## Chairman's Statement

I am pleased with the Company's achievements, in what has been a particularly challenging period for the Company and the world.

### *Financial results*

The Company continued its underlying profitable performance in the first half of 2020, when many businesses were forced to shut down operations This is a credit to both our local management and the Management team as a whole. While the combination of difficulties, associated with our dealings with CV Investments at Cobre and the general impact on development processes associated with the impact of the Convid-19 virus, has slowed our progress on projects, as well as access to capital to undertake this forward movement, the Company expects cash flow and profitability to improve dramatically as full scale production commences at Leigh Creek Copper Mine in 2021.

Despite the high level of principal and interest repayments made on the Redmoor acquisition in the six months to 30 June 2020, unrestricted cash on hand at 30 June 2020 was US$533,000.

Corporate overheads of US $902,000 were down significantly on the same period last year (H1 2019: US $1,211,000) and the Board keeps a close watch on these expenditures.

### *Strategic Focus*

The continued organic growth in sales at the Cobre operations provides comfort in relation to coverage of operating costs and allowed the Company to continue its strategic investment focus on investments in metals (such as Nickel, Copper and Tin/Tungsten) and advanced materials (such as Cobalt, Rare Earths, Lithium and Graphite) which it expects are likely to see significant price improvements over the next three to five years driven by battery/electronic vehicle demand.

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 2020, the management at our Cobre operations adapted excellently to the challenges associated with the disruption to world markets arising from the Covid-19 virus. As an essential service, they were permitted the opportunity to continue trading and modified arrangements which ensured a contactless service protecting both our clients and our personnel.

The first half of the year also saw the Company's arbitration claim on CV Investments settled in its favour. However, whether the Company will receive any funds from this claim will be subject to the result of the receivership of CV Investments currently being enacted.

### *Leigh Creek Copper Mine*

The significant work conducted at Leigh Creek throughout 2019, which resulted in a draft PEPR being submitted and a feasibility study being completed, has moved the project along to the point where it currently awaits the final sign off of the formal PEPR and the capital to commence operations. The strong performance of the copper price in recent times has improved the project's perceived profitability and the Board feels confident that 2021 will see full scale production re-commence at Leigh Creek.

### *Redmoor Tin-Tungsten Project*

2020 has seen the finalisation of payment on the acquisition of the balance of Redmoor. With the project fully in the Company's control and with the overhang associated with repayment removed, the Company has appointed an external consultant, NRG Capital, to assist in progressing the Redmoor project.

It is expected that an expressions of interest program to progress the Redmoor Project will be concluded in the December 2020 quarter and that the significant work undertaken to date in identifying the size and potential of the Redmoor resource will be recognised and rewarded.

### *CARE*

As a result of the inability to locate an economically feasible deposit on existing tenements, the exploration assets were fully written off in the 2019 financial year and the Company has begun winding up the subsidiary.

***Issue of Capital***

During the half year, the Company issued a total of 266,666,667 shares at 0.45 pence per share which netted US$1,485,000 after costs.

***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.

The first half of the year has proven challenging and I would like to take this opportunity to thank my fellow Directors, our management and staff in New Mexico, South Australia and Cornwall, 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 and pushing onto a brighter 2021.

**Alan Broome AM**

**Non-Executive Chairman**

**14 September 2020**

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE PERIOD ENDED 30 JUNE 2020**

| | 6 months to 30 June 2020 (Unaudited) $'000 | 6 months to 30 June 2019 (Unaudited) $'000 | Year to 31 December 2019 (Audited) $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 1,645 | 1,020 | 2,488 |
| Other revenue | 47 | 375 | 900 |
| Cost of sales | (314) | (229) | (511) |
| **Gross profit** | 1,378 | 1,166 | 2,877 |
| Overhead expenses | (902) | (1,211) | (2,266) |
| Depreciation | (6) | (19) | (17) |
| Share based payment | (149) | (163) | (275) |
| Profit on financial assets held at fair value through profit or loss | - | 1 | 13 |
| Impairment charge | (17) | (760) | (1,122) |
| Foreign exchange gain/(loss) | (43) | (2) | 35 |
| **Profit/ (loss) from operations** | 261 | (988) | (755) |
| Finance expense | - | - | (52) |
| Share of net losses of associates and joint ventures | - | (38) | (38) |
| **Profit/ (loss) before taxation** | 261 | (1,026) | (845) |
| Income tax (expense)/credit | (184) | (156) | (385) |
| **Profit/ (loss for the period)** | 77 | (1,182) | (1,230) |
| **Profit/ (loss) for the period attributable to:** | | | |
| Owners of the parent | 77 | (1,182) | (1,230) |
| **Other comprehensive income** | | | |
| Exchange gains/(losses) arising on translation of foreign operations | (359) | (62) | 227 |
| **Total comprehensive (loss)/ Income** | (282) | (1,244) | (1,003) |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the parent | (282) | (1,244) | (1,003) |
| **Profit/ (loss) per share attributable to the ordinary equity holders of the parent:** | **$** | **$** | **$** |
| **Continuing activities – Basic** | 0.000052 | (0.000850) | (0.000858) |
| -- **Diluted** | 0.000049 | (0.000850) | (0.000858) |

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

| | 30 June 2020 (Unaudited) $'000 | 30 June 2019 (Unaudited) $'000 | 31 December 2019 (Audited) $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible Asset | 549 | 562 | 560 |
| Deferred Exploration and evaluation costs | 4,390 | 342 | 4,567 |
| Other Receivables | 137 | 140 | 140 |
| Property, plant and equipment | 6,877 | 7,026 | 6,898 |
| Investments in joint ventures– equity accounted | - | 2,264 | - |
| | 11,953 | 10,334 | 12,165 |
| **Current assets** | | | |
| Inventories | 6 | 7 | 3 |
| Financial Assets held at fair value through profit and loss | - | 21 | - |
| Trade and other receivables | 477 | 1,302 | 948 |
| Cash and cash equivalents | 533 | 319 | 519 |
| Prepayments | 16 | 119 | 132 |
| | 1,032 | 1,768 | 1,602 |
| **Total Assets** | 12,985 | 12,102 | 13,767 |
| **Equity and liabilities** | | | |
| Share capital | 2,551 | 2,202 | 2,203 |
| Share premium reserve | 48,552 | 48,454 | 47,415 |
| Share options reserve | 692 | 431 | 543 |
| Merger reserve | 21,300 | 20,240 | 21,300 |
| Foreign exchange reserve | (1,026) | (956) | (667) |
| Other reserves | (23,023) | (23,023) | (23,023) |
| Accumulated loss | (37,723) | (37,752) | (37,800) |
| **Total Equity** | 11,323 | 9,596 | 9,971 |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Provision for Mining Royalties | 424 | 435 | 433 |
| Environmental Liability | 387 | 361 | 395 |
| | 811 | 796 | 828 |
| **Current liabilities** | | | |
| Income Tax Payable | 492 | 156 | 406 |
| Trade and other payables | 359 | 1,029 | 451 |
| Loans and other borrowings | - | - | 2,111 |
| Deferred revenue | - | 525 | - |
| | 851 | 1,710 | 2,968 |
| **Total Liabilities** | 1,662 | 2,506 | 3,796 |
| **Total Equity and Liabilities** | 12,985 | 12,102 | 13,767 |

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW**
**FOR THE PERIOD ENDED 30 JUNE 2020**

| | 6 months to 30 June 2020 (Unaudited) $'000 | 6 months to 30 June 2019 (Unaudited) $'000 | Year to 31 December 2019 (Audited) $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/ (loss) after tax | 77 | (1,182) | (1,230) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 6 | 19 | 17 |
| Loss on financial assets held at fair value through profit and loss | - | (1) | (13) |
| Impairment of deferred exploration and expenditure | 17 | 760 | 1,122 |
| Share of net loss / (profit) losses from associates | - | 38 | 38 |
| Finance expense | - | - | 52 |
| (Increase) / decrease in inventory | (3) | (3) | 1 |
| (Increase) / decrease in trade and other receivables | (256) | (50) | (119) |
| (Increase) / decrease in prepayments | 18 | (87) | (33) |
| Increase / (decrease) in trade and other payables | (92) | 251 | 438 |
| Increase /(decrease) in deferred revenue | - | (375) | (900) |
| (Decrease)/ Increase in income tax payable | 184 | 156 | 339 |
| Share based payment expense | 149 | 163 | 275 |
| **Net cash flows from operating activities** | 100 | (311) | (13) |
| **Investing activities** | | | |
| Increase in PPE Development Asset | (96) | (1,212) | (2,293) |
| Sale of tenements | 80 | - | - |
| Receipt of research and development incentive | 595 | - | 515 |
| Increase in deferred exploration and evaluation | (96) | (91) | (316) |
| Acquisition of PPE | - | (57) | (265) |
| Acquisition of exploration and evaluation intangible asset | - | - | (205) |
| Investment in joint arrangements | - | (40) | (33) |
| Sale of financial assets held at fair value through profit or loss | - | - | 33 |
| Net cash used in investing activities | 483 | (1,400) | (2,564) |
| **Financing activities** | | | |
| Net proceeds from issue of equity share capital | 1,485 | 91 | 1,059 |
| Proceeds from borrowings | 68 | - | 400 |
| Finance expenses paid | (96) | - | - |
| Repayment of borrowings | (2,026) | - | (206) |
| **Net cash from financing activities** | (569) | 91 | 1,253 |
| **Net increase / (decrease) in cash and cash equivalents** | **13** | **(1,620)** | **(1,325)** |
| Cash and cash equivalents at beginning of period | 519 | 1,840 | 1,840 |
| Release of restricted cash | - | 100 | - |
| Exchange gains / (losses) on cash and cash equivalents | 1 | (1) | 4 |
| **Cash and cash equivalents at end of period** | **533** | **319** | **519** |

## STRATEGIC MINERALS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE PERIOD ENDED 30 JUNE 2020

| | Share capital $'000 | Share premium reserve $'000 | Merger reserve $'000 | Share options reserve $'000 | Initial Restructure reserve $'000 | Foreign exchange reserve $'000 | Retained earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019 – audited** | **2,095** | **46,213** | **21,232** | **330** | **(23,023)** | **(894)** | **(36,632)** | **9,321** |
| Gain/(Loss) for the period | - | - | - | - | - | - | (1,230) | (1,230) |
| Foreign exchange translation | - | - | - | - | - | 227 | - | 227 |
| Total comprehensive income for the year | - | - | - | - | - | 227 | (1,230) | 1,003 |
| Shares issued in the year | 108 | 1,273 | 68 | - | - | - | - | 1,449 |
| Expenses of share issue | | (71) | - | - | - | - | - | (71) |
| Transfer | - | - | - | (62) | - | - | 62 | - |
| Share based payments | - | - | - | 275 | - | - | - | 275 |
| **Balance at 31 December 2019– audited** | **2,203** | **47,415** | **21,300** | **543** | **(23,023)** | **(667)** | **(37,800)** | **9,971** |
| Profit for the period | - | - | - | - | - | - | 77 | 77 |
| Foreign exchange translation | - | - | - | - | - | (359) | - | (359) |
| Total comprehensive income for the half year | - | - | - | - | - | (359) | 77 | (282) |
| Shares issued in the year | 348 | 1,217 | - | - | - | - | - | 1,565 |
| Expenses of share issue | - | (80) | - | - | - | - | - | (80) |
| Share based payments | - | - | - | 149 | - | - | - | 149 |
| **Balance at 30 June 2020 - Unaudited** | **2,551** | **48,552** | **21,300** | **692** | **(23,023)** | **(1,026)** | **(37,723)** | **11,323** |

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 2020**

## 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 2020 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 2019 Annual Report. The financial information for the half years ended 30 June 2020 and 30 June 2019 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 2019 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2019 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2019 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 September 2021 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. The Company forecasts that it has sufficient funds until September 2021 however the Group is reliant on cash being generated from the Cobre asset in line with forecast which includes the assumption that access to the Cobre asset will be rolled over in March 2021 as it has since entering into the underlying offtake agreement. Should Cobre not meet cash expectations the Directors would need to raise further funds.

In addition, there is a risk that, due to the impact of Covid-19 on global markets, a greater degree of uncertainty currently exists in relation to cashflows from Cobre being generated in line with forecast and the ability to raise additional funds if these are required. These conditions indicate a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore it 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 as at 30 June 2019 had one joint venture being Cornwall Resources Ltd (**CRL)** after which the Company purchased the remaining 50% interest it did not own in CRL. Upon obtaining 100% ownership of CRL the entity was consolidated.

*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. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements.
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material).
- IFRS 3 Business Combinations (Amendment – Definition of Business).
- Revised Conceptual Framework for Financial Reporting.

The adoption of these amendments 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 as at 30 June 2019 held 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. In July 2019, the Company purchased the remaining 50% interest in CRL at which point the entity was consolidated.

(b) Contingent consideration as part of Asset acquisition

Judgement was required in determining the accounting for the contingent consideration payable as part of the CRL acquisition. The group has an obligation to pay AUD $1m on net smelter sales arising from CRL production reaching AUD $50m and a further AUD $1m on net smelter sales arising from CRL production reaching AUD $100m.

Whilst a possible obligation exists in relation to the consideration payable, given the early stage of the project it was concluded that at reporting date it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Therefore, in accordance with IAS 37, this obligation is considered to be a contingent liability.

(c) Contingent liabilities as part of Business Combination

Under the terms of the various agreements in relation to the LCCM, the Company would have the following contingent liabilities:

- 1% royalty on copper sales payable over the life of the project; and
- AUD $100,000 following 3,000 tonnes of copper sales from the project.

In accordance with IFRS3 the Group has recognised for the estimated fair value of the mining royalty in these financial statements.

*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.

(d) Carrying Value of Development Assets - LCCM

Management assessed the carrying value of Development assets for indicators of impairment based on the requirements of IAS36 which are inherently judgemental.

The following are the key assumptions used in this assessment of Carrying value.

i) Mineable reserves over life of project
ii) Forecasted Copper pricing
iii) Capital and operating cost assumptions to deliver the mining schedule
iv) Foreign exchange rates
v) Discount rate
vi) Estimated project commencement date.

## 4. Segment information

The Group has five 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.
- 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.
- United Kingdom - The investment in the Redmoor project in Cornwall, United Kingdom is held by this segment.

*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 2020 (Unaudited)** | **SMG** | **Head Office** | **Australia** | **United Kingdom** | **Development Asset** | **Intra Segment Elimination** | **Total** |
|---|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenues | 1,645 | - | - | - | - | - | 1,645 |
| Other Revenue | 47 | - | - | - | - | - | 47 |
| Cost of sales | (314) | - | - | - | - | - | (314) |
| Gross profit | 1,378 | - | - | - | | - | 1,378 |
| Overhead expenses | (516) | (237) | (135) | (14) | - | - | (902) |
| Management fee income/(expense) | (450) | 441 | - | | - | 9 | - |
| Share based payments | - | (149) | - | - | - | - | (149) |
| Depreciation | (6) | - | - | - | - | - | (6) |
| (Loss)/ gain on intercompany loans | - | | - | - | - | | - |
| Impairment of DEE | - | - | (17) | - | - | - | (17) |
| Foreign exchange gain/(loss) | - | 145 | (23) | - | - | (165) | (43) |
| Segment profit /(loss) from operations | 406 | 200 | (175) | (14) | - | (156) | 261 |
| Segment profit /(loss) before taxation | 406 | 200 | (175) | (14) | - | (156) | 261 |

| **6 Months to 30 June 2019 (Unaudited)** | **SMG** | **Head Office** | **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 | (475) | (552) | (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** | **575** | **1,091** | **(948)** | **-** | **(1,744)** | **(1,026)** |
| **Segment profit/(loss) before taxation** | **575** | **1,091** | **(948)** | - | **(1,744)** | **(1,026)** |

| **Year to 31 December 2019 (Audited)** | **SMG** | **Head Office** | **Australia** | **United Kingdom** | **Development Asset** | **Intra Segment Elimination** | **Total** |
|---|---|---|---|---|---|---|---|
| | **2019** | **2019** | **2019** | **2019** | **2019** | **2019** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Revenues** | 2,488 | - | - | - | - | - | 2,488 |
| Other Revenue | 900 | - | - | - | - | - | 900 |
| Cost of sales | (511) | - | - | - | - | - | (511) |
| **Gross profit** | 2,877 | - | - | - | | - | 2,877 |
| Overhead expenses | (1,026) | (923) | (295) | (22) | - | - | (2,266) |
| Management fee income/(expense) | (393) | 362 | 35 | | - | (4) | - |
| Share based payments | - | (275) | - | - | - | - | (275) |
| Depreciation | (16) | - | - | (1) | - | - | (17) |
| Gain on available for sale assets | - | - | 13 | | - | - | 13 |
| Share of net loss from joint venture | - | (38) | - | - | - | - | (38) |
| (Loss)/ gain on intercompany loans | - | (1,014) | - | - | - | 1,014 | - |
| Impairment of DEE | - | - | (1,122) | - | - | - | (1,122) |
| Foreign exchange gain/(loss) | - | (141) | (27) | - | - | 203 | 35 |
| **Segment profit /(loss) from operations** | 1,442 | (2,029) | (1,396) | (23) | - | 1,213 | (793) |
| **Finance Expense** | - | - | (52) | - | - | - | (52) |
| **Segment profit /(loss) before taxation** | 1,442 | (2,029) | (1,448) | (23) | - | 1,213 | (845) |

| **As at 30 June 2020 (Unaudited)** | **SMG** | **Head Office** | **Australia** | **United Kingdom** | **Development Asset** | **Total** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Additions to non-current assets | - | - | 16 | 80 | 96 | 192 |
| Reportable segment assets | 1,066 | 95 | 15 | 4,414 | 7,395 | 12,985 |
| Reportable segment liabilities | 591 | 121 | 93 | 14 | 843 | 1662 |
| **Total Group Liabilities** | | | | | | 1,662 |

**As at 30 June 2019 (Unaudited)**

| | SMG $'000 | Head Office $'000 | Australia $'000 | United Kingdom $’000 | Development Asset $’000 | Total $'000 |
|---|---|---|---|---|---|---|
| Additions to non-current assets | - | 37 | 91 | - | 1,272 | 1,400 |
| Reportable segment assets | 579 | 3,324 | 2,350 | - | 5,849 | 12,102 |
| Reportable segment liabilities | 762 | 108 | 108 | - | 1,528 | 2,506 |
| **Total Group Liabilities** | | | | | | 2,506 |

**As at 31 December 2019 (Audited)**

| | SMG $'000 | Head Office $'000 | Australia $'000 | United Kingdom $’000 | Development Asset $’000 | Total $'000 |
|---|---|---|---|---|---|---|
| Additions to non-current assets | - | - | 94 | 460 | 2,558 | 3,112 |
| Reportable segment assets | 1,023 | 43 | 601 | 4,672 | 7,428 | 13,767 |
| Reportable segment liabilities | 529 | 1,802 | 484 | 8 | 973 | 3,796 |
| **Total Group Liabilities** | | | | | | 3,796 |

| | External revenue by location of customers | | Non-current assets by location of assets | |
|---|---|---|---|---|
| | 30 June 2020 $'000 | 30 June 2019 $'000 | 30 June 2020 $'000 | 30 June 2019 $'000 |
| United States | 1,645 | 1,020 | 171 | 177 |
| United Kingdom | - | - | 4,391 | 2,264 |
| Australia | - | - | 7,391 | 7,893 |
| | 1,645 | 1,020 | 11,953 | 10,334 |

Revenues from Customer A totalled $281,805 (2019: $351,140), which represented 17% (2019: 34%) of total domestic sales in the United States, Customer B totalled $795,125 (2019: $$563,945) which represented 48% (2019: 55%). There were no export sales in the year (2019: Nil).

## 5. Operating loss

**Administration costs by nature**

| | 6 months to 30 June 2020 (Unaudited) $'000 | 6 months to 30 June 2019 (Unaudited) $'000 | Year to 31 December 2019 (Audited) $'000 |
|---|---|---|---|
| **Operating gain/loss is stated after charging/(crediting):** | | | |
| Directors' fees and emoluments | 146 | 401 | 573 |
| Depreciation | 6 | 19 | 17 |
| Equipment rental | 131 | 145 | 276 |
| Equipment maintenance | 21 | 26 | 46 |
| Share of net loss (profit) from joint operations | - | 38 | 38 |
| Auditors' remuneration | - | 13 | 96 |
| Salaries, wages and other staff related costs | 260 | 274 | 559 |
| Insurance | 28 | 15 | |
| Legal, professional and consultancy fees | 273 | 178 | 420 |
| Loss on sale of tenements | - | - | - |
| Impairment charge | 17 | 760 | 1,122 |
| Loss (gain)on financial assets held at fair value through profit and loss | - | (1) | (13) |
| Travelling and related costs | - | 51 | 5 |
| Foreign exchange | 43 | 2 | (35) |
| Share based payments | 149 | 163 | 275 |
| Other expenses | 43 | 108 | 291 |

## 6. Intangible assets – exploration and evaluation costs

| | 6 months to 30 June 2020 | 6 months to 31 December 2019 | 6 months to 30 June 2019 |
|---|---|---|---|
| **Cost** | **$'000** | | |
| Opening balance for the period | 4,567 | 342 | 1,037 |
| Additions for the period | 96 | 163 | 91 |
| Acquired through assets acquisition of CRL (ii) | - | 4,392 | - |
| Interest and borrowings costs - CRL | 33 | 62 | - |
| Research and development incentive | - | (317) | - |
| Sale of mineral rights | (80) | | - |
| Foreign exchange difference | (209) | 287 | (26) |
| Impairment Charge – CARE (i) | (17) | (362) | (760) |
| **Closing balance for period** | **4,390** | **4,567** | **342** |

(i) The Company has recognised an impairment charge in relation to the CARE assets due to their lower strategic value and that there is no intention, in the short term, to spend additional funds on these assets.

(ii) In July 2019 the Company purchased the remaining 50% interest of CRL it did not own and recorded the transaction as an asset acquisition. Hence, the additions represent the carrying value of the exploration and evaluation assets at cost.

### 8. Property, plant and equipment

| | Development Asset $'000 | Plant and Machinery $'000 | Total $'000 |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| At 1 January 2019 (audited) | 4,907 | 461 | 5,368 |
| Additions for period | 1,834 | 57 | 1,891 |
| Foreign exchange difference | (16) | - | (16) |
| **At 30 June 2019 (unaudited)** | **6,725** | **518** | **7,243** |
| Acquired on acquisition of CRL | - | 7 | 7 |
| Additions for period | 459 | 208 | 667 |
| Research and development incentive | (796) | - | (796) |
| Foreign exchange difference | 3 | 2 | 5 |
| **At 31 December 2019 (audited)** | **6,391** | **735** | **7,126** |
| Additions | 96 | - | 96 |
| Interest and borrowings costs | 27 | - | 27 |
| Foreign exchange difference | (132) | (6) | (138) |
| | | | - |
| **At 30 June 2020 (Unaudited)** | **6,382** | **729** | **7,111** |
| **Depreciation** | | | |
| At 1 January 2019 (audited) | - | (198) | (198) |
| Charge for the period | - | (16) | (16) |
| Foreign exchange difference | | (3) | (3) |
| **At 30 June 2019 (unaudited)** | **-** | **(217)** | **(217)** |
| Charge for the period | - | (1) | (1) |
| Acquired on acquisition of CRL | - | (4) | (4) |
| Foreign exchange difference | - | (6) | (6) |
| **At 31 December 2019 (audited)** | **-** | **(228)** | **(228)** |
| Charge for the period | - | (6) | (6) |
| **As at 30 June 2020 (unaudited)** | **-** | **(234)** | **(234** |
| **Carrying Value** | | | |
| **As at 30 June 2019 (unaudited)** | **6,725** | **301** | **7,026** |
| **As at 31 December 2019 (audited)** | **6,391** | **507** | **6,898** |
| **As at 30 June 2020 (unaudited)** | **6,382** | **495** | **6,877** |

## 9. Loans and borrowings

| Cost | Loan R&D Tax Incentive $'000 | Loan CRL Acquisition $'000 | Total $'000 |
|---|---|---|---|
| At 30 June 2019 (unaudited) | - | - | - |
| Loan Advance | 403 | 1,858 | 2,261 |
| Loan repayments | - | (206) | (206) |
| Interest | 16 | 21 | 37 |
| Foreign exchange difference | - | 19 | 19 |
| **As at 31 December 2019 (audited)** | **419** | **1,692** | **2,111** |
| Loan Advance | 68 | - | 68 |
| Loan repayments | (447) | (1579) | (2,046) |
| Interest accrued | 27 | 33 | 60 |
| Interest paid | (43) | (53) | (96) |
| Foreign exchange difference | (24) | (93) | (117) |
| **As at 30 June 2020 (unaudited)** | **-** | **-** | **-** |

*Loan CRL Acquisition*

In July 2019 SML entered into a Convertible Note with NAE to finalise the purchase of CRL.

SML made an initial payment totalling AUD $300,000 and entered into an 11 month payment schedule for the balance of AUD $2,700,000 (US$1,858,000). A payment of AUD $300,000 (US$206,000) was paid on or around 31 October 2019. During the six months to 30 June 2020 the remaining principal of AUD $2,400,000 (US$1,579,000) was repaid along with interest of AUD $80,000 (US$53,000).

*Loan R&D tax incentive*

In September 2019 SML entered into a loan agreement against the anticipated receipt of a Research and Development Tax Incentive (RDTI) from the Australian Tax Office. A drawdown on the loan of $68,000 occurred in February 2020 while the principal of $447,000 and interest of $43,000 was paid in May 2020 which fully extinguished the debt.

## 10. Dividends

No dividend is proposed for the period.

## 11. 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 2020 (Unaudited) | 6 months to 30 June 2019 (Unaudited) | Year to 31 December 2019 (Audited) |
|---|---|---|---|
| Weighted average number of shares - Basic | 1,485,627,639 | 1,391,249,064 | 1,434,077,744 |
| Weighted average number of shares – Diluted | 1,557,127,639 | 1,391,249,064 | 1,434,077,744 |
| (Loss)/earnings for the period | $77,000 | ($1,182,000) | ($1,230,000) |
| (Loss)/earnings per share in the period - Basic | $0.000052 | ($0.000850) | ($0.000858) |
| (Loss)/earnings per share in the period - Diluted | $0.000049 | ($0.000850) | ($0.000858) |

## 12. Share capital and premium

| | 30 June 2020 No | 30 June 2020 $'000 | 30 June 2019 No | 30 June 2019 $'000 |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares | 1,734,297,948 | 51,103 | 1,467,631,282 | 50,656 |

As a result of a placement in June 2020 the Company issued 266,666,666 ordinary shares at a price of GBP 0.045. The total proceeds of the placement after fees was GBP 1,139,100 ($1,485,000).

**Share options and warrants**

The number of options and warrants as at 30 June 2020 and a reconciliation of the movements during the half year are as follows:

| Date of Grant | Granted as at 31 December 2019 | Expired/ Exercised | Granted as at 30 June 2020 | Exercise price | Date of vesting | Date of expiry |
|---|---|---|---|---|---|---|
| 10.04.15 | - | | - | 1.00p | 19.05.17 | 30.06.19 |
| 06.01.17 | - | | - | 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 |
| | 178,750,000 | (107,250,000) | 71,500,000 | | | |

## 13. Post balance date events

The Company has appoint NRG Capital to assist in its attmepts to progress the Redmoor Tin and Tungsten project and has begun a process to complete a Expressions of Interest by the end of the year.

In September 2020, the Company lodged a full PEPR in relation to the Leigh Creek Copper Mine and anticipates this being approved prior to year end.

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