## Chairman's Statement

I am satisfied with the Company's achievements, in what has been a particularly challenging period.

### *Financial results*

The results for the first half of 2019 reflect a tougher stage of development for the Company, as difficulties with our major client at Cobre emerged and projects took longer to develop. It is not expected that these conditions will change dramatically over the remainder of 2019. However, despite these obstacles, I am confident in the ability of the Board and management team to deliver the Company's strategy. In 2020, the Company expects cash flow and profitability to improve dramatically, as full scale production commences at Leigh Creek Copper Mine.

As at 30 June 2019, unrestricted cash on hand was US$319,000, prior to the receipt of a further US$968,000 from the late June equity raise. In the interests of preserving cash and ensuring that each of our projects are appropriately funded, the Board has been actively developing a capital plan and allocation policy to move the Company forward.

Operating profit of US$675,000 from the Cobre magnetite stockpile, prior to intercompany management fees, marked a significant decrease from the first half of 2018 (US$1,246,000) and reflected the drop in sales volumes associated with Cobre's major client not purchasing product in accordance with its contract.

Corporate overheads of US$1,211,000 were down on the same period last year (H1 2018 US$1,386,000) and the Board has implemented a series of cost-reduction initiatives in light of reduced sales at Cobre.

### *Strategic Focus*

The continued profitability of the Cobre operations, even without the sales associated with the major client, provides comfort in relation to coverage of operating costs and allowed the Company to continue its three-pronged approach to diversified materials concentrating on:

1. Coal and Bulk Materials- potential projects in this sector that are tied to current contracts and further offtake arrangements at attractive prices.
2. Advanced Materials- considering project opportunities in materials where it expects demand to increase over the coming years (such as Rare Earths, Lithium and Graphite).
3. Metals- identifying those projects exposed to metals that it expects to have price improvements over the next three to five years such as Cobalt, Nickel, Gold, Copper and Tin/Tungsten.

On the back of this strategy, the Company continues to invest in development programmes, particularly those associated with Leigh Creek Copper Mine (copper) and Redmoor (tin/tungsten/copper focused).

### *Cobre Operations*

During 2018, the major client at Cobre ceased taking material and entered into arrangements that compensated the Company in lieu of delivery. However, in 2019, the Company has received no payment from the client and is currently undertaking legal recourse.

The first half of the year's sales at Cobre were also impacted by plant maintenance works by a further two clients, although this now appears to have been cleared and non-major client sales now appear to have been restored to previous levels.

### *Leigh Creek Copper Mine*

Significant resources have been funnelled into testing and preparing the site for full scale operation. The restarting of the heaps, while not providing the flow of copper hoped for, was a strategically important occurrence. It demonstrated the ability of the existing plant to treat the planned production from the Paltridge North Deposit with the Company seeking to develop this project in 2020.

In preparing to fund this production, the Company has entered discussions with various funding sources and is confident that 2020 will see full scale production commence at Leigh Creek.

### *Redmoor Tin-Tungsten Project*

2018 saw a full drilling program and a substantial increase in the inferred resource base. In this half year, a scoping/mining plan study was completed which highlighted how potentially lucrative the project could be.

With this in mind, the Company negotiated to acquire the other half of the project, with completion taking place in July 2019. Control of the full project places the Company in an ideal position to direct the timing and funding of the Redmoor Tin-Tungsten project.

### *CARE*

During the first half of 2019, development at Hanns Camp was minimised to ensure availability of cash for the Leigh Creek Copper Mine project.

After further desktop review, the suspected nickel sulphide anomalies do not appear as strong as thought and the Company has taken a conservative approach in these financials and written down the value of the Hanns Camp tenements.

### *Issue of Capital*

During the half year, the Company issued a total of 63,571,425 shares at 1.40 pence per share and netting US$1,059,000.

### *Safety*

The Company continues to maintain a high level of safety performance with SML and its subsidiaries having no reportable environmental or personnel incidents recorded in the period.

This year marks a pace change for the organisation. I would like to take this opportunity to thank my fellow Directors, our management and staff in New Mexico, South Australia, Cornwall and Western Australia, along with our advisers, for their support and hard work on our behalf during the period. Additionally, I would like to thank our clients, contractors, suppliers and partners for their continued backing. I look forward to further progressing our key strategic goals in 2020.

**Alan Broome AM**

**Non-Executive Chairman**

**30 September 2019**

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE PERIOD ENDED 30 JUNE 2019**

| | 6 months to 30 June 2019 (Unaudited) $'000 | 6 months to 30 June 2018 (Unaudited) $'000 | Year to 31 December 2018 (Audited) $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 1,395 | 2,120 | 3,355 |
| Cost of sales | (229) | (391) | (650) |
| **Gross profit** | 1,166 | 1,729 | 2,705 |
| Bargain purchase gain on LCCM Acquisition | - | 2,464 | 2,162 |
| Administrative expenses | (1,211) | (1,386) | (2,569) |
| Depreciation | (19) | (36) | (64) |
| Share based payment | (163) | (92) | (268) |
| Share of net losses of associates and joint ventures | (38) | 1 | (27) |
| Profit on financial assets held at fair value through profit or loss | 1 | - | - |
| Impairment charge | (760) | - | - |
| Foreign exchange gain/(loss) | (2) | 7 | (6) |
| **(Loss)/ profit from operations** | (1,026) | 2,687 | 1,933 |
| **(Loss)/ profit before taxation** | (1,026) | 2,687 | 1,933 |
| Income tax (expense)/credit | (156) | (281) | (460) |
| **Profit/(loss) for the period** | (1,182) | 2,406 | 1,473 |
| **Other comprehensive income** | | | |
| Exchange gains/(losses) arising on translation of foreign operations | (62) | (93) | (685) |
| **Total comprehensive (loss)/ Income** | (1,244) | 2,313 | 788 |
| **(Loss)/ profit for the period attributable to:** | | | |
| Owners of the parent | (1,244) | 2,313 | 788 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the parent | (1,244) | 2,313 | 788 |
| **(Loss)/ profit per share attributable to the ordinary equity holders of the parent:** | **$** | **$** | **$** |
| **Continuing activities – Basic** | (0.08) | 0.19 | 0.11 |
| **-- Diluted** | (0.08) | 0.17 | 0.11 |

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2019**

| | 30 June 2019 (Unaudited) $'000 | 30 June 2018 (Unaudited) $'000 | 31 December 2018 (Audited) $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible Asset | 562 | - | 564 |
| Deferred Exploration and evaluation costs | 342 | 6,174 | 1,037 |
| Other Receivables | 140 | 111 | 141 |
| Property, plant and equipment | 7,026 | 295 | 5,170 |
| Investments in joint ventures– equity accounted | 2,264 | 1,755 | 2,248 |
| Restricted cash | - | 100 | 100 |
| | 10,334 | 8,435 | 9,260 |
| **Current assets** | | | |
| Inventories | 7 | 3 | 4 |
| Financial Assets held at fair value through profit and loss | 21 | - | 20 |
| Trade and other receivables | 1,302 | 1,204 | 285 |
| Cash and cash equivalents | 319 | 1,988 | 1,840 |
| Prepayments | 119 | 81 | 32 |
| | 1,768 | 3,276 | 2,181 |
| **Total Assets** | 12,102 | 11,711 | 11,441 |
| **Equity and liabilities** | | | |
| Share capital | 2,202 | 2,087 | 2,095 |
| Share premium reserve | 48,454 | 47,118 | 47,205 |
| Merger reserve | 20,240 | 20,240 | 20,240 |
| Foreign exchange reserve | (956) | (302) | (894) |
| Share options reserve | 431 | (29) | 330 |
| Other reserves | (23,023) | (23,023) | (23,023) |
| Accumulated loss | (37,752) | (35,515) | (36,632) |
| **Total Equity** | 9,596 | 10,576 | 9,321 |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Provision for Mining Royalties | 435 | - | 435 |
| Environmental Liability | 361 | - | 361 |
| | 796 | - | 796 |
| **Current liabilities** | | | |
| Deferred Consideration | - | 74 | 70 |
| Trade and other payables | 1,029 | 356 | 354 |
| Environmental Liability | - | 111 | - |
| Deferred revenue | 525 | 594 | 900 |
| Income Tax Payable | 156 | - | - |
| | 1,710 | 1,135 | 1,324 |
| **Total Liabilities** | 2,506 | 1,135 | 2,120 |
| **Total Equity and Liabilities** | 12,102 | 11,711 | 11,441 |

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW**
**FOR THE PERIOD ENDED 30 JUNE 19**

| | 6 months to 30 June 2019 (Unaudited) $'000 | 6 months to 30 June 2018 (Unaudited) $'000 | Year to 31 December 2018 (Audited) $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit after tax | (1,182) | 2,406 | 1,473 |
| *Adjustments for:* | | | |
| Bargain purchase of Leigh Creek Copper Mine Pty Ltd | - | (2,464) | (2,162) |
| Loss on sale of tenements | - | - | 245 |
| Gain on financial assets held at fair value through profit and loss | (1) | - | 12 |
| Impairment charge | 760 | - | - |
| Depreciation of property, plant and equipment | 19 | 36 | 64 |
| Share of net loss / (profit) losses from associates | 38 | (1) | 27 |
| Non Cash Director Remuneration | - | 213 | - |
| (Increase) / decrease in inventory | (3) | 4 | 3 |
| (Increase) / decrease in trade and other receivables | (50) | (193) | 690 |
| Increase / (decrease) in trade and other payables | 251 | (91) | 119 |
| (Increase) / decrease in prepayments | (87) | (69) | (20) |
| Increase /(decrease) in deferred revenue | (375) | 594 | 900 |
| (Decrease)/ Increase in income tax payable | 156 | (648) | (648) |
| Share based payment expense | 163 | 92 | 268 |
| **Net cash flows from operating activities** | (311) | (121) | 971 |
| **Investing activities** | | | |
| Acquisition of PPE Development Asset | - | - | (1,214) |
| Increase in PPE Development Asset | (1,212) | - | (797) |
| Increase in deferred exploration and evaluation | (91) | (1,443) | (237) |
| Sale of tenements | - | - | 70 |
| Investment in joint arrangements | (40) | (107) | (639) |
| Acquisition of PPE | (57) | (26) | - |
| **Net cash used in investing activities** | (1,400) | (1,576) | (2,817) |
| **Financing activities** | | | |
| Net proceeds from issue of equity share capital | 91 | - | - |
| **Net cash from financing activities** | 91 | - | - |
| **Net increase / (decrease) in cash and cash equivalents** | **(1,620)** | **(1,697)** | **(1,846)** |
| Cash and cash equivalents at beginning of period | 1,840 | 3,706 | 3,706 |
| Release of restricted cash | 100 | - | - |
| Exchange gains / (losses) on cash and cash equivalents | (1) | (21) | (20) |
| **Cash and cash equivalents at end of period** | **319** | **1,988** | **1,840** |

**STRATEGIC MINERALS PLC**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

| | Share capital $'000 | Share premium reserve $'000 | Merger reserve $'000 | Share options reserve $'000 | Other reserves $'000 | Foreign exchange reserve $'000 | Retained earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018 – audited** | **2,009** | **45,935** | **20,240** | **137** | **(23,023)** | **(209)** | **(38,180)** | **6,909** |
| Gain/(Loss) for the period | - | - | - | - | - | - | 1,473 | 1,473 |
| Foreign exchange translation | - | - | - | - | - | (685) | - | (685) |
| Total comprehensive income for the year | - | - | - | - | - | (685) | 1,473 | 788 |
| Shares issued in the year | 86 | 1,270 | - | - | - | - | - | 1,356 |
| Expenses of share issue | | - | - | - | - | - | - | - |
| Transfer | - | - | - | (75) | - | - | 75 | - |
| Share based payments | - | - | - | 268 | - | - | - | 268 |
| **Balance at 31 December 2018– audited** | **2,095** | **47,205** | **20,240** | **330** | **(23,023)** | **(894)** | **(36,632)** | **9,321** |
| Profit for the period | - | - | - | - | - | - | (1,182) | (1,182) |
| Foreign exchange translation | - | - | - | - | - | (62) | - | (62) |
| Total comprehensive income for the half year | - | - | - | - | - | (62) | (1,182) | (1,244) |
| Shares issued in the year | 107 | 1,322 | - | - | - | - | - | 1,429 |
| Expenses of share issue | - | (73) | - | - | - | - | - | (73) |
| Transfer | - | - | - | (62) | - | - | 62 | - |
| Share based payments | - | - | - | 163 | - | - | - | 163 |
| **Balance at 30 June 2019 - Unaudited** | **2,202** | **48,454** | **20,240** | **431** | **(23,023)** | **(956)** | **(37,752)** | **9,596** |

All comprehensive income is attributable to the owners of the parent.

The accompanying accounting policies and notes form an integral part of these financial statements

**NOTES FORMING PART OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019**

## 1. General information

Strategic Minerals Plc ("the Company") is a public company incorporated in England and Wales. The consolidated interim financial statements of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

## 2. Accounting policies

***Basis of preparation***

These consolidated financial statements have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. IAS 34 is not required to be adopted by the Company and has not been applied in the preparation of this interim information. The consolidated financial statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2018 Annual Report. The financial information for the half years ended 30 June 2019 and 30 June 2018 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of Strategic Minerals Plc are prepared in accordance with IFRSs as adopted by the European Union. The comparative financial information for the year ended 31 December 2018 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2018 was unqualified, and included an emphasis on matter paragraph regarding the Group's ability to continue as a going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

**Going concern basis**

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the Directors have looked at the Group's working capital requirements for the period to October 2020 being the period for which projections have been prepared and the minimum period the Directors are required to consider.

The Directors have reviewed the Group's current cash resources, funding requirements and ongoing trading of the operations. As the Group has lost a key customer, the directors have been required to raise further funding through debt and cut the spending on the other group assets as appropriate. As at the date of this report, there is no certainty regarding the group's ability to execute these transactions. These conditions indicate the existence of material uncertainties which may cast significant doubt as to the Group and Company's ability to continue as a going concern. In the event that the Group is unable to raise sufficient funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements except for policies stated below.

**Joint arrangements**

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Strategic Minerals Limited has one joint operation at 30 June 2019.

*Joint operations*
A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Strategic Minerals Plc recognises its direct right to the assets, liabilities, revenues and expenses of the joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

*Joint Ventures*
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

*Business Combinations*
Business Combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of identifiable assets acquired and liabilities (including contingent liabilities assumed) is recognised.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument are recognised as expenses in profit and loss when incurred

The acquisition of a business may result in the recognition of goodwill or gain from a bargain purchase.

**New, revised or amending accounting standards and interpretations**

IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

IFRS "16 Leases" (effective for periods beginning on or after 1 January 2019) requires lessees to use single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an internal review of existing leases and operating contracts. All existing arrangements are short-term in nature and as such have not been accounted for under IFRS 16. The adoption of IFRS 16 does not have an impact on the Group's financial statements.

## 3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Judgements*

(a) Joint arrangement and joint operation

The Company holds a 50% interest in Cornwall Resources Limited ("CRL") which owns the Redmoor Tin-Tungsten project in the United Kingdom with the other shareholder being New Age Exploration Limited ("NAE"). Under the shareholders agreement with NAE, CRL is operated as a 50:50 joint venture with each party being entitled to appoint one Director. Based on this, the Group considers that they have joint control over the arrangement. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

*Estimates and assumptions*

(a) Carrying value of intangible assets

In assessing the continuing carrying value of the exploration and evaluation costs carried the Company has made an estimation of the value of the underlying tenements and exploration licenses held.

(b) Share based payments, warrants and options

The fair value of share-based payments recognised in the statement of comprehensive income is measured by use of the Black Scholes model after taking into account market based vesting conditions and conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour based on past experience.

(c) Carrying value of amounts owed by subsidiary undertakings

IFRS9 requires the parent company to make assumptions when implementing the forward- looking expected credit loss model. This model is required to be used to assess the intercompany loan receivables from its subsidiaries for impairment. Arriving at an expected credit loss allowance involved considering different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and probabilities for these scenarios.

The following were considered; the exploration project risk, the future sales potential of product, value of potential reserves and the resulting expected economic outcomes of the project.

## 4. Segment information

The Group has four main segments during the period:

- Southern Minerals Group LLC (SMG) - This segment is involved in the sale of magnetite to both the US domestic market and historically transported magnetite to port for onward export sale.
- Head Office - This segment incurs all the administrative costs of central operations and finances the Group's operations. A management fee is charged for completing this service and other certain services and expenses. The investment in the Redmoor project in Cornwall, United Kingdom is held by this segment.
- Australia - This segment holds the Central Australian Rare Earths Pty Ltd tenements in Australia and incurs all related operating costs.
- Development Asset – This segment holds the Leigh Creek Copper Mine Development Asset in Australia and incurs all related operating costs.

*Factors that management used to identify the Group's reportable segments*

The Group's reportable segments are strategic business units that carry out different functions and operations and operate in different jurisdictions.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the board and management team which includes the Board and the Chief Financial Officer.

*Measurement of operating segment profit or loss, assets and liabilities*

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with EU Adopted IFRS but excluding non-cash losses, such as the effects of share-based payments.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities. Loans and borrowings are allocated to the segments in which the borrowings are held. Details are provided in the reconciliation from segment assets and liabilities to the Group's statement of financial position.

| **6 Months to 30 June 2019 (Unaudited)** | **Head Office** | **SMG** | **Australia** | **Development Asset** | **Inter Segment Elimination** | **Total** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | - | 1,395 | - | - | - | 1,395 |
| Cost of sales | - | (229) | - | - | - | (229) |
| Gross Profit | - | 1,166 | - | - | - | 1,166 |
| Depreciation | - | (16) | (3) | - | - | (19) |
| Overhead expenses | (552) | (475) | (184) | - | - | (1,211) |
| Management fee | 100 | (100) | - | - | - | |
| Impairment Charge | - | - | (760) | - | - | (760) |
| Share based expense | (163) | - | - | - | - | (163) |
| Write back of provisions | 1,744 | | - | - | (1,744) | - |
| Equity accounting profit(loss) | (38) | - | - | - | - | (38) |
| Foreign Exchange | - | - | (2) | - | - | (2) |
| Gain on Shares available for resale | - | - | 1 | - | - | 1 |
| **Segment profit/(loss) from operations** | **1,091** | **575** | **(948)** | **-** | **(1,744)** | **(1,026)** |
| **Segment profit/(loss) before taxation** | **1,091** | **575** | **(948)** | - | **(1,744)** | **(1,026)** |

| **6 Months to 30 June 2018 (Unaudited)** | **Head Office** | **SMG** | **Australia** | **UK** | **Inter Segment Elimination** | **Total** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | 2 | 2,118 | - | - | - | 2,120 |
| Cost of sales | - | (391) | - | - | - | (391) |
| Gross Profit | 2 | 1,727 | - | - | - | 1,729 |
| Other Income | - | - | 2,464 | - | - | 2,464 |
| Depreciation | - | (36) | - | - | - | (36) |
| Overhead expenses | (838) | (445) | (103) | - | - | (1,386) |
| Management fee | 200 | (200) | - | - | - | - |
| Share based expense | (92) | - | - | - | - | (92) |
| Write back of provisions | (379) | - | - | - | 379 | - |
| Equity accounting loss | 1 | - | - | - | - | 1 |
| Foreign Exchange | 8 | - | - | - | (1) | 7 |
| | (1,098) | 1,046 | 2,361 | - | 378 | 2,687 |
| **Segment profit/(loss) from operations** | **(1,098)** | **1,046** | **2,361** | **-** | **378** | **2,687** |
| **Segment profit/(loss) before taxation** | **(1,098)** | **1,046** | **2,361** | - | **-** | **2,687** |

| Year to 31 December 2018(Audited) | Head Office | SMG | Australia | Development Asset | Intra Segment Elimination | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Revenue | 3 | 3,350 | 2 | - | - | 3,355 |
| Cost of sales | - | (650) | - | - | - | (650) |
| Gross profit | 3 | 2,700 | 2 | - | - | 2,705 |
| Other Income | - | - | - | 2,162 | - | 2162 |
| Depreciation | - | (64) | - | - | - | (64) |
| Overhead expenses | (1,250) | (850) | (224) | - | - | (2,324) |
| Management fee | 380 | (380) | - | - | - | - |
| Loss on available for sale assets | - | - | (12) | - | - | (12) |
| Loss on sale of tenements | - | - | (245) | - | - | (245) |
| Share-based payments charge | (268) | - | - | - | - | (268) |
| (Loss)/ gain on intercompany loans | 1,899 | - | - | - | (1,899) | - |
| Share of net loss from associates | (27) | - | - | - | - | (27) |
| Foreign exchange gain (loss) | (149) | - | - | - | 155 | 6 |
| **Segment profit / (loss) from operations** | **588** | **1406** | **(479)** | **2,162** | **(1,744)** | **1,933** |

| As at 30 June 2019 (Unaudited) | Head Office | SMG | Development Asset | Australia | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Additions to non-current assets (excluding deferred tax) | 37 | - | 1,272 | 91 | 1,400 |
| Reportable segment assets (excluding deferred tax) | 3,324 | 579 | 5,849 | 2,350 | 12,102 |
| Reportable segment liabilities | 108 | 762 | 1,528 | 108 | 2,506 |
| **Total Group Liabilities** | | | | | **2,506** |

| As at 30 June 2018 (Unaudited) | Head Office | SMG | Development Asset | Australia | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Additions to non-current assets (excluding deferred tax) | 107 | - | - | 1,469 | 1,576 |

| | | | | | |
|---|---|---|---|---|---|
| Reportable segment assets (excluding deferred tax) | 3,098 | 2053 | - | 6,560 | 11,711 |
| Reportable segment liabilities | 189 | 680 | - | 266 | 1,135 |
| **Total Group Liabilities** | | | | | **1,135** |

| **As at 31 December 2018(Audited)** | **Head Office $'000** | **SMG $'000** | **Development Asset $'000** | **Australia $'000** | **Total $'000** |
|---|---|---|---|---|---|
| Additions to non-current assets (excluding deferred tax) | 639 | - | 2,011 | 237 | 2,887 |
| Reportable segment assets (excluding deferred tax) | 2,576 | 1,511 | 5,722 | 1,632 | 11,441 |
| Reportable segment liabilities | 129 | 978 | 901 | 112 | 2,120 |
| **Total Group liabilities** | | | | | **2,120** |

| | External revenue by location of customers | | Non-current assets by location of assets | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| United States | 1,395 | 2,118 | 177 | 395 |
| United Kingdom | - | 2 | 2,264 | 1,755 |
| Australia | - | - | 7,893 | 6,285 |
| | 1,395 | 2,120 | 10,334 | 8,435 |

Revenues from Customer A totalled $351,140 (2018: $362,051), which represented 25% (2018: 17%) of total domestic sales in the United States, Customer B totalled $563,945 (2018: $627,977) which represented 40% (2018: 30%) of total sales and Customer C totalled $375,000 (2018: $506,186) which represented 27% (2018: 24%). There were no export sales in the year (2018: Nil).

## 5. Operating loss

**Administration costs by nature**

| | 6 months to 30 June 2019 (Unaudited) $'000 | 6 months to 30 June 2018 (Unaudited) $'000 | Year to 31 December 2018 (Audited) $'000 |
|---|---|---|---|
| **Operating gain/loss is stated after charging/(crediting):** | | | |
| Directors' fees and emoluments | 401 | 414 | 665 |
| Depreciation | 19 | 36 | 64 |
| Equipment rental | 145 | 130 | 248 |
| Equipment maintenance | 26 | 34 | 46 |
| Share of net loss (profit) from joint operations | 38 | (1) | 27 |
| Auditors' remuneration | 13 | 8 | 76 |
| Salaries, wages and other staff related costs | 274 | 276 | 514 |
| Insurance | 15 | 11 | - |
| Legal, professional and consultancy fees | 178 | 329 | 476 |
| Loss on sale of tenements | - | - | 245 |
| Impairment charge | 760 | - | - |
| Loss (gain)on financial assets held at fair value through profit and loss | (1) | - | 12 |
| Travelling and related costs | 51 | 69 | 95 |
| Foreign exchange | 2 | (7) | (6) |
| Share based payments | 163 | 92 | 268 |
| Other expenses | 108 | 126 | 204 |

## 6. Intangible Assets

| | Exploration/ evaluation costs |
|---|---|
| **Cost** | **$'000** |
| At 1 January 2018 | 1,242 |
| Additions to 30 June 2018* | 4,932 |
| **At 30 June 2018 ( unaudited)** | 6,174 |
| Reallocation to Development Asset* | (4,932) |
| Disposals | (347) |
| Additions in the year | 237 |
| Foreign exchange difference | (95) |
| **At 31 December 2018 ( audited)** | 1,037 |
| Additions to 30 June 2019 | 91 |
| Foreign exchange difference | (26) |
| Impairment Charge* | (760) |
| **At 30 June 2019 (unaudited)** | **342** |

At 30 June 2019, the Group has raised an impairment assessment based on its decision to exit a number of CARE tenements**.**

## 7. Investments in Associates

| | Investments (Unaudited) |
|---|---|
| **Cost** | **$'000** |
| At 1 January 2019 | 2,248 |
| Acquisition of joint venture interests | 40 |
| Share of equity (loss)profit in joint ventures | (38) |
| Foreign exchange difference | 14 |
| As at 30 June 2019 | 2,264 |

On 25 July 2019, the Company settled the acquisition of New Age Exploration Limited's ("NAE") 50% holding in Cornwall Resources Ltd ("CRL"). Details of the settlement are included in Note 12.

**8. Property, plant and equipment**

| | Railway infrastructure $'000 | Development Asset $'000 | Plant and Machinery $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2018 | 3,498 | - | 199 | 3,697 |
| Additions for period | - | - | 190 | 190 |
| Acquired in business combination | - | - | 74 | 74 |
| At 30 June 2018 | 3,498 | - | 463 | 3,961 |
| Acquired in business combination | - | 4,559 | - | 4,559 |
| Additions | - | 797 | - | 797 |
| Disposals | (3,498) | - | - | (3,498) |
| Foreign exchange difference | - | (449) | (2) | (451) |
| At 31 December 2018 | - | 4,907 | 461 | 5,368 |
| Additions | - | 1,834 | 57 | 1,891 |
| Disposals | - | - | - | - |
| Foreign exchange difference | - | (16) | - | (16) |
| At 30 June 2019 | - | 6,725 | 518 | 7,243 |
| **Depreciation** | | | | |
| At 1 January 2018 | (3,498) | - | (132) | (3,630) |
| Charge in the six months | - | - | (36) | (36) |
| At 30 June 2018 | (3,498) | - | (168) | (3,666) |
| Charge in the year | - | - | (28) | (28) |
| Disposals | 3,498 | - | - | 3,498 |
| Foreign exchange difference | - | - | (2) | (2) |
| At 31 December 2018 | - | - | (198) | (198) |
| **Charge for the period** | - | - | (19) | (19) |
| **As at 30 June 2019** | - | - | (217) | (217) |
| **Carrying Value** | | | | |
| At 30 June 2018 | - | - | 295 | 295 |
| **At 31 December 2018** | **-** | 4,907 | 263 | 5,170 |
| **At 30 June 2019** | - | 6,725 | 301 | 7,026 |

## 9. Dividends

No dividend is proposed for the period.

## 10. Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial year as provided below.

| | 6 months to 30 June 2019 (Unaudited) | 6 months to 30 June 2018 (Unaudited) | Year to 31 December 2018 (Audited) |
|---|---|---|---|
| Weighted average number of shares-Basic | 1,391,249,064 | 1,275,230,925 | 1,366,949,045 |
| (Loss)/earnings for the period | ($1,182,000) | $2,406,000 | $1,473,000 |
| (Loss)/earnings per share in the period-Basic | ($0. 0008) | $0.0019 | $0.0011 |

## 11. Share capital and premium

| | 2019 No | 2019 $'000 | 2018 No | 2018 $'000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares | 1,467,631,282 | 50,656 | 1,376,193,127 | 49,205 |

In February 2019, the Company issued 17,500,000 ordinary shares due to options being exercised at an exercise price of 1 pence.

In March 2019, the Company issued 2,866,730 ordinary shares at a price of GBP 0.19 to Resilience Mining Australia Ltd, in respect of its acquisition of Leigh Creek Copper Mine Pty Ltd.

As a result of a placement in June 2019 the Company issued 63,571,425 ordinary shares at a price of GBP 0.14. The total proceeds of the placement after fees was GBP 834,375 ($1,059,000). Of this amount $91,000 was received in June 2019, with the balance $968,000 received in July 2019.

**Share options and warrants**

The number of options and warrants as at 30 June 2019 and a reconciliation of the movements during the half year are as follows:

| Date of Grant | Granted as at 31 December 2018 | Exercised | Granted as at 30 June 2019 | Exercise price | Date of vesting | Date of expiry |
|---|---|---|---|---|---|---|
| 10.04.15 | 8,000,000 | (8,000,000) | - | 1.00p | 19.05.17 | 30.06.19 |
| 06.01.17 | 9,500,000 | (9,500,000) | - | 1.00p | 19.05.17 | 30.06.19 |
| 15.02.18 | 72,000,000 | - | 72,000,000 | 2.75p | 01.04.20 | 30.06.20 |
| 15.02.18 | 38,500,000 | - | 38,500,000 | 3.75p | 01.01.21 | 30.06.21 |
| 15.02.18 | 17,500,000 | - | 17,500,000 | 5.00p | 01.01.22 | 30.06.22 |
| 09.08.18 | 35,250,000 | - | 35,250,000 | 2.75p | 01.04.20 | 30.06.20 |
| 09.08.18 | 10,750,000 | - | 10,750,000 | 3.75p | 01.01.21 | 30.06.21 |
| 09.08.18 | 4,750,000 | - | 4,750,000 | 5.00p | 01.01.22 | 30.06.22 |
| | 19,250,000 | (17,500,000) | 178,750,000 | | | |

## 12. Post balance date events

On 25 July 2019, the Company settled the acquisition of New Age Exploration Limited's ("NAE") 50% holding in Cornwall Resources Ltd ("CRL"). Details of the settlement are:

- An initial A$290,000 payment, taking total cash paid to A$300,000 and agreeing an 11 month payment schedule for the balance of A$2,700,000.
- Payments of A$300,000 to made quarterly before 31 October 2019, 31 January 2020 and 30 April 2020 with balance to be paid on or before 26 June 2020.
- The interest rate on the balance of A$2,700,000 is 5% pa, calculated on a daily balance basis, payable at the end of each calendar quarter to allow for early repayment.
- SML has provided NAE with a charge over the Company's shares in CRL, a debenture charge over CRL's property and, in the event of default, NAE has the option to convert any outstanding balances to SML shares at 90% of the VWAP for SML shares in the 10 trading days prior to the issue of the conversion notice.

Copies of this interim report will be made available on the Company's website, www.strategicminerals.net.