should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2023 (the "Financial Statements"), which are available on the Company's web site at www.strategicminerals.com and on www.sedarplus.ca. Readers are encouraged to read the Cautionary Note Regarding Forward-Looking Information included on pages 27 and 28 of this MD&A. The financial information in this MD&A is derived from the Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Reference should also be made to pages 23 and 24 of this MD&A for information about non-IFRS measures referred to in this MD&A. ***All figures contained herein are expressed in United States dollars ("US" or "$"), except for production or as otherwise stated.***

FOURTH QUARTER AND FULL YEAR 2023 HIGHLIGHTS

Some of the most significant achievements of the Company during the fourth quarter and twelve months of 2023 are as follows:

- On October 19, 2023, the Superior Court of Xustiza of Galicia (the “TSXG”) decided to provisionally suspend the section C permit for the Company’s Penouta Project (the “Decision”) after a complaint filed against the local mining authority Xunta de Galicia (the “Xunta”), requesting a revocation of the section C permit granted to the Company in May 2022. On October 23, 2023, the Company submitted an appeal of the Decision to the Administrative Court of the High Court of Justice of Galicia (the "High Court"). On December 13, 2023, the Company was notified of the High Court's decision to maintain the Decision and continue the provisional suspension of the Penouta Project until the main proceeding is decided. As of the date of this MD&A, no resolution has been reached and operations at the Penouta Project continue to be suspended.

- Total production for 2023 reached a record high of 603 tonnes and quality of concentrate improved during the year. Cassiterite concentrate production reached 501 tonnes with 70.0% tin content and tantalite/columbite concentrate production reached 102 tonnes with 24.1% tantalite content and 25.4% columbite content. Fourth quarter production halted on October 14, 2023 at 28 tonnes of primary concentrate production.

- Sales for the year reached 629 tonnes of concentrates and 418 tonnes of contained minerals (cassiterite, tantalite and columbite concentrates multiplied by the corresponding grade percentage), increasing 20% and 19% respectively from 2022. Sales during the fourth quarter amounted to 29 tonnes of concentrates and 20 tonnes of contained minerals before the temporary suspension of operations. This represented a decrease of 76% and 75%, respectively, compared to the same period in 2022, although the production time decreased by 86%.

- Revenues totaled $12.806 million in 2023, an increase of 10% compared to 2022. Revenues for the fourth quarter reached $507 million at the halt of operations, a reduction of 77% from the same period of 2022.

- During the year, the Company’s share price declined such that the carrying value of its net assets exceeded its market capitalization, operations at the Penouta Project were suspended due to the

Decision, and, subsequent to December 31, 2023, the Company entered into a business combination agreement where all of the issued and outstanding common shares in the capital of the Company would be acquired by a IberAmerican (refer to the Proposed Transaction note in this MD&A) and as a result, the Company recorded an impairment loss of $13.144 million as the recoverable amount of the assets is less than carrying amount as of December 31, 2023. The recoverable amount of the assets was estimated based on their fair value less cost of disposal ("FVLCD"), determined using the assumptions from the proposed business combination agreement.

- Despite the Company's readiness to achieve a new quarterly record high output level during the fourth quarter of 2023, production accounted for only 14% of the total quarter's days, due to the Decision which followed a previous disruption in September 2023 caused by an unusual drought in Spain. Additionally, ongoing fixed costs and mine development activities, including essential stripping operations to access higher mineralization areas, further impacted the financial performance resulting in a net loss for the year of $16.941 million (loss of $0.071 per share) compared to a net loss of $1.419 million (loss of $0.006 per share) during 2022. Net loss for the fourth quarter amounted to $15.065 million, compared to loss of $0.796 million in the same period of 2022, primarily attributable to the halt of production.

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

- The Company closed a transaction (the "Gross Revenue Royalty Transaction") whereby Electric Royalties Ltd. (TSXV: ELEC) (OTCQB: ELECF) ("Electric Royalties") acquired a 0.75% gross revenue royalty on production from the Penouta Project in exchange for a cash payment of CA$1,000,000 and the issuance of 500,000 common shares in the capital of Electric Royalties to the Company. Electric Royalties had 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, which was exercised on July 27, 2023. Electric Royalties now holds an aggregated 1.5% gross revenue royalty which will be reduced to 1.25% and 1.0%, respectively, once CA$1,666,667 and CA$3,333,334 in royalty revenues have been paid to Electric Royalties. The accumulated amount of royalties paid to Electric Royalties as of the date of this MD&A is CA$165,545 (€113,410).

- On September 28, 2023, the Company reached an agreement with IberAmerican Lithium Corp. (Cboe: IBER) ("IberAmerican") for the Company's 30% interest in investigation permit Nº 5186 and the application for investigation permit Nº 5191 related to the Alberta II and Carlota lithium projects, respectively, located in Spain (the "Lithium Project"). IberAmerican acquired the Company's remaining 30% interest for CA$1 million paid in cash to the Company.

- On December 20, 2023, the Company amalgamated with Strategic Minerals Europe Inc. ("SMEI") and continued carrying on business under the name Strategic Mineral Europe Corp.

SELECTED FINANCIAL INFORMATION

Operating information	Q4 2023	Q4 2022	Year 2023	Year 2022	Year 2021
Mill feed (thousand tonnes)	49	156	814	681	406
Cassiterite concentrate production (tonnes)	24	87	501	455	247
Tantalite and columbite concentrate production (tonnes)	4	18	102	86	84
Total concentrate production (tonnes)	**28**	**105**	**603**	**541**	331
Cassiterite concentrate sold (tonnes)	25	100	519	444	253
Tantalite and columbite concentrate sold (tonnes)	4	21	110	80	92
Total sales (tonnes)	**29**	**121**	**629**	**524**	345
Grade Tin (%)	71.0	69.9	70.0	70.4	66.5
Grade Ta2O5 (%)	24.8	24.3	24.1	23.3	16.8
Grade Nb2O5 (%)	26.2	25.3	25.4	24.6	17.6
Financial data ($ thousands, except per share amounts)					
Revenue	**507**	**2,200**	**12,806**	**11,659**	**7,550**
Changes in inventories of finished goods & work in progress	(451)	64	(496)	726	(24)
Raw materials and consumables used	(3)	(313)	(1,513)	(1,388)	(660)
Supplies	(182)	(1,215)	(4,308)	(3,388)	(782)
Depreciation and amortization expense	(441)	(409)	(1,716)	(1,491)	-
Profit before expenses and other	**(570)**	**326**	**4,773**	**6,118**	**6,084**
Total operating expenses	(1,262)	(2,107)	(9,448)	(8,693)	(8,077)
Adjusted EBITDA [1]	**(1,239)**	**(1,234)**	**(2,104)**	**(578)**	**1,184**
Gain on sale of assets and investment in associate	-	988	1,319	988	-
Impairment loss on property, plant and equipment	(13,144)	-	(13,144)	-	-
Other income (expense)	(89)	(3)	(304)	168	(971)
Net loss	(15,065)	(796)	(16,941)	(1,419)	(2,964)
Net loss per share - Basic and diluted	(0.063)	(0.003)	(0.071)	(0.006)	(0.02)

Balance sheet ($ thousands)	*Dec 31, 2023*	*Dec 31, 2022*	*Dec 31, 2021*
Cash and cash equivalents	817	899	2,236
Total assets	14,026	29,230	29,948
Total non-current liabilities	3,963	5,050	4,941

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

During 2022, the Company transitioned to open pit mining at the Penouta Project and commenced operating the primary crushing plant. Constant improvements have been made to primary concentrate production and quality of concentrate since then. In the first quarter of 2023, the Company performed a major overhaul of its main ball mill and acquired replacements of key major parts with several weeks lead time to prevent stoppages of production. Unusual drought in Spain during the last quarter of 2022 and third quarter of 2023, resulted in reduced operations of the plant. Production of the last quarter of 2023 halted after only 14% of the total quarter's production days due to the Decision.

Period to period variations were a result of the Decision which followed a previous disruption in September 2023 caused by an unusual drought in Spain. Ongoing fixed costs and mine development activities, including essential stripping operations to access higher mineralization areas, further impacted the financial performance. Additionally, the Company performed an impairment test and recorded an impairment loss resulting in a net loss for the year of $16.941 million (loss of $0.071 per share) compared to a net loss of $1.419 million (loss of $0.006 per share) during 2022.

BUSINESS DESCRIPTION

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

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

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

The Company, through its ownership of SMS, is engaged in the production, development and exploration of properties with tin, tantalum, niobium and other mineral content, and holds 100% of the mining rights to the Penouta Project, located in the northwestern Spanish province of Ourense.

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

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

The Company is the largest producer of cassiterite concentrate and tantalite and columbite concentrate in the European Union and is dedicated to: (i) the exploration, research, industrial processing and commercialization of all kinds of minerals and metals, (ii) the constitution, acquisition and sale of mining concessions, (iii) the acquisition and sale of shares and mining rights in general, (iv) rendering services to other companies or institutions directly or indirectly related to mining, and (v) the incorporation of companies or associations with similar purposes.

SIGNIFICANT TRANSACTIONS

Gross Revenue Royalty Transaction

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

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 and were subject to a 4 month hold period in addition to customary trading restrictions imposed under applicable securities laws.

On July 26, 2023, Electric Royalties exercised its option to acquire an additional 0.75% royalty at the Penouta Project in consideration of a further 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. The royalty rates will be reduced to 1.25% and 1.0%, respectively, once CA$1,666,667 and CA$3,333,334 in royalty revenues have been paid.

Power Purchase Agreement

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

70% Interest in Lithium Project

The Lithium Project comprises the Alberta II investigation permit and the Carlota application for permit (collectively, the "Permits"), all located in the Ribeiro Region, Ourense Province, Galicia, Spain. On December 28, 2022, the Company and its subsidiary, SMS, entered into an option agreement (the "Option Agreement") with IberAmerican Lithium Inc. ("ILI") whereby the Company agreed to, among other things:

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

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

Investment in Associate

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

Under the Joint Venture Agreement, 70% of the outstanding shares of ILS were to be held by ILI and 30% by the Company, where ILS was to be the owner of the Lithium Project and ILI was to serve as the operator. The Company would have had no contribution obligations to maintain its interest in ILS and its 30% interest would have been carried until the completion of a prefeasibility study, after which the Company would have had the obligation to fund expenditures pro rata to its interest in ILS. The Joint Venture Agreement contained dilution provisions in case required contributions were not made. On September 28, 2023, in connection with the sale of the residual 30% interest in the Lithium Project, the Joint Venture Agreement and the shareholders' agreement were terminated.

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

30% Interest in Lithium Project

On September 28, 2023, the Company reached an agreement pursuant to which IberAmerican acquired the Company's 30% interest in the Lithium Project as consideration for the payment in cash of CA$1 million.

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

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 and/or officers of the Company (together, the "Related Parties") for $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 in connection with the issuance of the Notes. As partial 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"). The Notes are to be secured by a second ranking charge and security interest in, to and over all of the securities and other equity interests held by SMEC (formerly SMEI) in SMS.

Each 2026 Warrant entitles the holder thereof to purchase one common share of the Company at a price of CA$0.06 per common share until April 11, 2026. The gross proceeds from the issuance were allocated to the Notes and the 2026 Warrants using the residual method, with proceeds being allocated to the Notes first based on the market value of the Notes at the time of the issuance. The fair value of the Notes was determined to be $989,226 and $85,774 was allocated as the value of the 2026 Warrants.

Ancillary Share Issuances

On February 15, 2023 and June 30, 2023, the Company issued respectively 163,625 and 328,331 common shares in satisfaction of interest payments of $6,101 and $18,599 respectively, to certain holders of the convertible debentures pursuant to a previous offering of convertible debenture units of the Company on September 26, 2022, at the volume-weighted average trading price for the ten days preceding the interest payment date (CA$0.05 and CA$0.075 per common share respectively).

On December 31, 2023, the Company was authorized to issue 1,243,750 common shares in satisfaction of interest payment of $18,808 to certain holders of the convertible debentures at a price of CA$0.02. The shares were issued after December 31, 2023, and a total of $18,808 was recorded as shares to be issued on the consolidated statement of changes in equity (deficiency) as of December 31, 2023.

On February 24, 2023, the Company issued 272,727 common shares to a consultant for services rendered at a price of CA$0.09 per common share.

On March 9, 2023, the Company issued to Hybrid Financial Ltd. ("Hybrid") 1,017,000 common shares at a price of CA$0.09 per share in satisfaction of certain amounts owing to Hybrid.

OUTLOOK

The Company is currently focused on appealing the Decision by the High Court, as described above, to be able to resume operations at the Penouta Project, and is trying to raise the necessary funds through the issuance of equity or debt, to support the idle cost incurred while waiting for the Decision in the main proceeding to be received.

Once the Decision is resolved, subject to the Company being able to raise the necessary funds, the Company will concentrate on improving its operations by increasing production to reduce unit costs, reinvesting profits to achieve organic and sustainable growth, and looking for new external financing opportunities.

To execute the above, the Company has formulated a strategic plan described below which is not based on a technical report filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

Development of the Penouta Project

- The Company will continue to work on operational improvements to increase its recovery and output in production and optimize energy consumption. This will include improvements in machinery and equipment which will allow the Company to install backup equipment in certain critical areas to minimize interruptions in the production process, and configuring subprocess systems through standby equipment, thereby curbing downtime and operational inefficiencies that are a result of mechanical and equipment malfunctions.

- The Company will invest in new equipment to improve water recirculation and decrease freshwater consumption. With this investment, the Company will prevent production interruptions in case of future droughts in Spain.

- The Company will also adapt the tailing ponds to better manage the water used in the production process and install a filter press stage for more efficient and safer tailings handling.

- The Company will work on the mine development by carrying out the necessary stripping to get access to the higher mineralization areas.
- The Company intends to establish a state-of-the-art cassiterite foundry plant. This innovative initiative aims to add significant value to its products by enhancing the recovery of strategic minerals such as tantalum and niobium from smelting residues. Not only does this project promise to boost our overall mineral recovery, but it also underscores the critical role of tin as a strategic metal across diverse industries.
- Given the volume of reserves, the Company will evaluate whether to seek additional financing to expand the plant's capacity to increase concentrate production.

RESULTS OF OPERATIONS AND OVERALL PERFORMANCE

Production and Sales

Production and sales	Q4 2023	Q4 2022	Year 2023	Year 2022
Mill feed (thousand tonnes)	49	156	814	681
Cassiterite concentrate				
Production (tonnes)	24	87	501	455
Sales (tonnes)	25	100	519	444
Grade Tin (%)	71.0	69.9	70.0	70.4
Tantalite and columbite concentrate				
Production (tonnes)	4	18	102	86
Sales (tonnes)	4	21	110	80
Grade Ta2O5 (%)	24.8	24.3	24.1	23.3
Grade Nb2O5 (%)	26.2	25.3	25.4	24.6
Total Revenue ($ thousands)	507	2,200	12,806	11,659

Total production for 2023 reached a record of 603 tonnes, an increase of 11% from 2022, despite production having halted on October 14, 2023 for the remainder of the year, and over two weeks in September 2023 due to an unusual drought affecting Spain. Production for the fourth quarter amounted 28 tonnes, a 73% decrease from the 105 tonnes produced during the same period of 2022.

Quality of concentrate improved during 2023. Cassiterite concentrate production reached 501 tonnes with 70.0% tin content (455 tonnes with 70.4% tin content in 2022), and tantalite/columbite concentrate production reached 102 tonnes with 24.1% tantalite content and 25.4% columbite content (86 tonnes with 23.3% tantalite and 24.6% columbite content in 2022).

Production during the fourth quarter of 2023 consisted of 24 tonnes of cassiterite concentrate with 71.0% tin content (87 tonnes with 69.9% tin concentrate in 2022), and 4 tonnes of tantalite/columbite concentrate with 24.8% tantalite content and 26.2% columbite content (18 tonnes with 24.3% tantalite and 25.3% columbite content in Q4 2022).

Total sales for 2023 amounted to 629 tonnes of concentrates and 418 tonnes of contained minerals, which are 20% and 19% higher than 2022, respectively. Sales of contained cassiterite for the year reached 363 tonnes, an increase of 16% from 313 tonnes in 2022. Sales of contained tantalite and

columbite reached 54 tonnes or a 42% increase from the 38 tonnes sold during 2022. Cassiterite contributed 83% of the mix of sales for the full year 2023.
Sales during the fourth quarter reached 29 tonnes of concentrates and 20 tonnes of contained minerals, a decrease of 76% and 75% respectively over the same period of 2022 as a consequence of the suspension of production as per the Decision. The contained minerals sales breakdown was 18 tonnes of contained cassiterite (cassiterite concentrate multiplied by tin grade percentage) and 2 tonnes of contained tantalite and columbite (tantalite and columbite concentrate multiplied by the corresponding grade percentage). Cassiterite contributed 86% of the mix of sales for the fourth quarter.

During 2023, the average price of tin decreased 12% from the average price in 2022 and the average price of tantalum concentrate decreased 1% from 2022 to 2023.

Revenues for 2023 totaled $12.806 million, an increase of 10% compared to 2022, while revenues for the fourth quarter were $0.507 million, a decrease of 77% from the same period of 2022 due to the halt of operations commencing on October 14, 2023.

Operating results

($ thousands)	Q4 2023	Q4 2022	Year 2023	Year 2022
Revenue	507	2,200	12,806	11,659
Profit before expenses and other	*(570)*	*326*	*4,773*	*6,118*
Depreciation and amortization expense	(72)	(64)	(281)	(234)
Employee expenses	(311)	(680)	(2,845)	(2,502)
Share-based payments	-	-	(259)	(19)
Other operating expenses	(879)	(1,363)	(6,063)	(5,938)
Results from operations before other expenses	*(1,832)*	*(1,781)*	*(4,675)*	*(2,575)*
Adjusted EBITDA [1]	***(1,239)***	***(1,234)***	***(2,104)***	***(578)***

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

During 2023, production rates became more efficient, increasing the availability of the equipment and the tonnes produced by hour, as well as the optimization of the recovery factors, resulting in 814,000 tonnes of feed in 2023, an increase of 20% compared to 681,000 tonnes in 2022. Operations consolidated and constantly improved despite adverse weather conditions, including a drought during September and October, which interrupted the operation of the mine for two weeks, just a few days before the halt of operations on October 14, 2023, as described above.

Profit before expenses and other reached $4.773 million or 37.3% as a percentage of sales for 2023, a decrease of 22% from 2022 ($6.118 million or 52.5% as a percentage of sales) driven by the cost related to earth movements to reach larger mineralization areas and the use of flocculants during the drought of September and October of 2023.

To support the growth in production, additional employees with higher qualifications and salaries were hired during the year. The average headcount during 2023 was 77 employees (compared to 64 during 2022) and the average headcount for the fourth quarter was 76 (compared to 71 for the same period of 2022). Total employee expenses amounted to $2.845 million for the year, increasing 14% from 2022. Employee expenses during the fourth quarter of 2023 totalled $0.311 million, a decrease of 54% from the fourth quarter of 2022 as the Company applied for "ERTE", a program to preserve employment under specific circumstances, in which the social security system of Spain pays the employees a certain percentage of their salary during the time they are not working and the Company only pays their social security wages and the time the employees are working.

The average cost of electricity and diesel decreased during 2023. The average cost of electricity for the year ($0.215/KW) decreased 22% (24% in terms of Euro/KW) from the average of 2022 ($0.274/KW). Consumption of electricity increased 8% from 2022 to 2023 while production increased by 11% in the same period. The Company entered into a PPA for the supply of seven gigawatts per year of electricity for five years starting on January 1st, 2023 and expects the savings to continue.

Consumption of diesel decreased during the year while feed and production increased. The cost of diesel decreased 7.0% from $0.980/l in 2022 to $0.913/l in 2023.

The strict control over other operating expenses by the Company maintained other operating expenses at a level consistent with the previous year, with only a marginal 2% increase from 2022 to 2023 while sales volume and revenue increased 11% and 10%, respectively, during the same period. The increase in Repairs and Maintenance for the year ($0.750 million) compared to 2022 ($0.400 million) is due to continued plant maintenance undertaken to support the efficiency in production, including the major maintenance performed during the first quarter of 2023 which successfully resulted in the stabilization of production rates, increased availability of the equipment and tonnes produced by hour.

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

Other Operating Expenses ($ thousands)	YTD 2023	YTD 2022	Variance	%Var.
Leases	339	394	(55)	-14%
Royalties	123	-	123	100%
Repairs and Maintenance	750	400	350	88%
Professional services	1,845	1,868	(23)	-1%
Transportation	14	6	8	133%
Insurance premiums	65	53	12	23%
Banking and similar services	92	94	(2)	-2%
Advertising, publicity and public relations	29	46	(17)	-37%
Supplies (electricity / diesel)	2,264	2,567	(303)	-12%
Admin & Insurance	53	53	-	0%
Other Services	433	434	(1)	0%
Other Taxes	56	24	32	133%
Total Other Operating Expenses	**6,063**	**5,938**	**124**	**2%**

Other Operating Expenses ($ thousands)	Q4 2023	Q4 2022	Variance	%Var.
Leases	57	72	(15)	-21%
Royalties	8	-	8	100%
Repairs and Maintenance	62	(67)	129	-193%
Professional services	402	485	(83)	-17%
Transportation	-	3	(3)	-100%
Insurance premiums	20	15	5	33%
Banking and similar services	21	22	(1)	-5%
Advertising, publicity and public relations	5	15	(10)	-67%
Supplies (electricity / diesel)	242	670	(428)	-64%
Admin & Insurance	(2)	28	(30)	-107%
Other Services	62	112	(50)	-45%
Other Taxes	2	7	(5)	-71%
Total Other Operating Expenses	**879**	**1,363**	**(483)**	**-35%**

After learning of the Decision by TSXG to provisionally suspend the section C permit for the Penouta Project, the Company implemented certain proactive actions to preserve the operations, namely:

1. Adherence to the ERTE program to protect the employment of its personnel.
2. A program to preserve the physical integrity of the facilities and equipment under the non-normal operational state of the mine.
3. The design of an operating program for water management in the different reservoirs involved in the mine.
4. Coordination with suppliers to minimize the impact of the Decision for the suppliers.
5. Implementation of a plan to mitigate the social impact for the community, especially in Viana de Bollo and border towns.
6. During the months of stoppage, environmental controls continued to be carried out related to the authorization for the preparation of the Environmental Surveillance Plan at the end of 2023 and the normal record capture plan continued in the variables of noise, vibrations, water and dust, highlighting the fact that all values are within the range allowed by the technical and legal regulations, as well as the national and international regulations.

All these measures are intended to preserve cash flow and withstand while a resolution of the TSXG is announced. A positive response from the TSXG shortly would allow the Company to resume operations and search for financing to further the operations under more favourable conditions. In case the response is not positive for the Company, further legal recourses will be analyzed and executed, and the Company will require additional financing during a longer wait for the process to be made.

STOCK OPTIONS

Pursuant to the Company's stock option plan, on January 20, 2022, the Company granted a total of 100,000 stock options to certain consultants, each stock option entitling the holder thereof to acquire one common share of the Company at an exercise price of CA$0.27. All the options vested immediately on the date of the grant and will expire after five years. The stock option fair value of $0.019 million 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 five years and a 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. The stock option fair value of $0.248 million 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, an estimated life of five years and a dividend yield of 0%.

On September 11, 2023, the Company granted a total of 600,000 stock options to a director of the Company at CA$0.035 per share and expiring on September 11, 2028. The options have a five-year term and vested immediately. The stock option fair value of $0.011 million was determined using a Black-Scholes pricing model which included an expected volatility of 88% based on the volatility of comparable companies, a risk-free interest rate of 3.96%, share price of CA$0.035, exercise price of CA$0.035, an estimated life of five years and an expected dividend yield of 0%.

On December 7, 2023, 500,000 stock options expired unexercised.

As of the date of this MD&A, the following options were outstanding and exercisable with an average remaining life of 3.31 years:

Grant Date	Vesting Date	Expiry Date	Exercise Price (CA$)	Stock Options Outstanding
7-Dec-21	7-Dec-21	7-Dec-26	0.25	13,215,000
20-Jan-22	20-Jan-22	20-Jan-27	0.27	100,000
16-Jan-23	16-Jan-23	16-Jan-28	0.085	5,695,000
11-Sep-23	11-Sep-23	11-Sep-28	0.035	600,000
			Total	**19,610,000**

SOCIALLY RESPONSIBLE, SUSTAINABLE AND SCALABLE

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

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

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

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

The Penouta Project has the following environmental strengths:

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

To achieve the goal of reducing and eliminating risk factors related to operational environmental impacts, methods are applied to eliminate or reduce them as much as possible. For their identification and preventive control, the Company carries out an environmental monitoring plan whereby:

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

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

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

On June 5, 2023, the Company's staff joined the commemoration of the World Environment Day by attending a conference on the Company's contribution to the Sustainable Development Goals of the United Nations, such as the restoration of 1.5 hectares of land at the Balsa de la Abeja, where a total of 180 trees have been planted (90 chestnut, 25 birch, 25 oak, 20 hazel and 20 rowan). The participants were given an ecological planting kit with the motto "Let's all take care of the environment. One Earth. All your good deeds are a seed that sooner or later will bear fruit."

The operation of the deposit started in September 2023. It is the first deposit of mine tailings from section C of the Penouta Project. The deposit was completed and environmental restoration has been started by seeding the slopes of the deposit in a total approximated area of two hectares.

The area already restored by hydroseeding as at the date of the stoppage of operations was 17,424 m^2 in the first deposit area and 2,873 m^2 in other access areas of the mine.
The Company implemented the UNE-EN ISO 14001[1] Environment Management Systems Standard, and the UNE 22470[2] and UNE 2248[3] Standards on Sustainable Mining Management Systems. The Company plans to carry out the certification process for this management system once the operating restriction is lifted and continues to prepare for the certification audit to take place during 2024.

Corporate Sustainability Actions
The Company has been awarded different recognitions:

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

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

These recognitions were acknowledged in the “2019 JRC Science for Policy Report (Recovery of critical and other raw materials from mining waste and landfills. State of play on existing practices)”, distinguishing the Penouta Project as being one of the ten examples of European mining projects

[1] ISO 14001 provides organizations with a framework to protect the environment and respond to changing environmental conditions, in balance with socio-economic needs, by specifying the requirements for an efficient environmental management system.
[2] UNE 22470 Standard aims to establish economic, social and environmental indicators to evaluate the implementation of a sustainable mining-mineral-metallurgical management system. It applies to mining, mineral concentration or transformation and extractive metallurgical industries.
[3] UNE 22480 Standard specifies the requirements for a sustainable mining-mineral-metallurgical management system, aimed at enabling an organization to develop a system for continuous improvement in the performance of sustainability criteria, considering legal requirements and significant sustainability aspects to which the organization subscribes, regardless of the type of mining activity carried out.

reflecting good practices in the recovery of critical raw materials. https://ec.europa.eu/jrc/en/publication/recovery-critical-and-other-raw-materials-mining-waste-and-landfills:

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

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

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

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

From the Social Perspective

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

At least 30% of the personnel to be employed by the different contractors of the Company (services contracted with companies in the area, such as canteen service, civil works, earthworks, etc.) are agreed to be local staff. As a result, 79% of the mine contractors' personnel are from the council of Viana do Bolo and its immediate surroundings, and 85% are from the province of Ourense. This has resulted in the creation of 82 direct jobs and 47 indirect jobs that have benefited a region that has experienced decades of economic decline and depopulation.

Additionally, the Company continues to organize regular student visits with the Viana do Bolo School and collaborates with the local high school to create vocational training centers, thereby helping the students of the province to develop not only theoretical but also practical training through the Company operations. The Company intends to continue to create jobs in a degraded rural area.

SUMMARY OF QUARTERLY RESULTS

	2023				2022				2021
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating information									
Mill feed (thousand tonnes)	49	293	325	147	156	226	214	85	57
Cassiterite concentrate production (tonnes)	24	174	206	98	87	174	153	41	25
Tantalite and columbite concentrate production (tonnes)	4	35	40	23	18	32	28	8	8
Total concentrate production (tonnes)	*28*	*209*	*246*	*121*	*105*	*206*	*181*	*49*	*33*
Cassiterite concentrate sold (tonnes)	25	196	193	105	100	161	141	41	42
Tantalite and columbite concentrate sold (tonnes)	4	38	38	29	21	30	24	5	22
Total sales (tonnes)	*29*	*234*	*231*	*134*	*121*	*191*	*165*	*46*	*64*
Grade Tin (%)	71.0	70.5	69.7	69.5	69.9	70.5	71.2	68.9	68.2
Grade Ta2O5 (%)	24.8	26.1	24.7	20.6	24.3	24.3	23.0	16.7	19.9
Grade Nb2O5 (%)	26.2	26.2	26.4	22.8	25.3	25.2	25.0	19.4	20.4
Financials ($ thousands, except per share amounts)									
Revenue	**507**	**4,769**	**4,628**	**2,902**	**2,200**	**3,687**	**4,688**	**1,084**	**1,391**
Changes in inventories of finished goods & work in progress	(451)	(469)	551	(126)	64.4	606.2	(25.4)	81.0	(77)
Raw materials and consumables used	(3)	(449)	(603)	(459)	(313)	(292)	(574)	(209)	(221)
Supplies	(182)	(1,588)	(1,433)	(1,105)	(1,215)	(966)	(930)	(276)	(202)
Depreciation and amortization expense	(441)	(454)	(422)	(407)	(409)	(458)	(277)	(346)	(371)
Profit before expenses and other	*(570)*	*1,809*	*2,721*	*805*	*326*	*2,577*	*2,882*	*334*	*520*
Depreciation and amortization expense	(72)	(71)	(66)	(64)	(64)	(72)	(43)	(54)	(58)
Employee expenses	(311)	(895)	(887)	(752)	(680)	(617)	(614)	(591)	(400)
Share-based payments	-	(11)	-	(248)	-	-	-	(19)	(1,305)
Other operating expenses	(879)	(1,810)	(1,713)	(1,661)	(1,363)	(1,741)	(1,433)	(1,401)	(1,397)
Operating expenses	*(1,262)*	*(2,786)*	*(2,667)*	*(2,724)*	*(2,107)*	*(2,430)*	*(2,091)*	*(2,065)*	*(3,161)*
Adjusted EBITDA [1]	***(1,239)***	***(415)***	***604***	***(1,053)***	***(1,234)***	***746***	***1,208***	***(1,296)***	***(954)***
Finance income	86	5	4	137	(0)	3	39	136	(37)
Finance costs	(268)	(272)	(91)	(147)	(75)	(44)	(112)	(32)	(58)
RTO Transaction cost	-	-	-	-	-	-	-	-	(836)
Gain on sale of assets and investment in associate	-	789	-	529	988	-	-	-	-
Gain (loss) from investment in associate	-	(20)	(22)	-	-	-	-	-	-
Impairment loss on property, plant and equipment	(13,144)	-	-	-	-	-	-	-	-
Gain on settlement of debt	-	-	-	8	-	-	-	-	-
Change in fair value of investment	13	(39)	2	(15)	-	-	-	-	-
Other income (expense)	80	26	61	148	73	68	96	16	(47)
Total other income (expense)	*(13,233)*	*489*	*(46)*	*660*	*985*	*27*	*23*	*120*	*(978)*
Income tax expense	*(0)*	*(75)*	*(0)*	*(62)*	-	-	-	-	-
Net income (loss)	(15,065)	(563)	8	(1,321)	(796)	175	814	(1,611)	(3,619)
Net Income (loss) per share - Basic and diluted	(0.063)	(0.002)	0.000	(0.006)	(0.003)	0.001	0.003	(0.007)	(0.016)

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

Production and concentrate quality have constantly improved since the transition to open pit mining at the Penouta Project during the first quarter of 2022. The trend was interrupted in Q4 2022 due to low levels of water in Spain, which resulted in 20 days without production during October and November of 2022. During Q1 2023, the Company performed a major overhaul of the main ball mill, successfully completed in 21 days in which the plant was stopped, to prevent malfunctioning of the main mill and mechanical breakdowns affecting the operations. Production during the third quarter of 2023 reached 209 tonnes of primary concentrate when production was interrupted on September 18, 2023, due to an unusual drought and lack of rain in Spain, and after a few days of resumed production, it was stopped again due to the Decision to provisionally suspend the section C permit for the Penouta Project. Based on production trends, if operations continued without interruption, the third and fourth quarter's production would have been a new high.

SUMMARY OF FINANCIAL CONDITION AND LIQUIDITY

($ thousands)	Balances as at,			
Financial Position as at,	Dec 31, 2023	Dec 31, 2022	Variance	%Var.
Assets				
Current assets:				
Cash	817	899	(82)	(9%)
Trade and other receivables	567	854	(287)	(34%)
Promissory note	-	738	(738)	(100%)
Inventories	454	934	(480)	(51%)
Other current assets	62	56	6	11%
Total current assets	**1,900**	**3,481**	**(1,581)**	**(45%)**
Non-current assets:				
Property, plant and equipment	9,817	23,409	(13,592)	(58%)
Investment in associate	-	633	(633)	(100%)
Investment, at fair value	93	-	93	100%
Guarantee and other deposits	2,064	1,532	532	35%
Right-of-use assets	153	175	(22)	(13%)
Total assets	**14,026**	**29,230**	**(15,204)**	**(52%)**
Liabilities and shareholders' equity				
Current liabilities:				
Trade and other payables	4,156	3,956	200	5%
Current portion of long-term liabilities	2,758	1,477	1,281	87%
Total current liabilities	**6,914**	**5,433**	**1,481**	**27%**
Non-current liabilities:				
Long-term liabilities	1,915	3,121	(1,206)	(39%)
Decommissioning liabilities	2,048	1,929	119	6%
Total liabilities	**10,877**	**10,483**	**394**	**4%**
Shareholders’ equity:				
Share capital	40,938	40,829	109	0%
Shares to be issued	19	-	19	100%
Contributed surplus	4,556	4,211	345	8%
Accumulated other comprehensive loss	(3,594)	(4,465)	871	(20%)
Deficit	(38,770)	(21,828)	(16,942)	78%
Total shareholders' equity	**3,149**	**18,747**	**(15,598)**	**(83%)**
Total liabilities and shareholders' equity	**14,026**	**29,230**	**(15,204)**	**(52%)**

During 2023, the Company’s share price declined such that the carrying value of its net assets exceeded its market capitalization, operations at the Penouta Project were suspended due to the Decision, and subsequent to year end, the Company entered into a business combination agreement where all of the issued and outstanding common shares in the capital of the Company would be acquired by IberAmerican (refer to the section Proposed Transaction in this MD&A) and as a result, the Company recorded an impairment loss of $13.144 million as the recoverable amount of the assets is less than carrying amount as at December 31, 2023. The recoverable amount of the assets was estimated based on their fair value less cost of disposal, determined using the assumptions from the proposed business combination agreement.

As at December 31, 2023, the Company had a deficiency in working capital of $5.014 million compared to working capital deficiency of $1.952 million at the end of 2022. Working capital during the year was used to improve the quality, recovery, the performance of the plant, and working capital was also used on the environmental restoration of an approximated area of two hectares.

Key components of the working capital include:

- Cash as at December 31, 2023 of $0.817 million, down from $0.899 million at the end of 2022. Cash during the year was mainly used for equipment required for capacity increase, debt repayment and operations.

- Trade and other accounts receivable of $0.567 million at the end of the period, a decrease from the $0.854 million at December 31, 2022. Trade receivables decreased to $0.056 million from $0.121 million in 2022 in the ordinary course of business. Other account receivables include taxes (VAT) of $0.511 million ($0.732 million the prior year).

- Inventories at the end of the period were valued at $0.454 million mainly formed of materials and supplies. Inventories of $0.934 million at the end of 2022 included $0.567 of finished goods which are only $0.017 million at the end of 2023.

- Trade accounts payable increased to $4.156 million at the end of 2023 from $3.956 million at the end of 2022 in the ordinary course of business and contractual maturities of up to 60 days, in addition to the balance of the agreement made during 2020 with suppliers holding balances above €15,000 (approximately $16,013) for payment deferrals, which are being paid in 19 quarterly installments, ending in 2025. The Company is in negotiations with certain suppliers to extend the payment terms due to the Decision suspending the operations.

Operating activities

Net cash used in operating activities during the fourth quarter of 2023 amounted to $0.314 million for a total use of $1.919 million during 2023, compared to net cash used in operating activities of $0,568 million in 2022. Funds were used to pay an installment of the financial guarantee required in connection with the exploitation concession underlying the Concession C Grant.

Investing activities

During the fourth quarter of 2023, $0.121 million was spend on the purchase of equipment. A total of $1.549 million was provided from investment activities during 2023. Investments made during the year relate to additions to the plant equipment for $1.617 million. Cash received during the year include $1.687 million regarding the Gross Revenue Royalty Transaction, and the $1.479 million received related to the Lithium Project, both described in the Significant Transactions section of this MD&A.

Financing activities

The Company has continued to work towards the fulfill of its financial commitments, which for the full year 2023 include (i) the repayment of existing loans in the amount of $1.100 million; and (ii) payment of the principal amount of leases equal to $0.078 million. The Company received a new financing for $1.075 million from related parties (10% per annum interest notes payable in quarterly payments of

$0.134 beginning October 11, 2023 until January 11, 2025, with a final payment for $0.269 on April 11, 2025. See section Significant Transactions – Promissory Notes of this MD&A for more details). The Company paid legal fees of $0.017 million in cash.

During the fourth quarter of 2023, $0.213 million was used to repay existing loans in the amount of $0.196 million, and to cover the principal of leases for $0.017 million.

As at December 31, 2023, all financial liabilities are related to operations. The following table summarizes the Company's payments due from contractual obligations for the following years.

Contractual Obligation ($ thousands - undiscounted)	1 year	1-3 years	More than 3 years	Total
Bank loans	805	781	-	1,586
Government grants	80	242	80	402
Convertible debentures - loan	-	900	-	900
Promissory note	538	537	-	1,075
Arrangements with suppliers	382	224	-	606
Lease liabilities	135	355	11	501
Total	1,940	**3,039**	**91**	**5,070**

Provided the Decision is successfully resolved, and subject to being able to raise the necessary funds, the Company does not foresee liquidity problems to maintain operations and fulfil its financial commitments. The Company is managing its short-term liquidity challenges, negotiating agreements with certain suppliers, and actively pursuing new sources of financing.

In the event the Decision is not favorable to the Company, further legal recourses will be analyzed and executed. If necessary, depending on the amount of funding raised, the Company may review priorities to guarantee the continuity of the Company while the procedure advances and additional financing is obtained. These matters represent material uncertainties that cast significant doubt as to the ability of the Company to fulfill its commitments as planned.

OUTSTANDING SHARE DATA

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

(a) 239,559,266 common shares;
(b) 38,367,978 warrants exercisable into 38,367,978 common shares in aggregate as follows:

Number of warrants	Exercise price	Expiry date
33,070,478	CA$0.40	Jul 16, 2026
4,760,000	CA$0.25	Oct 13, 2024
537,500	CA$0.06	Apr 11, 2026

(c) 1,190 convertible debentures; and
(d) 19,610,000 stock options to purchase an aggregate of 19,610,000 common shares.

On January 16, 2023, 5,695,000 stock options were granted pursuant to the Company's Stock Option Plan at an exercise price of CA$0.085 per share and expiring on January 16, 2028.

On September 11, 2023, 600,000 stock options were granted to a director of the Company at CA$0.035 per share and expiring on September 11, 2028.

On February 15, 2023 and June 30, 2023, the Company issued respectively 163,625 and 328,331 common shares in satisfaction of interest payments of $6,101 and $18,599 respectively, to certain holders of the convertible debentures pursuant to a previous offering of convertible debenture units of the Company on September 26, 2022, at the volume-weighted average trading price for the ten days preceding the interest payment date (CA$0.05 and CA$0.075 per common share respectively).

On December 31, 2023, the Company was authorized to issue 1,243,750 common shares in satisfaction of interest payment of $18,808 to certain holders of the convertible debentures at a price of CA$0.02. The shares were issued after December 31, 2023, and a total of $18,808 was recorded as shares to be issued on the consolidated statement of changes in equity (deficiency) as of December 31, 2023.

On February 24, 2023, the Company issued 272,727 common shares to a consultant for services rendered.

On March 9, 2023, the Company issued Hybrid 1,017,000 common shares at a price of $0.09 per share in satisfaction of certain amounts owing to Hybrid.

CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2023.

The exploration concession on section C of the Penouta Project requires the Company to provide a financial guarantee for a total amount of €3.243 million (equivalent to $3.587 million at the December 31, 2023 exchange rate) to be established during the following five years, starting with a financial guarantee of €1.943 million (equivalent to $2.149 million) in 2022. The total amount consists of the sum of two items, (i) €1.618 million (equivalent to $1.789 million) in compliance with obligations related to the financing and viability of the mining works (4% of the investment budget); and (ii) €1.625 million (equivalent to $1.797 million) in compliance with the restoration plan.

In September 2022, the Company entered into an agreement with a financial institution to provide a bank guarantee in the amount of €1.943 million (equivalent to $2.149 million) on behalf of the Company to cover obligations required for section C of the Penouta Project. Per the agreement, the Company is required to provide a deposit to the financial institution for the amount of €2.000 million (equivalent to $2.212 million) to be paid as follows:

- On September 16, 2022 – €0.800 million ($0.885 million) (paid).
- On or before October 30, 2022 – €0.300 million ($0.332 million) (paid).
- On or before November 30, 2022 – €0.400 million ($0.442 million).
- On or before December 30, 2022 – €0.500 million ($0.553 million).

In November 2022, the financial institution agreed to extend the payments due in November 2022 and December 2022 to March 2023 and April 2023 respectively. A further extension has been requested, which is pending approval. There is no guarantee of said approval being granted.

The payments made in 2022 were recorded as guarantee and other deposits (non-current) on the consolidated statements of financial position as of December 31, 2023 and 2022. On July 31, 2023 and August 22, 2023, the Company made a payment to the financial institution for the amount of €0.070 million ($0.077 million) and €0.030 million ($0.033 million), respectively. Total current balance is €0.743 million ($0.817 million).

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than that of the Exchange which requires one of the following to be met: (i) shareholders' equity of at least $2.5 million, (ii) net income from continuing operations of at least $375,000, (iii) market value of listed securities of at least $25 million, or (iv) assets and revenue of at least $25 million each. The shareholders' equity as at December 31, 2023 is $16.683 million.

SUBSEQUENT EVENTS

On March 19, 2024, the Company entered into a business combination agreement (the "Business Combination Agreement") with IberAmerican and IberAmerican Resources Inc. ("Subco"), a wholly-owned subsidiary of IberAmerican incorporated solely for the purposes of completing the Amalgamation (as defined hereafter), pursuant to which IberAmerican will acquire all of the issued and outstanding common shares in the capital of the Company ("Strategic Shares"). Under the terms of the Business Combination Agreement, each holder of Strategic Shares will be entitled to receive one common share of IberAmerican ("Iber Share") for every seven Strategic Shares held. Please refer to the Proposed Transaction Section in this MD&A for more details.

RELATED PARTY TRANSACTIONS

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

The Company leases certain facilities to Sequoia Venture Capital S.L.[4]; as at December 31, 2023 and December 31, 2022, the outstanding balance was $2,783 and $nil, respectively. During 2023, a total of $39,571 was recorded as operating expenses, compared to $27,034 in 2022.
During the year ended December 31, 2023, the Company incurred fees of $17,989 from Salamanca Ingenieros S.L., a corporation beneficially owned by a director, compared to $17,523 in 2022. Salamanca Ingenieros S.L. develops 3D models for the Penouta Project mapping. As at December 31, 2023 the outstanding balance was $nil (December 31, 2022- $nil).

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

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

Remuneration of directors and key management personnel of the Company for the year 2023 and the fourth quarter of 2023 was:

Key Management Compensation ($ thousands)	Q4 2023	Q4 2022	Year 2023	Year 2022
Management fees	100	108	485	448
Director fees	82	74	363	335
Share-based compensation	-	-	196	-
Total	**182**	**182**	**1,044**	**783**

On April 11, 2023, the Company issued 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 2026 Warrants of the Company. As at December 31, 2023, the outstanding balance of the Notes was $1.069 million (December 31, 2022 - $nil).

Regarding the agreement with IberAmerican for the Company's 30% interest in Lithium Project, Mr. Campbell Becher, a director of the Company, is a director, officer and shareholder of IberAmerican, and, Jaime Perez Branger, an officer of the Company, is a shareholder of IberAmerican. In addition, at the time of the agreement, Mr. Miguel de la Campa, a director of the Company, was a director and shareholder of IberAmerican, and Mr. Robert James Metcalfe, a director of the Company, was a director of IberAmerican. The shareholdings of such individuals did not individually or in the aggregate constitute control of IberAmerican.

PROPOSED TRANSACTION

On March 19, 2024, the Company entered into the Business Combination Agreement with IberAmerican and Subco, a wholly-owned subsidiary of IberAmerican incorporated solely for the purposes of completing the Amalgamation, pursuant to which IberAmerican will acquire all of the issued and outstanding Strategic Shares (the "Proposed Transaction").

Under the terms of the Business Combination Agreement, each holder of Strategic Shares will be entitled to receive one Iber Share for every seven Strategic Shares held.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby Subco and Strategic will amalgamate, and the resulting amalgamated entity will survive as a wholly-owned subsidiary of IberAmerican (the "Amalgamation"). Following closing of the Proposed Transaction, three nominees selected by the Company shall be appointed to the board of directors of IberAmerican.

The Business Combination Agreement provides for, among other things, "fiduciary out" provisions that allow the Company to consider and accept a superior proposal, subject to a "right to match period" in favour of IberAmerican. The Business Combination Agreements also provides for a termination fee of €1,000,000 to be paid by Strategic to IberAmerican if the Business Combination Agreement is terminated in certain specified circumstances.

The board of directors of the Company has unanimously approved the Business Combination Agreement and has determined that the Amalgamation is fair to shareholders of the Company and is in the best interest of the Company. The board of directors recommends to shareholders that they vote in favour of the Amalgamation.

The Company intends to call a special meeting of the shareholders to be held in May 2024 to seek shareholder approval for the Amalgamation (the "Meeting") and will require:

- approval of at least 66 2/3% of the votes cast by Strategic shareholders; and

- a simple majority of the votes cast by Strategic shareholders, excluding votes from certain shareholders, as required under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions.

The completion of the Proposed Transaction is subject to certain customary closing conditions for transactions of this nature, including among other:

- Obtaining approval from the Exchange and any other required regulatory approvals,
- Approval of a majority of IberAmerican shareholders pursuant to the policies of the Exchange,
- All options, warrants and other convertible securities of the Company are either exercised, converted or forfeited and cancelled prior to closing of the Proposed Transaction.

Full details of the Proposed Transaction are set out in the Business Combination Agreement, which will be filed by Strategic on its profile on SEDAR+ at www.sedarplus.ca.

NON-IFRS MEASURES

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

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

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

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

($ thousands)	Q4 2023	Q4 2022	Year 2023	Year 2022	Year 2021
Net income (loss)	**(15,065)**	**(796)**	**(16,941)**	**(1,419)**	**(2,964)**
Finance income	(86)	0	(233)	(178)	(13)
Finance costs	268	75	779	263	312
Gain on settlement of debt	-	-	(8)	-	-
Change in fair value of investment	(13)	-	39	-	-
Income tax expense	0	-	137	-	-
Impairment loss on property, plant and equipment	13,144	-	13,144	-	-
Depreciation and amortization expense	513	474	1,997	1,724	1,708
EBITDA	**(1,239)**	**(247)**	**(1,086)**	**391**	**(957)**
RTO Transaction cost	-	-	-	-	836
Gain on sale of assets and investment in associate	-	(988)	(1,319)	(988)	-
Loss from investment in associate	-	-	42	-	-
Share-based payments	-	-	259	19	1,305
Adjusted EBITDA	**(1,239)**	**(1,234)**	**(2,104)**	**(578)**	**1,184**

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

($ thousands)	Q4 2023	Q4 2022	Year 2023	Year 2022	Year 2021
Revenue	507	2,200	12,806	11,659	7,550
Changes in inventories of finished goods & work in progress	(451)	64	(495)	726	(24)
Raw materials and consumables used	(3)	(313)	(1,514)	(1,388)	(660)
Supplies	(182)	(1,215)	(4,308)	(3,387)	(782)
Other operating expenses	(879)	(1,363)	(6,063)	(5,938)	(3,382)
Employee expenses	(311)	(680)	(2,845)	(2,502)	(1,681)
Other income (expense)	80	73	315	253	163
Adjusted EBITDA	**(1,239)**	**(1,234)**	**(2,104)**	**(578)**	**1,184**
RTO Transaction cost	-	-	-	-	(836)
Gain on sale of assets and investment in associate	-	988	1,319	691	-
Loss from investment in associate	-	-	(42)	296	-
Share-based payments	-	-	(259)	(19)	(1,305)
EBITDA	**(1,239)**	**(247)**	**(1,086)**	**391**	**(957)**

RISK OF FINANCIAL INSTRUMENTS

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

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

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

Interest rate risk: The Company's treasury is exposed to interest rate risk, which could have an adverse effect on financial results and cash flows. Management of the Company does not consider the interest rate risk to be significant.

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

Transactions in foreign currencies: The Company's functional currencies are the Canadian dollar and Euro, and major purchases and sales are transacted in Canadian dollars and Euros. As at December 31, 2023, the Company has a foreign currency balance of $26,026 (December 31, 2022 – balance of $79,906) included in cash, and $1.069 million (December 31, 2022 –$nil) in promissory notes which are subject to foreign currency risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CHANGE IN REPORTING CURRENCY

Effective December 31, 2021, the Company changed its presentation currency from Euro to USD. The Company made such change to facilitate comparison with other mining and resource companies. The change in presentation currency represents a voluntary change in accounting policy.

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in the Company's accounting estimates during the year ended December 31, 2023.

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 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.

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 the 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.

RISKS AND UNCERTAINTIES

Exploration, development and mining of precious metals involve numerous inherent risks resulting from the economic conditions of the various areas of operation. Therefore, the Company is subject to several financial, operational and political risks that could have a significant impact on its profitability and levels of operating cash flows.

Although the Company assesses and minimizes these risks by applying high operating standards, including careful management and planning of its facilities, hiring qualified personnel and developing their skills through training and development programs, these risks cannot be eliminated.

Such risks include, but are not limited to:

1. Market Price
2. Dilution
3. Payment of Dividends
4. Limited Operating History and Financial Resources
5. Dependence on the Penouta Project
6. Mineral Deposits May Not be Economical
7. Market Price of Metals
8. Mining Operations May Not Be Established or Profitable
9. Ability to Exploit Future Discoveries
10. Financing Risks
11. Geopolitical tensions, the military conflict between Russia and Ukraine and the escalated tensions in the Middle East after Hamas' attack to Israel on October 7, 2023
12. Mining is Inherently Dangerous
13. Operations and Exploration Subject to Governmental Regulations
14. Operation and Exploration Activities are Subject to Environmental and Endangered Species Laws and Regulations
15. Permits and Licenses, including the Decision as discussed in this MD&A
16. Additional Costs May Be Incurred by Mineral Property Operators as a Result of International Climate Change Initiatives
17. Community Relations
18. Competition
19. Defects in Title to Mineral Properties
20. Future Litigation Could Affect Title
21. Deficient Third Parties' Reviews, Reports and Projections
22. Directors and Officers May Have Conflicts of Interest
23. Global Financial Conditions May Be Volatile
24. Epidemic and Pandemic Diseases
25. Adequate Infrastructure May Not Be Available to Develop the Penouta Project
26. Future Acquisitions and Partnerships
27. Partial Ownership or Joint Venture Agreements
28. Canada Revenue Agency's Recent Focus on Foreign Income Earned by Canadian Companies May Result in Adverse Tax Consequences
29. Anti-Bribery Laws (Such as the Corruption of Foreign Public Officials Act of Canada)
30. The Company Will be Exposed to Foreign Exchange Risk
31. Equipment, Materials and Skilled Technical Workers
32. Risks Relating to Attracting and Retaining Qualified Management and Technical Personnel
33. Disruption from Non-Governmental Organizations
34. Strategic Mineral's Operations Are Subject to Human Error
35. Health & Safety
36. Nature and Climatic Conditions
37. Uninsured or Uninsurable Risks

38. Disruption in Activities Due to Acts of God May Adversely Affect Strategic
39. Changes in Technology
40. Additional Funds Required in Case the Decision is Not Resolved Favourably Soon.

The foregoing is not an exhaustive list and readers are encouraged to read a more comprehensive list in the Annual Information Form dated March 27, 2024 available on the Company's web site at *www.strategicminerals.com* and on *www.sedarplus.ca*.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking information. Often, but not always, forward-looking statements use words or phrases such as: "expects", "does not expect" or "is expected", "anticipates" or "does not anticipate", "plans" or "planned", "estimates" or "estimated", "projects" or "projected", "forecasts" or "forecasted", "believes", "intends", "likely", "possible", "probable", "scheduled", "positioned", "goal", "objective" or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved or any variations (including negative variations) of such words and phrases. Such forward-looking statements, including but not limited to statements with respect to anticipated business plans or strategies, resolution of the Decision and the proceeding with the TSXG, arrangements with suppliers of the Company, total cash costs, and capital expenditures, involve known and unknown risks, uncertainties and other factors which may cause the actual actions, events and results to be materially different from estimated actions, events or results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are described under the caption "Risk Factors" in the Company's Annual Information Form dated as of March 27, 2024, which is available for review on SEDAR+ at www.sedarplus.ca.

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

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