

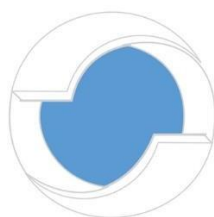
STRATEGIC MINERALS EUROPE CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2023 and 2022

(EXPRESSED IN U.S. DOLLARS)

(Unaudited)



STRATEGIC MINERALS EUROPE CORP.

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

As at		March 31, 2023	December 31, 2022
	Notes	\$	\$
Assets			
Current assets:			
Cash and cash equivalents		781,360	899,042
Cash in trust	14	1,000,000	-
Trade and other receivables	9	993,364	853,525
Promissory note	5	-	738,300
Inventories	8	839,345	934,122
Other current assets		69,502	56,428
Total current assets		3,683,571	3,481,417
Non-current assets:			
Property, plant and equipment	6	23,422,095	23,408,996
Investment in associate	5	632,829	632,829
Investment, at fair value	5	114,530	-
Guarantee and other deposits	17	1,919,819	1,532,040
Right-of-use assets	7	165,777	174,689
Total assets		29,938,621	29,229,971
Liabilities and shareholders' equity			
Current liabilities:			
Trade and other payables		4,988,074	4,333,832
Amount due to related party	14	1,000,000	-
Current portion of long-term liabilities	10	1,130,787	1,099,196
Total current liabilities		7,118,861	5,433,028
Non-current liabilities:			
Long-term liabilities	10	2,862,114	3,120,735
Decommissioning liabilities	13	1,977,409	1,929,339
Total liabilities		11,958,384	10,483,102
Shareholders' equity:			
Share capital	12	40,919,875	40,829,378
Contributed surplus	12	4,458,761	4,211,062
Accumulated other comprehensive loss		(4,248,827)	(4,465,140)
Deficit		(23,149,572)	(21,828,431)
Total shareholders' equity		17,980,237	18,746,869
Total liabilities and shareholders' equity		29,938,621	29,229,971

Going concern (Note 1)

Commitments and contingencies (Notes 10, 13 & 17)

Subsequent events (Notes 14 & 20)

On behalf of the Board of Directors:

"Campbell Becher"
Director (Signed)

"Miguel de la Campa"
Director (Signed)

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.

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

		Three months ended March 31,	
		2023	2022
	Notes	\$	\$
Revenue	18	2,901,780	1,084,219
Changes in inventories of finished goods and work in progress	8	(125,991)	81,034
Raw materials and consumables used	8	(459,034)	(208,889)
Supplies		(1,105,317)	(276,956)
Profit before expenses and other		1,211,438	679,408
Expenses			
Depreciation and amortization expense	6 & 7	(470,270)	(400,196)
Employee expenses	11a	(752,119)	(590,785)
Other operating expenses	11b	(1,660,643)	(1,400,873)
Share-based payments	12	(247,699)	(18,955)
Total expenses		(3,130,731)	(2,410,809)
Other income (expense)			
Finance income		137,293	136,052
Finance costs		(147,520)	(31,683)
Gain on sale of assets	6	529,379	-
Gain on settlement of debt	12	7,520	-
Change in fair value of investment	5	(14,778)	-
Other income		147,771	15,322
Total other income (net)		659,665	119,691
Loss before income taxes		(1,259,628)	(1,611,710)
Income tax expense		(61,513)	-
Net loss		(1,321,141)	(1,611,710)
Other comprehensive loss			
Items that may be reclassified to (loss) income in subsequent periods:			
Foreign currency translation adjustment		216,313	(356,778)
Total comprehensive loss		(1,104,828)	(1,968,488)
Loss per share - Basic and diluted	19	(0.006)	(0.010)
Weighted average number of shares outstanding - Basic and diluted	19	236,968,488	236,471,333

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.

Condensed Interim Consolidated Statements of Change in Equity

For the three months ended March 31, 2023 and 2022

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

	Share capital and premium	Contributed Surplus	Currency translation adjustment	Deficit	Total
	\$	\$	\$	\$	\$
Balance at December 31, 2021	40,817,960	3,800,673	(2,610,876)	(20,409,130)	21,598,627
Share-based compensation (note 12)	-	18,955	-	-	18,955
Total comprehensive loss for the period	-	-	(356,778)	(1,611,710)	(1,968,488)
Balance at March 31, 2022	40,817,960	3,819,628	(2,967,654)	(22,020,840)	19,649,094
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)	72,479	-	-	-	72,479
Shares issued for services (note 12)	18,018	-	-	-	18,018
Share-based compensation (note 12)	-	247,699	-	-	247,699
Total comprehensive loss for the period	-	-	216,313	(1,321,141)	(1,104,828)
Balance at March 31, 2023	40,919,875	4,458,761	(4,248,827)	(23,149,572)	17,980,237

See the accompanying notes to the condensed interim consolidated financial statements

STRATEGIC MINERALS EUROPE CORP.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Expressed in U.S. Dollars) (Unaudited)

		Three months ended March 31,	
		2023	2022
	Notes	\$	\$
Operating activities			
Net loss		(1,321,141)	(1,611,710)
Items not involving cash:			
Depreciation and amortization expense	6 & 7	470,270	400,196
Finance income		(137,293)	(136,052)
Finance expenses		125,094	31,684
Share-based payments	12	247,699	18,955
Shares issued for services	12	18,018	-
Change in fair value of investment	5	14,778	-
Gain on settlement of debt	12	(7,520)	-
Gain on sale of assets	6	(529,379)	-
Other income and losses		19,666	(81,035)
Net change in non-cash working capital items			
Trade and other receivables		158,955	794,564
Trade and other payables		33,291	(161,470)
Promissory note receivable		738,900	-
Income tax paid (received)		(8,395)	37,025
Other operating assets and liabilities		125,990	-
Net cash provided by (used in) operating activities		(51,067)	(707,843)
Investing activities			
Additions to property, plant and equipment	6	(387,945)	(311,071)
Proceeds from sale of assets	6	738,900	-
Net cash provided by (used in) investing activities		350,955	(311,071)
Financing activities			
Repayment of loans		(407,742)	(292,510)
Principal elements of lease payments		(23,242)	(6,765)
Net cash used in financing activities		(430,984)	(299,275)
Effect of movements in exchange rates on cash and cash equivalents		13,414	(33,114)
Net change in cash and cash equivalents		(117,682)	(1,351,303)
Cash and cash equivalents, at the beginning of the period		899,042	2,235,716
Cash and cash equivalent, at the end of the period		781,360	884,413
Cash and cash equivalents as at March 31, are comprised of the following:			
Short term bank deposits		-	844,350
Cash		781,360	40,063
Cash and cash equivalent		781,360	884,413
Supplemental cash flow information			
Shares issued in settlement of debt		72,479	-
Shares issued for services		18,018	-
Investment received as consideration for sale of royalty interest	6	129,308	-

See the accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on May 15, 2023.

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

The Company has incurred a loss of \$1,259,628 for the three months ended March 31, 2023 (March 31, 2022 - \$1,611,710) and has a working capital deficiency of \$3,435,290 as at March 31, 2023 (December 31, 2022 - \$1,951,611).

The Company’s status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt, or through sufficient cash flows from operations. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

Basis of consolidation

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

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

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

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

These condensed interim consolidated financial statements also include the Company's equity interest in its associate IberAmerican Lithium Spain ("ILS") as outlined in Note 5.

Basis of measurement

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

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the condensed interim consolidated statements of operations and comprehensive loss under finance income and costs. Foreign exchange gains or losses arising on translation from functional to presentation currency at period-end exchange rates of monetary assets and liabilities with a functional currency that differs from the presentation currency are recognized in accumulated other comprehensive loss.

Group companies

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

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

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

Use of estimates and judgments:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Recently adopted accounting pronouncements

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

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

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

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations.

Future changes in accounting pronouncements

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

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

5. INVESTMENTS

Investments (USD)	Investment in associate (ILS)	Investment at fair value (Electric Royalties)	Total
Balance, December 31, 2022	-	-	-
Additions	-	129,308	129,308
Change in FVTPL	-	(14,778)	(14,778)
Balance, March 31, 2023	632,829	114,530	747,359

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:

- transfer all the rights of the Lithium Project to IberAmerican Lithium Spain, S.L. (“ILS”), a subsidiary of the Company incorporated on December 27, 2022; and
- 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 during the period ended March 31, 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 will be held by ILI and 30% by the Company, where ILS is the owner of the Lithium Project and ILI will serve as the operator, the Company will have no contribution obligations to maintain its interest in ILS and its 30% interest shall be carried until the completion of a prefeasibility study, after which the Company will have the obligation to fund expenditures pro rata to its interest in ILS.

The Agreement contains dilution provisions in the case that required contributions are not made.

The Company has determined that it has significant influence over ILS, and its 30% interest was recorded as an investment in associate on the condensed interim consolidated statements of financial position as at March 31, 2023 and December 31, 2022.

The Company's 30% interest in ILS was recorded at cost as at December 28, 2022 as a result of sale of 70% of the shares of ILS to ILI based on total consideration received. There was no change in the carrying value of the Company's interest in ILS during the three months ended March 31, 2023 as there were no operations of ILS during the three months ended March 31, 2023.

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

Investment at fair value (Electric Royalties)

On January 24, 2023, the Company closed a transaction (the "Royalty Transaction") whereby Electric Royalties Ltd. (TSXV: ELEC) ("Electric Royalties") acquired a 0.75 percent gross revenue royalty on the production of the Penouta Project in exchange for a cash payment of CA\$1,000,000 and the issuance to the Company of 500,000 common shares in the capital of Electric Royalties. The common shares received in the capital of Electric Royalties were recorded as investments, at fair value determined using Electric Royalties' closing share price of CA\$0.35 on January 24, 2023. Those common shares are classified as a financial asset measured at fair value through profit or loss ("FVPL"). During the three months ended March 31, 2023, \$14,778 was recorded as a change in fair value of investment on the condensed interim consolidated statements of operations and comprehensive loss.

STRATEGIC MINERALS EUROPE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in U.S. Dollars) (Unaudited)

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

Assets (USD)	Plant and equipment	Assets under construction	Mineral properties	Computer software	Total
Balance, December 31, 2021	11,897,578	4,566,157	11,472,998	51,895	27,988,628
<i>Additions</i>	-	1,217,801	1,181,692	4,657	2,404,150
<i>Transfer from exploration and evaluation</i>	-	-	1,480,744	-	1,480,744
<i>Transfer of assets under construction</i>	5,005,002	(5,005,002)	-	-	-
<i>Effect of foreign currency exchange differences</i>	(642,521)	(306,310)	(663,731)	(3,029)	(1,615,591)
Balance, December 31, 2022	16,260,059	472,646	13,471,703	53,523	30,257,931
<i>Additions</i>	15,395	372,550	-	-	387,945
<i>Disposals</i>	-	-	(473,808)	-	(473,808)
<i>Effect of foreign currency exchange differences</i>	294,171	13,266	243,563	968	551,968
Balance, March 31, 2023	16,569,625	858,462	13,241,458	54,491	30,724,036

Accumulated Depreciation (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)
<i>Additions</i>	(771,330)	-	(904,925)	(1,364)	(1,677,619)
<i>Effect of foreign currency exchange differences</i>	142,162	-	158,710	3,072	303,944
Balance, December 31, 2022	(3,187,125)	-	(3,611,623)	(50,187)	(6,848,935)
<i>Additions</i>	(230,549)	-	(227,415)	(386)	(458,350)
<i>Disposals</i>	-	-	134,979	-	134,979
<i>Effect of foreign currency exchange differences</i>	(60,543)	-	(68,179)	(913)	(129,635)
Balance, March 31, 2023	(3,478,217)	-	(3,772,238)	(51,486)	(7,301,941)

Net Book Value (USD)	March 31, 2023	December 31, 2022
Plant and equipment	13,091,408	13,072,934
Fixed assets under construction	858,462	472,646
Mineral properties	9,469,220	9,860,080
Computer software	3,005	3,336
Total Net	23,422,095	23,408,996

As part of the Royalty Transaction (Note 5) Electric Royalties has the option to acquire an additional 0.75% royalty at the Penouta Project in consideration of a further cash payment of CA\$1,250,000 until August 24, 2023. The royalty rate will be reduced to 0.5%, respectively, once CA\$1,670,000 in royalty revenues has been paid to Electric Royalties.

Accrued royalty expense for the three months ended March 31, 2023 amounted to \$17,469 and was paid subsequent to March 31, 2023.

STRATEGIC MINERALS EUROPE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in U.S. Dollars) (Unaudited)

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

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

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

7. RIGHT-OF-USE ASSETS

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

Right-of-Use Assets (USD)	Total
Balance, December 31, 2021	581,887
Effect of foreign currency exchange differences	(34,654)
Balance, December 31, 2022	547,233
Effect of foreign currency exchange differences	9,894
Balance, March 31, 2023	557,127

Accumulated Depreciation Right-of-Use Assets (USD)	Total
Balance, December 31, 2021	(387,376)
Amortization	(51,793)
Effect of foreign currency exchange differences	66,625
Balance, December 31, 2022	(372,544)
Amortization	(11,920)
Effect of foreign currency exchange differences	(6,886)
Balance, March 31, 2023	(391,350)

Net Book Value (USD)	March 31, 2023	December 31, 2022
Right-of-use assets	165,777	174,689
Total - net	165,777	174,689

STRATEGIC MINERALS EUROPE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in U.S. Dollars) (Unaudited)

8. INVENTORIES

Inventories comprise the following:

Inventories (USD)	March 31, 2023	December 31, 2022
Finished goods	312,729	567,240
Materials and supplies	526,616	366,882
Total	839,345	934,122

The finished goods as at March 31, 2023 contained concentrate of tin and tantalum in the amount of \$172,207 and \$140,522, respectively (December 31, 2022 - \$406,200 and \$161,040), valued at cost. There were no write-downs recognized during the three months ended March 31, 2023 and 2022.

Materials and supplies as at March 31, 2023 were carried at the net realizable value, and the provisions recorded to reduce materials and supplies to net realizable value was \$106,288 as at March 31, 2023 (December 31, 2022 - \$51,322).

Inventories recognized as expenses during the three months ended March 31, 2023 is \$585,025 (March 31, 2022 - \$127,855).

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables are composed of the following:

Trade and other receivables (USD)	March 31, 2023	December 31, 2022
Trade receivables	233,669	121,473
Other tax receivables	759,695	732,052
Total	993,364	853,525

10. LONG-TERM LIABILITIES

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

in USD	March 31, 2023	December 31, 2022
Bank loans	2,293,715	2,430,797
Government grants	367,557	428,039
Convertible debentures - loan	515,236	448,489
Arrangements with suppliers	489,041	569,437
Lease liabilities	327,352	343,169
Total	3,992,901	4,219,931
Less: current portion	(1,130,787)	(1,099,196)
Long-term liabilities	2,862,114	3,120,735

STRATEGIC MINERALS EUROPE CORP.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in U.S. Dollars) (Unaudited)

Bank loans

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

March 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%	38,708	69,625	108,333
Loan (b)	October 2020	October 2025	No	2.00%	40,376	70,659	111,035
Loan (c)	October 2020	October 2025	No	2.00%	19,878	35,758	55,636
Loan (d)*	March 2020	December 2025	Secured	2.00%	542,498	975,810	1,518,308
Loan (e)	December 2020	September 2025	No	2.50%	43,856	67,867	111,723
Loan (f)	October 2020	April 2025	No	2.30%	31,338	40,404	71,742
Loan (g)	September 2020	October 2025	No	2.25%	38,674	63,039	101,713
Loan (h)	September 2022	April 2023	No	2.50%	215,225	-	215,225
Total					970,553	1,323,162	2,293,715

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 offering for aggregate gross proceeds of CA\$1.167 million (\$0.85 million). The Company issued 1,167.50 convertible debenture units (the "Debenture Units") at a price of CA\$1,000 per Debenture Unit. The Company paid legal and transfer agent fees of \$47,243 in cash, and issued 22.50 Debenture Units in satisfaction of a finder's fee.

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

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

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

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

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

As for the 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 March 31, 2023, the outstanding balance of the convertible debentures was \$515,236 (December 31, 2022 - \$448,489).

Interest accrued on the convertible debentures amounted to \$21,741 as at March 31, 2023 (December 31, 2022 - \$5,084) and was included in trade and other payables on the condensed interim consolidated statements of financial position.

During the three months ended March 31, 2023, accretion expenses of \$66,427 (2022 - \$nil) were recorded related to the convertible debentures.

Government grants

The Company has a government grant payable of \$367,557 as of March 31, 2023 (December 31, 2022 - \$428,039) to be repaid by February 1, 2028. During the three months ended March 31, 2023, a total repayment of \$78,125 was made with respect to this grant. The principal amount due in 12 months is \$79,115 and has been recognized as a current liability as at March 31, 2023.

Agreements with suppliers

The Company has agreed to defer payment with certain suppliers. Payments are scheduled in quarterly instalments until 2025. The current portion of \$475,410 is included in the "Trade and other payables" balance as at March 31, 2023 (December 31, 2022 - \$377,888).

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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	-
Interest expense	1,496
Lease payments	(23,242)
Effect of foreign currency exchange differences	5,929
Lease liability as at March 31, 2023	327,352

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

Lease liabilities (USD)	March 31, 2023	December 31, 2022
Current lease liabilities	90,305	87,898
Long-term portion of lease liabilities	237,047	255,271
Total	327,352	343,169

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

Cash flow Obligation (USD) - undiscounted	1 year	1-3 years	More than 3 years	Total
Bank loans	1,002,353	1,360,947	-	2,363,300
Lease liabilities	79,115	158,231	158,231	395,577
Arrangements with suppliers	378,754	506,798	-	885,552
Lease liabilities	101,790	246,849	40,257	388,896
Total	1,562,012	2,272,825	198,488	4,033,325

11. EXPENSES

(a) **Employee expenses**

Employee expenses (USD)	Three months ended March 31, 2023	Three months ended March 31, 2022
Wages and Salaries	580,673	459,998
Social Security	165,598	125,400
Severance and other social benefits	5,848	5,387
Total	752,119	590,785

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(b) Other operating expenses

Other operating expenses (USD)	Three months ended March 31, 2023	Three months ended March 31, 2022
Leases	111,410	146,286
Royalties (note 6)	17,469	-
Repairs and Maintenance	202,147	63,848
Professional services	577,833	468,349
Transportation	12,992	62
Insurance premiums	12,256	16,254
Banking and similar services	20,862	4,406
Advertising, publicity and public relations	6,547	5,485
Supplies (Electricity/Diesel)	569,768	617,371
Administrative	6,519	6,608
Other Services	109,357	68,681
Other Taxes	13,483	3,523
Total	1,660,643	1,400,873

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 11)	-	4,670,000
Finder's fee on issuance of convertible debentures (note 11)	-	90,000
Balance, December 31, 2022	236,533,833	37,830,478
Shares issued for debt settlement	1,017,000	-
Shares issued for services	272,727	-
Shares issued for interest on convertible debenture	163,625	-
Balance, March 31, 2023	237,987,185	37,830,478

As at March 31, 2023, the Company has 237,987,185 common shares outstanding (December 31, 2022 – 236,533,833).

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

On February 15, 2023, the Company issued 163,625 common shares in satisfaction of interest payments of \$8,181 to certain holders of the convertible debentures at a price of CA\$0.05 per share, which represents the volume weighted average trading price of the Company's Common Shares for the ten consecutive trading days preceding the interest payment date.

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On March 9, 2023, the Company issued 1,017,000 common shares at the closing market price of CA\$0.09 per share in satisfaction of certain amounts owing to a supplier of the Company. A total of \$7,520 was recorded as gain on settlement on the condensed interim consolidated statement of operations and comprehensive loss for the three months ended March 31, 2023.

Warrants

As at March 31, 2023 and December 31, 2022, the following warrants were outstanding:

Warrants	Grant Date	Expiry Date	Number of Warrants Outstanding	Exercise Price (CA\$)	Remaining Life (in years)
2026 Warrants (listed)	July 16, 2021	July 16, 2026	33,070,478	0.40	3.30
2024 Warrants	October 13, 2022	October 13, 2024	4,760,000	0.25	1.54
			37,830,478	0.38	3.07

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.

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	0.20
Granted	5,695,000	0.09
Options outstanding at March 31, 2023	19,510,000	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 23, 2028. The options have a five-year term and vested immediately.

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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, an estimated life of 5 years and a dividend yield of 0%.

As at March 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	3.69
December 7, 2021	December 7, 2023	500,000	500,000	0.25	0.69
January 20, 2022	January 20, 2027	100,000	100,000	0.27	3.81
January 16, 2023	January 16, 2028	5,695,000	5,695,000	0.09	4.80
		19,510,000	19,510,000	0.20	3.94

13. DECOMISSIONING LIABILITIES

As at March 31, 2023, the Company recognized a provision for future estimated reclamation costs associated with the Penouta Project.

As at March 31, 2023, the estimated carrying value of the liability of \$1,977,409 (December 31, 2022 - \$1,929,339), was discounted at a rate of 3.85% (December 31, 2022 – 2.31%).

The estimated total undiscounted future liability as at March 31, 2023 is \$2,786,561 (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.

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	13,024
Effect of foreign currency exchange differences	35,046
Balance, March 31, 2023	1,977,409

14. RELATED PARTIES

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

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

Expenses

The Company leases certain facilities from Sequoia Venture Capital S.L., a corporation controlled by a director; as at March 31, 2023 and December 31, 2022, the outstanding balance was \$nil. During the three months ended March 31, 2023, a total of \$12,299 was recorded as operating expenses (2022 - \$nil) (Note 12b).

During the three months ended March 31, 2023, the Company incurred professional fees of \$4,462 (2022 - \$nil) from Salamanca Ingenieros S.L., a corporation beneficially owned by a director. As at March 31, 2023 and December 31, 2022, the outstanding balance was \$nil.

Remuneration of directors and key management personnel of the Company for the three months ended March 31, 2023 and 2022 was:

Key Management Compensation (USD)	Three months ended March 31, 2023	Three months ended March 31, 2022
Management fees	456,653	79,932
Director fees	194,050	84,275
Share-based compensation	184,850	-
Total	835,553	164,207

Related Party Balances

Subsequent to March 31, 2023, the Company agreed to enter into a loan agreement (the "Term Loan") with two officers and shareholders of the Company for an aggregate principal amount of \$1.075 million (note 20).

As at March 31, 2023, an advance of \$1.0 million related to the Term Loan was received in a trust account and was included in the amount due to related party on the condensed interim statements of financial position (December 31, 2022- \$0).

Also see Note 5 regarding transactions with ILI.

15. FINANCIAL INSTRUMENTS AND RISK FACTORS

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

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company's only financial instrument carried at fair value as at March 31, 2023 is its investment in Electric Royalties, which is classified as Level 1 of the fair value hierarchy.

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

(a) Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. In general, the Company maintains its cash and cash equivalents in financial institution with high credit ratings. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents, and financial instruments included in amounts receivable is remote.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivables are grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at March 31, 2023 and December 31, 2022 is \$nil as the Company only transacts with a limited number of regular customers that it has trading history with and has not incurred a sustained trend of any credit losses since revenue began.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At March 31, 2023, the Company had cash and cash equivalents and cash in trust of \$1,781,360 (December 31, 2022 - \$899,042) available to settle current liabilities of \$7,008,026 (December 31, 2022 - \$5,433,028). All of the Company's accounts payable have contractual maturities of less than 30 days.

(c) Market Risk

The Company is exposed to the following market risks:

(i) Interest Rate Risk

The Company's treasury is exposed to interest rate risk, which could have an adverse effect on financial results and cash flows. The Company considers that the interest rate risk is not significant.

(ii) Foreign Exchange Risk

The Company's functional currency is the CA and Euro, and major purchases and sales are transacted in CA and Euro. As at March 31, 2023, the Company holds a foreign currency balance of \$60,788 (December 31, 2022 – \$79,906) included in cash and cash equivalents which is subject to foreign currency risk.

(iii) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

16. CAPITAL MANAGEMENT

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

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

17. COMMITMENTS AND CONTINGENCIES

(a) Environmental

The Company's exploration and evaluation and production activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The exploitation concession underlying Section C of the Penouta Project requires the Company to provide a financial guarantee in the amount of EUR 3,243,371 (\$3,524,895) 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 (\$1,758,529) 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 (\$1,766,366) 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 (\$2,111,802) 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 (\$2,173,600) to be paid as follows:

- On September 16, 2022 – EUR 800,000 (\$869,440) (paid)
- On or before October 30, 2022 – EUR 300,000 (\$326,040) (paid)
- On or before November 30, 2022 – EUR 400,000 (\$427,000)
- On or before December 30, 2022 – EUR 500,000 (\$533,750)

In November 2022, the financial institution agreed to extend the payments due in November 2022 and December 2022 to March 2023 and April 2023 respectively. A further extension has been requested with payments from July to December 2023, which is pending approval.

The payments made in 2022 were recorded as guarantee and other deposits (non-current) on the consolidated statements of financial position as of March 31, 2023 and December 31, 2022.

(b) The Company is party to certain operating agreements that contain minimum commitments of approximately CA\$150,000 (\$111,000) within one year.

18. SEGMENTED DISCLOSURES

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

For the three months ended March 31, 2023 approximately 45% and 24% of the Company's total revenues were generated from two customers respectively (March 31, 2022 – 86% and 14%).

19. LOSS PER SHARE

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Stock options and warrants and conversion option of convertible debentures are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Company agreed to enter a loan agreement (the "Term Loan") with two officers and shareholders of the Company (together, the "Related Parties") for an aggregate principal amount of \$1.075 million. The Term Loan bears interest at a rate of 10% per annum and is set to mature on April 11, 2025. As partial consideration for providing the Term Loan, the Related Parties are entitled to receive an aggregate of 537,500 common share purchase warrants of the Company. The Term Loan is secured by all shares in SMS.

Subsequent to March 31, 2023, the Company entered into a cassiterite offtake agreement for the remainder of 2023 with Traxys Europe S.A. ("Traxys"), which includes an advance payment facility.