STRATEGIC MINERALS EUROPE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(EXPRESSED IN U.S. DOLLARS)

Management's Report

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

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

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

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

Toronto, Canada
March 27, 2024

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Strategic Minerals Europe Corp.

Opinion

We have audited the consolidated financial statements of Strategic Minerals Europe Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

McGovern Hurley

Key audit matter	How our audit addressed the key audit matter
Impairment of Property, Plant, and Equipment	
The Company has Property, Plant, and Equipment. During the year ended December 31, 2023, the Superior Court of Xustiza of Galicia ruled to provisionally suspend the section C permit for the Company's Penouta Project. As a result, Management has halted production at the mine site. Management considered this event as an indicator of impairment and thus performed an impairment analysis as of December 31, 2023. The assessment of impairment and the assessment of impairment indicators requires a significant amount of management judgment. We identified impairment of Property, Plant, and Equipment as a key audit matter due to the significant level of management judgment required in calculating the recoverable amount. This includes determining the assumptions to be adopted in the impairment assessment, which are inherently uncertain. Auditing management's impairment test on Property, Plant, and Equipment was complex, given the halting of the current mine operation. This required a high degree of judgement and subjectivity in evaluating management's estimates and assumptions. Significant assumptions included revenue assumptions, future commodity prices, cost assumptions, and discount rates, all of which are affected by expectations about future market and economic conditions, including demand for products.	Our audit procedures included, among others, the following: - Discussed indicators of impairment with management. - Obtained and evaluated management's impairment model. - Professionals with specialized skill and knowledge in the field of valuations assisted in assessing the reasonableness of the fair values, and assessing he reasonableness of key assumptions used in the calculations, comprising market assumptions, future commodity prices, operating expenses, discount rates and the subsequent potential business combination. - We obtained an understanding of and evaluated management's basis for determining the assumptions and compared them to future commodity price forecasts, indicative market information as well as internal evidence available. - Performed a sensitivity analysis on significant assumptions to assess the sensitivity of the estimate to change. - Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

McGovern Hurley

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

McGovern Hurley

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 27, 2024

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

	Notes	2023 $	2022 $
Assets			
Current assets:			
Cash		**817,384**	899,042
Trade and other receivables	9	**567,431**	853,525
Promissory note	5	**-**	738,300
Inventories	8	**453,649**	934,122
Other current assets		**61,872**	56,428
Total current assets		**1,900,336**	3,481,417
Non-current assets:			
Investment in associate	5	**-**	632,829
Investment, at fair value	5	**92,622**	-
Guarantee and other deposits	18	**2,064,149**	1,532,040
Right-of-use assets	7	**152,631**	174,689
Property, plant and equipment	6	**9,816,580**	23,408,996
Total assets		**14,026,318**	29,229,971
Liabilities and shareholders' equity			
Current liabilities:			
Trade and other payables		**4,155,851**	3,955,944
Current portion of long-term liabilities	10	**2,757,990**	1,477,084
Total current liabilities		**6,913,841**	5,433,028
Non-current liabilities:			
Long-term liabilities	10, 14	**1,914,879**	3,120,735
Decommissioning liabilities	13	**2,048,135**	1,929,339
Total liabilities		**10,876,855**	10,483,102
Shareholders' equity:			
Share capital	12	**40,938,474**	40,829,378
Shares to be issued	12	**18,808**	-
Contributed surplus	12	**4,555,580**	4,211,062
Accumulated other comprehensive loss		**(3,593,879)**	(4,465,140)
Deficit		**(38,769,520)**	(21,828,431)
Total shareholders' equity		**3,149,463**	18,746,869
Total liabilities and shareholders' equity		**14,026,318**	29,229,971

Going concern (Note 1)
Commitments and contingencies (Notes 6, 10, 13 & 18)
Subsequent events (Notes 12 & 21)

On behalf of the Board of Directors:

Campbell Becher
"Director" (Signed)

Miguel De la Campa
"Director" (Signed)

See the accompanying notes to the consolidated financial statements

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

	Notes	**2023** **$**	2022 $ *Note 3*
Revenue	19	**12,805,669**	11,658,693
Changes in inventories of finished goods and work in progress	8	**(495,716)**	726,364
Raw materials and consumables used	8	**(1,513,460)**	(1,387,969)
Supplies		**(4,307,501)**	(3,387,597)
Depreciation and amortization expense	6	**(1,715,827)**	(1,490,738)
Profit before expenses and other		**4,773,165**	6,118,753
Expenses			
Employee expenses	11a	**(2,844,763)**	(2,502,257)
Other operating expenses	6 & 11b	**(6,062,992)**	(5,938,503)
Depreciation and amortization expense	6 & 7	**(281,257)**	(233,616)
Share-based payments	12	**(258,744)**	(18,955)
Total expenses		**(9,447,756)**	(8,693,331)
Other income (expense)			
Finance income		**232,916**	177,623
Finance costs	10	**(778,517)**	(262,928)
Gain on sale of assets	6	**1,168,309**	691,388
Gain on disposal of investment in associate	5	**150,529**	-
Gain on retained investment in associate	5	**-**	296,310
Impairment loss on property, plant and equipment	6	**(13,144,378)**	-
Loss from investment in associate	5	**(42,258)**	-
Change in fair value of investment	5	**(38,902)**	-
Gain on settlement of debt	12	**7,520**	-
Other income		**315,229**	252,884
Total other income		**(12,129,552)**	1,155,277
Loss before income taxes		**(16,804,143)**	(1,419,301)
Income tax expense		**(136,946)**	-
Net loss		**(16,941,089)**	(1,419,301)
Other comprehensive income (loss)			
Items that may be reclassified to income (loss) in subsequent periods:			
Foreign currency translation adjustment		**871,261**	(1,854,264)
Total comprehensive loss		**(16,069,828)**	(3,273,565)
Loss per share - Basic and diluted	20	**(0.071)**	(0.006)
Weighted average number of shares outstanding - Basic and diluted	20	**237,901,514**	236,498,217

See the accompanying notes to the consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(EXPRESSED IN U.S. DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Share capital and premium	Shares to be issued	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
	$	$	$	$	$	$
Balance at December 31, 2021	**40,817,960**	**-**	**3,800,673**	**(2,610,876)**	**(20,409,130)**	**21,598,627**
Shares issued for services (note 12)	11,418	-	-	-	-	11,418
Share-based compensation (note 12)	-	-	18,955	-	-	18,955
Issuance of convertible debenture units (note 10)	-	-	413,946	-	-	413,946
Convertible debenture units issued for Finder's fee (note 10)	-	-	7,986	-	-	7,986
Convertible debenture unit issuance cost (note 10)	-	-	(30,498)	-	-	(30,498)
Total comprehensive loss for the year	-	-	-	(1,854,264)	(1,419,301)	(3,273,565)
Balance at December 31, 2022	**40,829,378**	**-**	**4,211,062**	**(4,465,140)**	**(21,828,431)**	**18,746,869**
Shares issued for debt settlement (note 12)	66,378	-	-	-	-	66,378
Shares issued for interest payments (note 12)	24,700	-	-	-	-	24,700
Shares to be issued for interest payments (note 12)	-	18,808	-	-	-	18,808
Shares issued for services (note 12)	18,018	-	-	-	-	18,018
Share-based compensation (note 12)	-	-	258,744	-	-	258,744
Warrants issued (note 10)	-	-	85,774	-	-	85,774
Total comprehensive loss for the year	-	-	-	871,261	(16,941,089)	(16,069,828)
Balance at December 31, 2023	**40,938,474**	**18,808**	**4,555,580**	**(3,593,879)**	**(38,769,520)**	**3,149,463**

See the accompanying notes to the consolidated financial statements

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

	Notes	2023 $	2022 $
Operating activities			
Net loss		**(16,941,089)**	(1,419,301)
Items not involving cash:			
Depreciation and amortization expense	6 & 7	**1,997,084**	1,724,354
Finance income		**(232,916)**	(177,623)
Finance costs		**681,399**	223,312
Share-based payments	12	**258,744**	18,955
Shares issued for services	12	**18,018**	-
Change in fair value of investment	5	**38,902**	-
Gain on settlement of debt	12	**(7,520)**	-
Gain on sale of assets	6	**(1,168,309)**	(691,388)
Gain on retained investment in associate		**-**	(296,310)
Gain on disposal of investment	5	**(150,529)**	-
Impairment loss on property, plant and equipment	6	**13,144,378**	-
Loss from investment in associate	5	**42,258**	-
Other income and losses		**-**	26,277
Net change in non-cash working capital items			
Trade and other receivables		**309,601**	566,932
Trade and other payables		**(84,447)**	818,186
Guarantee and other deposits		**(299,193)**	(603,605)
Income tax received		**-**	(31,072)
Inventories and other current assets and liabilities		**475,029**	(726,364)
Net cash used in operating activities		**(1,918,590)**	(567,647)
Investing activities			
Additions to property, plant and equipment	6	**(1,617,299)**	(1,222,458)
Promissory note received	5	**738,300**	-
Proceeds from sale of assets	6	**2,427,750**	738,300
Net cash provided by (used in) investing activities		**1,548,751**	(484,158)
Financing activities			
Proceeds from issuance of promissory note	10	**1,075,000**	-
Promissory note issuance cost	10	**(16,627)**	-
Proceeds from borrowings	10	**-**	203,345
Repayment of loans	10	**(1,100,007)**	(1,085,439)
Principal elements of lease payments	10	**(77,792)**	(77,537)
Proceeds from private placements		**-**	845,620
Share issue costs		**-**	(30,498)
Net cash used in financing activities		**(119,426)**	(144,509)
Effect of movements in exchange rates on cash		**407,607**	(140,360)
Net change in cash		**(81,658)**	(1,336,674)
Cash, at the beginning of the year		**899,042**	2,235,716
Cash, at the end of the year		**817,384**	899,042
Supplemental cash flow information			
Shares issued for debt settlement and interest payments	12	**91,078**	-
Units issued for Finder's fee	12	**-**	22,500
Investment received as consideration for sale of royalty interest	5 & 6	**129,308**	-
Warrants issued in connection with Notes	10	**85,774**	-
Income taxes paid		**23,507**	-
Lease additions		**33,924**	-
Increase in property, plant and equipment related to increased decommissioning obligation		**-**	1,181,692
Change in trade and other payables related to property, plant and equipment		**(174,188)**	(87,123)
Promissory note received as partial consideration for sale of assets		**-**	738,300

See the accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Strategic Minerals Europe Corp. and its subsidiaries (collectively the “Company” or “Strategic”), 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 also has offices in Madrid, Spain. The Company’s shares are listed on the Neo Exchange Inc. (operating as Cboe Canada) under the symbol “SNTA”, the Frankfurt Stock Exchange open market under the symbol “26K0”, and the OTCQB under the symbol "SNTAF."

These consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 27, 2024.

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

The Company has incurred a loss of $16,941,089 for the year ended December 31, 2023 (2022 - $1,419,301) and has a working capital deficiency of $5,013,505 as at December 31, 2023 (2022 – $1,951,611).

On October 19, 2023, the Superior Court of Xustiza of Galicia (“TSXG”) decided to provisionally suspend the section C permit for the Company’s Penouta Project after a complaint filed against the Xunta de Galicia (“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.

The Company’s status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt, through sufficient cash flows from operations and the successful resolution of the matter related to the challenge to the Company’s mining permit (as mentioned above). These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the commencement of mining operations and achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

Basis of consolidation

These consolidated financial statements comprise the financial results of 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")	Penouta Project	Spain	Euro

*Strategic Mineral Europe Corp. and SMEI were amalgamated on December 20, 2023.

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

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

The consolidated financial statements also include the Company's equity interest in its associate IberAmerican Lithium Spain, S.L. ("ILS") until the disposition of this interest as outlined in Note 5.

Basis of measurement

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

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. An adjustment has been made to the consolidated statement of operations for the year ended December 31, 2022, to reclassify depreciation and amortization expense of $1,490,738 from operating income (expense) to cost of sales.

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the consolidated statements of operations and comprehensive loss under finance income and costs.

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

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

- **Decommissioning liabilities**

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

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

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

- **Recoverability of potential deferred tax assets**

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

- **Convertible debentures**

  Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the embedded derivatives. See note 10.

- **Share-based payments and warrants**

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

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

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

- **Mineral reserve estimates**

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

- **Impairment of non-current assets**

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

- **Calculation of other provisions**

  See Note 4(n)

- **Contingencies**

  See Notes 13 and 18

4. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Inventories

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

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

(b) Exploration and evaluation assets

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

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

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

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

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

(c) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of property, plant and equipment:

At each reporting date or whenever there are indications of impairment losses, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that such assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

(d) Investment in associate

In accordance with IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, associates are those in which the Company has significant influence, but not control or joint control over the financial and accounting policies.

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

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

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

(e) Leasing

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

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

The lease liability is subsequently measured by:

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

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

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

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

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

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

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

(f) Decommissioning liabilities

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

(g) Income taxes

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

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

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

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

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

(h) Revenues

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

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

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

(i) Government assistance

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

(j) Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is to contributed surplus.
Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

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

(k) Loss per common share

Basic loss per share is calculated using the weighted average number of shares outstanding. The diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. All of the Company's outstanding warrants, options and convertible debentures were anti- dilutive for the years ended December 31, 2023 and 2022.

(l) Financial assets and liabilities

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement – financial assets at amortized cost

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

Subsequent measurement – financial assets at FVPL

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

Subsequent measurement – financial assets at FVOCI

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

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

Derecognition

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

Impairment of financial assets

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Financial instruments recorded at fair value:

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

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

Convertible debentures

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

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

	Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Promissory note	Amortized cost
Investment, at fair value	FVPL
Guarantee and other deposits	Amortized cost
Trade and other payables	Amortized cost
Long-term liabilities	Amortized cost

(m) Related party transactions

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

(n) Provisions and contingencies

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

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

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

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

(o) Recently adopted accounting pronouncements

During the year ended December 31, 2023, the Company adopted the following amendments. These new standards and changes did not have any material impact on the Company’s 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.

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities

(Expressed in U.S. Dollars)

Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations.

(p) Future changes in accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2023, and have not been applied in preparing these consolidated financial statements. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not been adopted and are being evaluated to determine their impact on the Company.

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
Balance December 31, 2021	**-**	**-**	**-**
Additions	632,829	-	632,829
Balance, December 31, 2022	**632,829**	**-**	**632,829**
Additions	-	129,308	129,308
Change in carrying value	(42,258)	(38,902)	(81,160)
Disposals	(590,571)	-	(590,571)
Effect of foreign currency exchange differences	-	2,216	2,216
Balance, December 31, 2023	**-**	**92,622**	**92,622**

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.

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 were originally held by ILI and 30% by the Company. 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.

On September 28, 2023, the Company sold its 30% interest in ILS to ILI for $741,100 in cash.

The gain on disposal of the investment in the associate of $150,529 was recognized in the consolidated statement of operations for the year ended December 31, 2023.

During the year ended December 31, 2023, $42,258 (2022 - $nil) 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 consolidated statement of operations.

A director of the Company is a director, officer and shareholder of ILI and one director of the Company is a shareholder 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 “Gross Revenue 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 $738,900 (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 year ended December 31, 2023, $38,902 was recorded as a change in fair value of investment on the consolidated statements of operations. See note 6.

(Expressed in U.S. Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

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

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

Assets (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
Balance, December 31, 2021	**11,897,578**	**4,566,157**	**11,472,998**	**51,895**	**27,988,628**
Additions	-	1,217,801	1,181,692	4,657	2,404,150
Transfer from exploration and evaluation	-	-	1,480,744	-	1,480,744
Transfer of assets under construction	5,005,002	(5,005,002)	-	-	-
Effect of foreign currency exchange differences	(642,521)	(306,310)	(663,731)	(3,029)	(1,615,591)
Balance, December 31, 2022	**16,260,059**	**472,646**	**13,471,703**	**53,523**	**30,257,931**
Additions	606,624	163,544	847,131	-	1,617,299
Transfer of assets under construction	326,668	(326,668)	-	-	-
Disposals	-	-	(925,043)	-	(925,043)
Effect of foreign currency exchange differences	605,874	13,338	492,681	1,925	1,113,818
Balance, December 31, 2023	**17,799,225**	**322,860**	**13,886,472**	**55,448**	**32,064,005**

Accumulated Depreciation and impairment losses (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
Balance, December 31, 2021	**(2,557,957)**	**-**	**(2,865,408)**	**(51,895)**	**(5,475,260)**
Additions	(771,330)	-	(904,925)	(1,364)	(1,677,619)
Effect of foreign currency exchange differences	142,162	-	158,710	3,072	303,944
Balance, December 31, 2022	**(3,187,125)**	**-**	**(3,611,623)**	**(50,187)**	**(6,848,935)**
Additions	(1,001,539)	-	(945,196)	(1,578)	(1,948,313)
Impairment loss	(7,615,430)	(182,487)	(5,346,461)	-	(13,144,378)
Disposals	-	-	277,394	-	277,394
Effect of foreign currency exchange differences	(308,787)	(4,113)	(268,452)	(1,841)	(583,193)
Balance, December 31, 2023	**(12,112,881)**	**(186,600)**	**(9,894,338)**	**(53,606)**	**(22,247,425)**

Net Book Value (USD)	December 31, 2023	December 31, 2022
Plant and equipment	5,686,344	13,072,934
Assets under construction	136,260	472,646
Mineral properties	3,992,134	9,860,080
Computer software	1,842	3,336
Total Net	**9,816,580**	**23,408,996**

On July 26, 2023, Electric Royalties exercised its option to increase its existing 0.75% gross revenue royalty on the production of the Penouta Project (see Note 5) by a further 0.75% in exchange for a cash payment of $947,750 (CA$1,250,000). Electric Royalties now holds an aggregate 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%.

The royalty expense of $122,655 was recorded under other operating expenses on the statement of operations for the year ended December 31, 2023.

(Expressed in U.S. Dollars)

The Gross Revenue Royalty Transaction including both January and July sales resulted in a gain on partial disposal of the interest in the Penouta Project, determined as follows:

Consideration received		
Cash consideration (CA$2,250,000)	$	1,686,650
Fair value of 500,000 common shares of Electric Royalties		129,308
Total consideration received		1,815,958
Net book value of assets disposed		647,649
Gain on sale of assets	$	1,168,309

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.

Impairment testing

In 2023, the operations at the Penouta Project was suspended (Note 1) and the Company's share price declined such that the carrying value of its net assets exceeded its market capitalization. Also on March 19, 2024, 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 Lithium Corp. (Note 21) and as a result, the Company performed an impairment test and recorded an impairment loss of $13,144,378 as the recoverable amount of the assets is less than their 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"). The FVLCD was determined using the assumptions from the proposed business combination agreement.

There were no indications of impairment losses assessed by the Company as of December 31, 2022 and as a result, no impairment losses were recorded in 2022.

7. RIGHT OF USE ASSETS

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

(Expressed in U.S. Dollars)

Right-of-Use Assets (USD)	Total
Balance, December 31, 2021	**581,887**
Effect of foreign currency exchange differences	(34,654)
Balance, December 31, 2022	**547,233**
Additions	25,413
Effect of foreign currency exchange differences	20,257
Balance, December 31, 2023	**592,903**

Accumulated Depreciation Right-of-Use Assets (USD)	Total
Balance, December 31, 2021	**(358,684)**
Amortization	(46,734)
Effect of foreign currency exchange differences	32,874
Balance, December 31, 2022	**(372,544)**
Amortization	(48,771)
Effect of foreign currency exchange differences	(18,957)
Balance, December 31, 2023	**(440,272)**

Net Book Value (USD)	December 31, 2023	December 31, 2022
Right-of-use assets	152,631	174,689
Total - net	**152,631**	**174,689**

8. INVENTORIES

Inventories comprise the following:

Inventories (USD)	December 31, 2023	December 31, 2022
Finished goods	17,002	567,240
Materials and supplies	436,647	366,882
Total	**453,649**	**934,122**

The finished goods as at December 31, 2023 contained concentrate of tin and tantalum in the amount of $17,002 and $nil, respectively (2022 - $406,200 and $161,040) valued at cost. There were no write-downs recognized during the years ended December 31, 2023 and 2022.

Materials and supplies as at December 31, 2023 were carried at the net realizable value, and the provisions recorded to reduce materials and supplies to net realizable value was $543,627 as at December 31, 2023 (2022 - $51,322).

Inventories recognized as expenses during the year ended December 31, 2023 is $2,009,176 (2022 - $661,605).

(Expressed in U.S. Dollars)

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables are composed of the following:

Trade and other receivables (USD)	December 31, 2023	December 31, 2022
Trade receivables	56,405	121,473
Other tax receivables	511,026	732,052
Total	**567,431**	**853,525**

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

10. LONG-TERM LIABILITIES

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

in USD	December 31, 2023	December 31, 2022
Bank loans	1,540,933	2,430,797
Government grants	385,058	428,039
Convertible debentures - loan	768,058	448,489
Promissory notes	1,068,512	-
Arrangements with suppliers	585,349	947,325
Lease liabilities	324,959	343,169
Total	4,672,869	4,597,819
Less: current portion	(2,757,990)	(1,477,084)
Long-term liabilities	**1,914,879**	**3,120,735**

Bank loans

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

December 31, 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%	39,982	40,787	80,769
Loan (b)	October 2020	October 2025	No	2.00%	41,086	41,086	82,172
Loan (c)	October 2020	October 2025	No	2.00%	20,534	20,947	41,481
Loan (d)*	March 2020	December 2025	Secured	2.00%	560,355	571,646	1,132,001
Loan (e)	December 2020	September 2025	No	2.50%	45,468	34,853	80,321
Loan (f)	October 2020	April 2025	No	2.30%	32,310	17,063	49,373
Loan (g)	September 2020	October 2025	No	2.25%	40,770	34,046	74,816
Total					**780,505**	**760,428**	**1,540,933**

(Expressed in U.S. Dollars)

December 31, 2022 (USD)	Starting Date	Due Date	Secured	Annual interest rate	Balance short-term	Balance long-term	Total
Loan (a)	October 2020	October 2025	No	2.00%	37,831	77,964	115,795
Loan (b)	October 2020	October 2025	No	2.00%	39,659	79,319	118,978
Loan (c)	October 2020	October 2025	No	2.00%	19,428	40,041	59,469
Loan (d)*	March 2020	December 2025	Secured	2.00%	530,215	1,092,695	1,622,910
Loan (e)	December 2020	September 2025	No	2.50%	42,809	77,532	120,341
Loan (f)	October 2020	April 2025	No	2.30%	30,563	47,460	78,023
Loan (g)	September 2020	October 2025	No	2.25%	37,774	71,497	109,271
Loan (h)	September 2022	March 2023	No	2.50%	206,010	-	206,010
Total					**944,289**	**1,486,508**	**2,430,797**

*Secured against the total assets of SMS.

Convertible debentures

In October 2022, the Company closed a convertible debenture for aggregate gross proceeds of CA$1.167 million ($0.85 million). The Company issued 1,167.50 convertible debenture units (the “Debenture Units”) at a price of CA$1,000 per Debenture Unit. The Company paid legal and transfer agent fees of $47,243 in cash, and issued 22.50 Debenture Units in satisfaction of a finders’ fee.

Each Debenture Unit consisted of (i) one 10% senior unsecured convertible debenture having a face value of CA$1,000, convertible into common shares of the Company at a conversion price of CA$0.25 per common share and maturing October 13, 2024; and (ii) 4,000 common share purchase warrants of the Company (each, a "2024 Warrant"). Each 2024 Warrant entitles the holder thereof to purchase one common share at a price of CA$0.25 per share until October 13, 2024. Interest on the convertible debentures is payable semi-annually on June 30 and December 31 in cash or common shares at the option of the holder.

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. During the year ended December 31, 2023, the Company paid interest of $25,842 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$0.25, 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. The convertible debentures are being accreted using the Effective Interest Rate (EIR) method using an effective interest rate of 38%.

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 December 31, 2023, the outstanding balance of the convertible debentures was $768,058 (2022 - $448,489).

Interest accrued on the convertible debentures amounted to $27,183 as at December 31, 2023 (2022 - $5,084) and was included in trade and other payables on the consolidated statements of financial position.

During the year ended December 31, 2023, accretion expenses of $304,437 (2022 - $nil) were recorded as finance costs on the statement of operations related to the convertible debentures.

As part of the convertible debenture an amount of CA$730,000 ($551,953) was subscribed by directors and officers of the Company. As at December 31, 2023, the outstanding balance of convertible debentures held by directors and officers was $471,161 (December 31, 2022 - $368,321).

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 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 $972,599.

An additional consideration for providing the Notes, those directors and officers of the Company 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 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.

The Notes are being accreted using the Effective Interest Rate (EIR) method using an effective interest rate of 18%. As at December 31, 2023, the amortized balance of the Notes was $1,068,512 (2022 - $nil).

Interest accrued on the Notes amounted to $16,982 as at December 31, 2023 (2022 - $nil) and was included in trade and other payables on the consolidated statements of financial position.

During the year ended December 31, 2023, accretion expenses of $63,590 (2022 - $nil) were recorded as finance costs on the statement of operations related to the Note.

The Notes are 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 $385,058 as of December 31, 2023 (2022 - $428,039) to be repaid by February 1, 2028. During the year ended December 31, 2023, a total repayment of $78,868 was made against this grant. The principal amount due in 12 months is $71,156 and has been recognized as a current liability as at December 31, 2023.

Agreements with suppliers

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

(Expressed in U.S. Dollars)

Lease liabilities

Lease liabilities (USD)	
Lease liability as at December 31, 2021	**303,738**
Additions	135,044
Interest expense	4,304
Lease payments	(71,216)
Effect of foreign currency exchange differences	(28,701)
Lease liability as at December 31, 2022	**343,169**
Additions	36,692
Interest expense	11,216
Lease payments	(77,792)
Effect of foreign currency exchange differences	11,674
Lease liability as at December 31, 2023	**324,959**

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

Lease liabilities (USD)	December 31, 2023	December 31, 2022
Current lease liabilities	109,678	87,898
Long-term portion of lease liabilities	215,281	255,271
Total	**324,959**	**343,169**

Scheduled future principal obligations of the Company as at December 31, 2023 are as follows:

Cash flow Obligation (USD) - undiscounted	1 year	1-3 years	More than 3 years	Total
Bank loans	805,296	780,975	-	1,586,271
Government grants	80,506	241,517	80,506	402,529
Convertible debentures - loan	-	899,759	-	899,759
Promissory notes	537,500	537,500	-	1,075,000
Arrangements with suppliers	382,086	224,154	-	606,240
Lease liabilities	134,534	354,887	10,543	499,964
Total	**1,939,922**	**3,038,792**	**91,049**	**5,069,763**

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

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

(Expressed in U.S. Dollars)

11. EXPENSES

(a) Employee expenses

Employee expenses (USD)	2023	2022
Wages and Salaries	2,167,950	1,943,415
Social Security	657,485	542,883
Severance and other social benefits	19,328	15,959
Total	**2,844,763**	**2,502,257**

(b) Other operating expenses

Other operating expenses (USD)	2023	2022
Leases	339,153	394,092
Royalties (note 6)	122,655	-
Repairs and Maintenance	750,141	399,975
Professional services	1,845,692	1,867,958
Transportation	14,066	6,326
Insurance premiums	64,787	52,804
Banking and similar services	91,779	94,473
Advertising, publicity and public relations	28,583	45,615
Supplies (Electricity/Diesel)	2,263,740	2,566,521
Administrative	53,415	52,981
Other Services	432,883	433,536
Other Taxes	56,098	24,222
Total	**6,062,992**	**5,938,503**

12. SHARE CAPITAL

Authorized:

Common Shares: Unlimited

Issued:

	Common Shares #	Warrants #
Balance, December 31, 2021	**236,471,333**	**33,070,478**
Shares issued for services	62,500	-
Warrants issued on private placement of convertible debentures (note 10)	-	4,670,000
Finder's fee on issuance of convertible debentures (note 10)	-	90,000
Balance, December 31, 2022	**236,533,833**	**37,830,478**
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
Balance, December 31, 2023	**238,315,516**	**38,367,978**

(Expressed in U.S. Dollars)

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

On February 24, 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.

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 subsequent to 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 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 consolidated statement of operations for the year ended December 31, 2023.

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

Warrants

As at December 31, 2023, the following warrants were outstanding:

Warrants	Grant Date	Expiry Date	Number of Warrants Outstanding	Exercise Price (CA$)	Remaining Life (in years)
2026 Warrants (listed)	July 16, 2021	July 16, 2026	33,070,478	0.40	2.54
2024 Warrants (note 10)	October 13, 2022	October 13, 2024	4,760,000	0.25	0.79
2026 Warrants (note 10)	May 29, 2023	April 11, 2026	537,500	0.06	2.28
			38,367,978	0.38	2.32

Stock options

The Company has a rolling stock option plan (the "Plan'') that authorizes the Board of Directors to grant incentive stock options to directors, officers, consultants and employees, with a maximum of 10% of the issued common shares reserved for issuance under the Plan. The maximum term for options is 10 years.

(Expressed in U.S. Dollars)

Stock option transactions are summarized as follows:

	Options #	Weighted average exercise price CA$
Options outstanding at December 31, 2021	13,715,000	0.25
Granted	100,000	0.27
Options outstanding at December 31, 2022	13,815,000	0.25
Granted	5,695,000	0.085
Granted	600,000	0.035
Expired	(500,000)	0.25
Options outstanding at December 31, 2023	19,610,000	0.20

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

The stock option fair value of $18,955 was determined using a Black-Scholes pricing model which included an expected volatility of 120% based on the volatility of comparable companies, a risk-free interest rate of 1.68%, share price of CA$0.29, an estimated life of 5 years and a dividend yield of 0%.

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 $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%.

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 $11,045 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.

(Expressed in U.S. Dollars)

As at December 31, 2023, the following options were outstanding and exercisable:

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price (CA$)	Remaining Life (in years)
December 7, 2021	December 7, 2026	13,215,000	13,215,000	0.25	2.94
January 20, 2022	January 20, 2027	100,000	100,000	0.27	3.06
January 16, 2023	January 16, 2028	5,695,000	5,695,000	0.085	4.05
September 11, 2023	September 11, 2028	600,000	600,000	0.035	4.70
		19,610,000	19,610,000	0.20	3.31

13. DECOMISSIONING LIABILITIES

As at December 31, 2023, the Company recognized a provision for future estimated reclamation costs associated with the Penouta Project. The decommissioning liabilities are as follows

Decommissioning liabilities (USD)	Total
Balance, December 31, 2021	**794,131**
Increase as result of Section C	1,181,692
Accretion	16,813
Effect of foreign currency exchange differences	(63,297)
Balance, December 31, 2022	**1,929,339**
Accretion	48,309
Effect of foreign currency exchange differences	70,487
Balance, December 31, 2023	**2,048,135**

As at December 31, 2023, the estimated carrying value of the liability of $2,048,135 (December 31, 2022 - $1,929,339), was discounted at a rate of 4.01% (December 31, 2022 – 2.31%).

The estimated total undiscounted future liability as at December 31, 2023 is $2,835,533 (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.

(Expressed in U.S. Dollars)

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

Expenses

The Company leases certain facilities from Sequoia Venture Capital S.L., a corporation controlled by a director; as at December 31, 2023 and 2022, the outstanding balance was $2,783 and $nil, respectively. During the year ended December 31, 2023, a total of $39,571 (2022 - $27,034) was recorded as operating expenses (Note 11b).

During the year ended December 31, 2023, the Company incurred professional fees of $17,989 (2022 - $17,523) from Salamanca Ingenieros S.L., a corporation beneficially owned by a director. As at December 31, 2023 and 2022, the outstanding balance was $nil.

Remuneration of directors and key management personnel of the Company for the years ended December 31, 2023 and 2022 was:

Key Management Compensation (USD)	2023	2022
Management fees	484,591	448,314
Director fees	363,001	335,436
Share-based compensation	195,895	-
Total	**1,043,487**	**783,750**

Included in trade and other payables as at December 31, 2023 is director fees owing to directors of the Company in the amount of $33,040 (2022 - $nil). The amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Related Party Balances

On April 11, 2023, the Company's subsidiary, SMS, issued the Notes to the certain directors and officers of the Company for an aggregate principal amount of $1.075 million. As an additional consideration for providing the Notes, those directors and officers of the Company received an aggregate of 537,500 common share purchase warrants of the Company. As at December 31, 2023, the outstanding balance of the Notes was $1.069 million (December 31, 2022 - $nil) (Note 10).

See additional related party transactions in Note 10 and 21.

Also see Note 5 regarding transactions with ILI.

15. FINANCIAL INSTRUMENTS AND RISK FACTORS

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

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. As at December 31, 2023, the Company's investments measured at fair value, were classified as level 1 within the fair value hierarchy. At December 31, 2022, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

As at December 31, 2023 and 2022, carrying amounts of cash, trade and other receivables, trade and other payables, and promissory note on the consolidated statement of financial position approximate fair market value because of the limited term of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company’s credit risk is primarily attributable to cash. In general, the Company maintains its cash 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 financial instruments included in trade and other receivables 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, trade and other receivables are grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at December 31, 2023 and 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. As at December 31, 2023 and 2022, carrying amounts of the long term assets on the consolidated statement of financial position approximate fair market value.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At December 31, 2023, the Company had cash of $817,384 (December 31, 2022 - $899,042) available to settle current liabilities of $6,913,841 (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 Directors consider that the interest rate risk is not significant.

(ii) Foreign Exchange Risk

The Company's functional currencies are the CA and Euro, and major purchases and sales are transacted in CA and Euro. As at December 31, 2023, the Company holds USD balance of $26,026 (December 31, 2022 – $79,906) in cash and USD balance of $1,068,512 (December 31, 2022 - $nil) in 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. INCOME TAXES

(a) The items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2022 ‑ 26.5%) are as follows:

(Expressed in U.S. Dollars)

in USD	2023	2022
Total loss and other comprehensive loss before income taxes	(16,804,143)	(1,419,301)
Expected income tax recovery	(4,453,098)	(376,115)
Adjustments to benefit resulting from:		
Benefits of tax losses not recognized	4,590,044	376,115
Deferred income tax expense (recovery)	**136,946**	**-**

(b) Tax benefits from non-capital loss carry-forwards have not been recorded in the consolidated financial statements. These losses may reduce taxable income in future years. The Company's Canadian non-capital loss of $3,243,813 (2022 - $3,817,650) expire between 2026 and 2043, and Spanish non-capital loss of $20,370,785 (2022 - $17,308,746) expire between 2029 and 2043.

(c) Unrecognized deferred tax assets

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

in USD	2023	2022
Non-capital losses carried forward - Spain	20,370,785	17,308,746
Non-capital losses carried forward - Canada	3,243,813	3,817,650
	23,614,598	**21,126,396**

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

17. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2023 and 2022.

18. 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 ($3,586,844) 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 ($1,789,435) 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 ($1,797,409) 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 ($2,148,916) 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 ($2,211,800) to be paid as follows:

- On September 16, 2022 – EUR 800,000 ($884,720) (paid)
- On or before October 30, 2022 – EUR 300,000 ($331,770) (paid)
- On or before November 30, 2022 – EUR 400,000 ($442,360)
- On or before December 30, 2022 – EUR 500,000 ($552,950)

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 EUR 70,000 ($77,413) and EUR 30,000 ($33,177), respectively.

(b) The Company is party to certain operating agreements that contain minimum commitments of approximately CA$20,000 ($15,122) within one year.

(c) See notes 5 and 6 for the royalty agreement with Electric Royalties.

19. SEGMENTED DISCLOSURES

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

For the year ended December 31, 2023 and 2022, all sales were generated from the customers in Spain.

For the year ended December 31, 2023, approximately 64% and 25% of the Company's total revenues were generated from two customers respectively (2022 – 75% and 23%).

20. LOSS PER SHARE

Loss per share is computed by dividing reported net loss by the weighted average number of common shares issued and outstanding for the reporting period.

Diluted loss per share is computed by dividing 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 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 year ended December 31, 2023, all options and warrants and convertible debentures were excluded from the computation of diluted loss per share, since the effect of conversion of these instruments 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.

21. SUBSEQUENT EVENTS

On March 19, 2024, the Company entered into a business combination agreement with IberAmerican Lithium Corp. ("IberAmerican") and IberAmerican Resources Inc. ("Subco"), a wholly-owned subsidiary of IberAmerican. Pursuant to this agreement, IberAmerican will acquire all of the issued and outstanding common shares in the capital of the Company ("Strategic Shares") (the "Proposed Transaction").

Under the terms of the Proposed Transaction, each holder of Strategic Shares will be entitled to receive one common share of IberAmerican ("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 the Company will amalgamate, and the resulting amalgamated entity will survive as a wholly owned subsidiary of IberAmerican. Upon completion of the Proposed Transaction, it is expected that the Company would be delisted from Cboe Canada and will apply to cease to be a reporting issuer under applicable securities laws in Canada.

A 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.

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 agreement also provides for a termination fee of EUR 1,000,000 ($1,105,900) to be paid by Strategic to IberAmerican if the business combination agreement is terminated in certain specified circumstances.

The completion of the Proposed Transaction will require the approval of the shareholders of both the Company and IberAmerican, and is subject to other customary closing conditions for transactions of this nature. There can be no certainty that the Proposed Transaction will be completed.