



Report and Financial Statements

Year Ended

31 December 2020

Company Number 07440902

STRATEGIC MINERALS PLC
HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Financial Highlights

- 2020 Group before tax profit was up \$1.295m to \$0.450m from a before tax loss of \$0.845m in 2019.
- Net Cash generated from operating activities for 2020 was up \$0.942m to \$0.929m from 2019 net cash used in operating activities of \$0.013m.
- During 2020, Southern Minerals Group received a \$0.046m Covid -19 government grant which was used to partially offset direct payroll costs.
- During 2020, two capital raisings were undertaken producing a total of \$2.256m (2019: \$1.059m). The first completed in June 2020, raised £1,200,000 which was principally applied to extinguish the loan raised to complete the full acquisition of Cornwall Resources Limited, the holder of the Redmoor Tin and Tungsten project. A second raising of £700,000 was completed in December 2020 with the funds being raised to fund fixed asset acquisition at Cobre and to progress both the Leigh Creek Copper Mine and Redmoor Tin and Tungsten projects.
- Unrestricted cash position of the Group at 31 December 2020 was \$0.833m (2019: \$0.519m).

Operational Highlights

- Sales at Cobre were maintained during the pandemic and increased by over 20% in 2020 to \$3.025m from \$2.488m in 2019 (excluding the \$0.900m booked as sales to CV Investments LLC("CVI") reflecting the take up of deposits made in relation to its sales contract).
- Access to the Cobre magnetite stockpile was rolled over for the eighth time in 2020 and has been rolled over again in 2021.
- Southern Minerals Group continues to liaise with the receiver for CVI in relation to its substantial arbitrated award against CVI. Due to the circumstances surrounding CVI and its placement into receivership, the Board continues to take a precautionary view in relation to the timing and amount that may ultimately be received, thus no amounts in relation to the arbitrated award have been recognised.
- Submission of a Program for Environment Protection and Rehabilitation ("PEPR") to the South Australian government was lodged on 10 September 2020 and a response requesting clarification of certain issues was received on 23 December 2020. A reply, providing the requested information to restart full operations at LCCM in 2020, was lodged on 30 March 2021, with a follow up response in June 21. The Board considers that a decision on the PEPR application is expected by the end of July 2021. Accordingly, the Board believes that the project, subject to raising finance of circa \$2.2m (AUD \$3.2m), should be operational and producing revenue in 2021.
- Despite restrictions arising from the global pandemic, the Cornwall Resources Limited's ("CRL") team pushed on with applications designed to move the Redmoor Tin and Tungsten project forward. Notably, their work with the Deep Digital Cornwall project, led by the University of Exeter's Camborne School of Mines, in which CRL and Cornish Lithium are delivery partners, helped to succeed in the project, in early 2021, being awarded funding by the European Regional Development Fund, through HM Ministry of Housing, Communities and Local Government. This grant will result in CRL's Redmoor exploration licence area being used as a field laboratory for collection of geochemical and geophysical data, which will also provide CRL with information relevant to a number of new prospects within its Mineral Rights. For its part in the project, CRL is to be progressively reimbursed up to ££446,063 of grant funding provided it incurs a minimum, expenditure of £557,579.
- The Company's strategy to focus on metals and minerals likely to benefit from expected supply and demand imbalances has been validated in both 2020 and early 2021 as commodity prices, especially for copper and tin show strong growth and have market analysts predicting even stronger future price growth. Accordingly, this has greatly increased underlying project valuations at both LCCM and CRL.

STRATEGIC MINERALS PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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FORWARD-LOOKING STATEMENT

This Report and Financial Statements for the year ended 31 December 2020 ("Annual Report") contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future financial and operating performance of Strategic Minerals Plc, its subsidiaries, production and exploration operations and affiliated companies, the future price of magnetite/iron ore, the estimation of mineral resources, the realisation of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, stockpile and tailings dam operations, timing and receipt of approvals, licenses, permits, conversions and ongoing approvals to operate exploration activities, stockpile and tailings dam operations under the United States of America, Australia and other applicable mineral legislation and environmental legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'believes', or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Strategic Minerals Plc and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; stockpile processing/tailings dam operations; conclusions of economic evaluations and studies; fluctuations in the value of UK pounds sterling relative to the United States Dollar, Australian Dollar and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of magnetite/iron ore; possible variations of ore grade or recovery rates; failure of plant, logistics providers, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, insurrection or war; the effect of illness on labour force availability and turnover; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although Strategic Minerals Plc has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this Annual Report and Strategic Minerals Plc disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

STRATEGIC MINERALS PLC
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

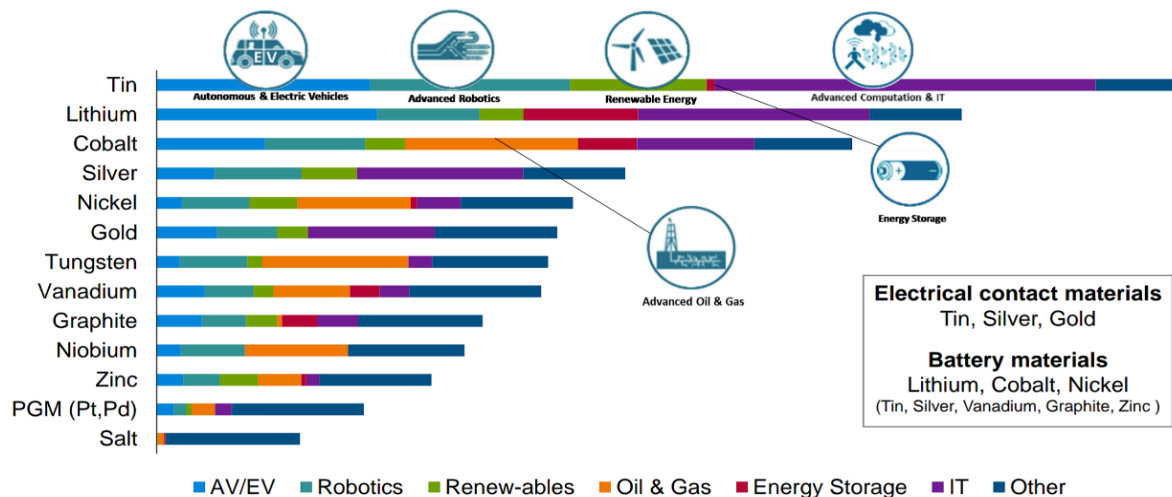
I am pleased to present Strategic Minerals Plc's Annual Report for the year ended 31 December 2020.

In 2020, the Group improved comprehensive income by \$2.093m having made a 2020 total comprehensive income of \$1.090m as compared to a 2019 comprehensive loss of \$1.003m, after allowing for a \$1.122m impairment loss.

The Group had unrestricted cash of \$0.833m as at 31 December 2020 (2019: \$0.519m).

In 2016, the Company's board took the decision to invest in the Redmoor Tin and Tungsten project ("Redmoor") as it considered the long-term outlook for commodities, notably tin, was compelling. Initially, the Company owned 50% of Cornwall Resources Limited (CRL), the holder of Redmoor. Subsequently, the Company moved to full ownership of CRL. This reflected contemporaneous market studies highlighting the expected growth in demand for tin and concomitant increases in tin prices.

Metals most impacted by new technology



RioTinto

Source: MIT

7 | © Rio Tinto 2018

In 2017, the Board, whilst recognising the longer-term intrinsic value of Redmoor, felt that the Company could strategically benefit from the development of a second near-term cash generating project, bridging the gap between its operating asset and the delivery of Redmoor. The Board's analysis of the market indicated that copper, in particular, appeared to reflect the long-term demand and supply characteristics the Board's strategy revolved around. In line with this focus, the Company began negotiations for the acquisition of a suitably sized copper project likely to generate a second, near-term income stream. Ultimately, this led to the Company, in 2018, acquiring all of Leigh Creek Copper Mine Pty Ltd ("LCCM"). This has strategically set the Company up as follows:

LCCM
LEIGH CREEK COPPER MINE

Near production asset

Leigh Creek Copper Mine (LCCM)

Cash flow expected 2021, offtake in place



Cornwall
RESOURCES

Brownfields

Cornwall Resources Limited
(Redmoor)

Redmoor Tin and Tungsten project in Cornwall Progressing to pre-feasibility

SOUTHERN
MINERALS GROUP
LIMITED LIABILITY CORPORATION

Operating asset

Southern Minerals Group LLC
(Cobre)

Cobre Magnetite Stockpile - strong cash flow generation underpinning overheads and other projects

STRATEGIC MINERALS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

The global pandemic made 2020 a difficult year, especially in relation to project development. In light of the pandemic, the Board reviewed its operating procedures to ensure the protection of all stakeholders (employees, Directors, clients, local communities). Through adaption of contactless operating procedures at the Cobre magnetite stockpile, the Company's wholly owned subsidiary, Southern Minerals Group ("SMG"), was able to maintain continuous contactless operations throughout the year and, furthermore, has been able to show more than a 20% increase in underlying sales.

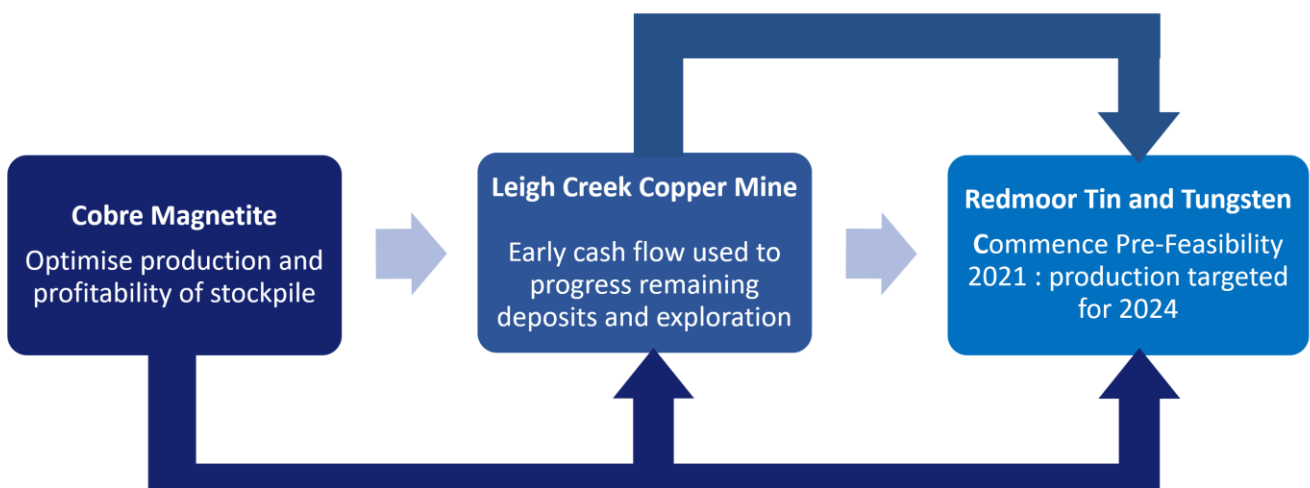
SMG continued the work commenced in 2019 to obtain an arbitrated claim against its client, CV Investments, in relation to their unfulfilled sales contract. Whilst an arbitration decision for \$21.9m was forthcoming, the fact that CV Investments and associated companies were being investigated by the American Securities and Exchange Commission, who appointed receivers to CV Investments, does further complicate the process and ultimate recovery of funds. However, SMG and the Company's Managing Director continue to follow up on this process in expectation that SMG will receive some funds from the receivership, although the magnitude and timing is unknown, and the Company is not factoring any amount into its budgets.

During 2020, LCCM worked with the South Australian Department of Energy and Mines seeking to obtain a Program of Environmental and Protection and Rehabilitation ("PEPR") approval for its Paltridge North deposit. Initially, a draft was provided to the Department and subsequently, in September 2020, a formal submission of a PEPR application occurred. A response, requesting additional information and clarification, was received late December 2020. This information was formally submitted in late March 2021 and June 21, after further consultation with the Department. A decision on the PEPR application is expected by the end of July 21.

With the global pandemic putting capital markets under pressure, the Company considered that its share price did not fully reflect its underlying asset values and that, in order to progress both the Redmoor and Leigh Creek Copper Mine projects, funding at the asset level was preferable. In this regard, the Company reviewed the economic evaluation of Leigh Creek Copper Mine, updating it for the results of metallurgical testing and an independent review by PPM Global of the capital cost associated with establishing processing capacity at the Lynda/Lorna Doone deposit. The result of this review was published in November 2020 and has been subsequently used to market the project.

In line with the Board's decision to seek a joint venture partner to progress the Redmoor project, the Company employed Wardell Armstrong International to update the project's scoping study and, in October 2020, published their findings which confirmed that changes to the proposed mining schedule can successfully bring forward high-grade production from mineralisation, as defined during CRL's most recent drill programme and mineral resource estimate. This update reported a significant uplift in the project's economic results when compared with 2019 results.

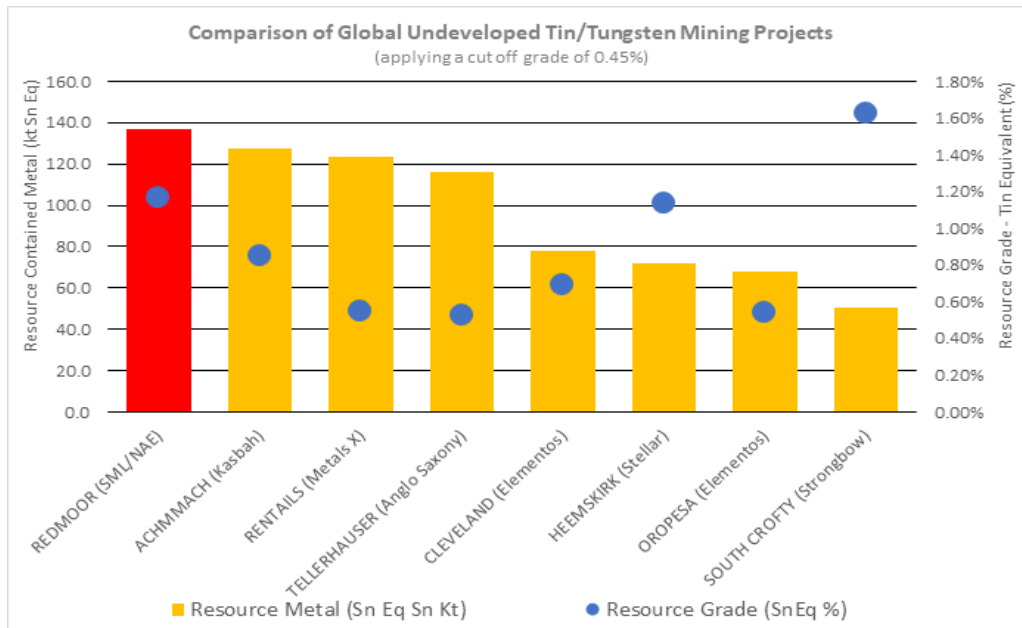
The 2020 year saw the repayment of debt associated with the acquisition of the balance of CRL. The Board remains committed to utilising cash flows from operations to progress its projects and seeks to minimise dilution where possible. As shown in the following diagram, some cash flows expected from LCCM in the near future are expected to be recycled in developing Redmoor.



STRATEGIC MINERALS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

At a time when market analysts are highlighting an expected future tin supply shortage, it has been reassuring that the global significance of the deposit at Redmoor (inferred resource of 11.7mt at a tin equivalent (SnEq) of 1.17%) is starting to be understood as shown in the following chart.



Source: Strategic Mineral Plc

The extraordinary challenges to world markets in 2020, due to Covid-19, resulted in significant volatility in capital markets and company valuations. The Board's first priority has been to the safety and health of our people and the continued resilience of the Group's operations. Despite these challenges the demand for product from our Cobre operations grew and continues to remain strong, with no impact from the change of Government in the US. The Company believes that, subject to finance, it is in a position to move forward with operations at LCCM and, subsequently, the exploration and development of Redmoor. As confidence returns to the commodity markets, the underlying valuation of the Company's assets continue to build and remain strong. The continued cashflow from our Cobre asset along with the developed nature of our projects, places the Company in a good position to benefit from improved international commodity prices.

I consider that the commencement of a second income stream in 2021 will see a significant improvement in the market's perception of the value of the Company and I look forward to working with my fellow Directors and the staff of the Company to ensure that the 2021 financial year delivers.

Finally, I would like to acknowledge the support of our shareholders, suppliers and other stakeholders and I look forward to your continued support during 2021 and beyond.

Alan Broome AM
Chairman

28 June 2021

STRATEGIC MINERALS PLC

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of the Company and its subsidiaries (which together comprise the Group) present their Strategic Report on the Group for the year ended 31 December 2020.

Financial Performance

The Company and the Group's reporting currency is US dollars reflecting that, previously, the Group's revenues, expenses, assets and liabilities were predominately in US currency and, currently, the bulk of revenues continue to be sourced in US dollars.

The Group substantially improved profit before tax by \$1.295m in the 2020 financial year to \$0.450m (2019: loss before tax of \$0.845m). After allowing for exchange gains arising on translation of foreign operations, the Group produced a total improvement in comprehensive income of \$2.093m to \$1.090m (2019: comprehensive loss \$1.003m).

Taking into account material non-cash items, profit before tax improved by \$0.974m during 2020 as shown in the following table:

	2020 \$m	2019 \$m
Profit (Loss) before tax	\$0.450	(\$0.845)
Add back Share Based Payments	\$0.176	\$0.275
Add back CARE Impairment Charge	-	\$1.122
Deduct CV Investments deposits received 2018 and forfeited 2019	-	(\$0.900)
Adjusted Profit (Loss) before tax after reversing material non-cash items	\$0.626	(\$0.348)

Throughout 2020, despite changes in the market environment from the global pandemic, the Company's Cobre operation managed to continue, and in fact grow. The cash flow derived during the first half of 2020 was particularly important to the Company as access to equity funding was temporarily suspended as capital markets initially shut down to assess the impact of the global pandemic. During 2020 SMG received a \$0.046m non-refundable Covid 19 related government grant to assist with payroll expenses. Note 7 for further information in relation to this grant.

Group overheads for 2020 were significantly reduced by \$0.394m (22%) to \$1.872 (\$2.266m in 2019). The Board and management continue to closely monitor overheads and administration costs to ensure they are appropriately in line with operations. The lower group overheads reflected both reduced remuneration and reduced activity associated with the global pandemic.

In January 2020, the group earned other income of \$0.155m from the sale of a small portion of CRL's mineral rights. The area sold does not feature in CRL's resource statement and, to date, there is no data produced to indicate economically viable material either exists or does not exist there.

SMG incurred a tax expense of \$0.236m (2019: \$0.385m) for the year. However, the remainder of the Group continues to generate tax losses.

During 2020, project investing activity totalled \$0.558m (2019: \$2.564m). The significantly lower level of activity reflected the fact that 2019 included the acquisition of the balance of Cornwall Resources Limited and exploration/development activity was significantly curtailed due to the global pandemic.

In order to finance the development of the Company's projects, the Company undertook two equity raises in 2020. The June 2020 raise had initially been planned for March 2020, after the rollover of access to the Cobre stockpile. However, the onslaught of the global pandemic in March and the effect it had on global capital markets, resulted in the Board deferring the capital raise until June 2020.

Net cash used by financing activities was (\$0.060m) (2019: net cash generated from financing activities was \$1.253m) reflecting net capital raising of \$2.256m (2019: \$1.059m) and principally offset by net repayments of borrowings of \$2.139m (2019: proceeds from borrowings of \$0.194m)

Cash at the end of the year was \$0.833m (2019: \$0.519m).

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

PROJECT REVIEW AND ACTIVITIES

Cobre Performance

The 2020 year continued to be a profitable year for domestic sales. A total of 51,518 short wet tons of magnetite were sold resulting in gross sales of \$3.025m compared to 2019 when 42,517 short wet tons were sold for \$2.488m (excluding the \$0.900m of deposits booked to sales as a result of CVI Investments forfeiture of deposits).

With the onslaught of the global pandemic, operating practices at Cobre were reviewed and modified to create a contactless workflow. The Board wishes to acknowledge the excellent efforts of the Southern Minerals Group team in maintaining operations, and cashflow, during this critical period in the Company's history. Close monitoring of operations continues to ensure adequate service to customers and safe operating conditions.

This year saw SMG's arbitrated claim for the breach of the contract with CVI Investments finalised for in excess of \$21m. However, the US Securities Exchange Commission has had a Receiver appointed to CVI Investments in relation to irregularities associated with the company and its affiliates activities. Accordingly, it is uncertain as to the capacity of CVI Investments to pay any amount deemed appropriate by the independent arbitrator. SMG is in contact with the Receiver and continues to pursue this claim against CVI Investments.

SMG's formal access to the Cobre mine magnetite stockpile has now been extended until March 2022 making this the ninth roll-over to date. The Company is currently unaware of any likelihood that SMG's access to the magnetite stockpile at Cobre will not be rolled over in the future.

SMG continues to have an exemplary safety record and has developed an enviable culture that reinforces the highest of safety standards.



STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Leigh Creek Copper Mine Pty Ltd (“LCCM”)

In 2017, the Company identified a need for a second near-term income stream. In line with its strategy to seek out projects that were exposed to minerals and metals believed to benefit from perceived demand and supply imbalances, the Company identified the LCCM project, a historically mined copper oxide deposit. Since acquiring the project in 2018, the Company has invested in a temporary restart of operations to test existing operating capacity and in preparing and submitting a Programme for Environmental Protection and Rehabilitation (“PEPR”) in relation to its Paltridge North deposit. The Company’s efforts in this regard have moved the project close to a full restart that is expected in 2021, after the approval of the PEPR and subject to finance.

LCCM has three approved Mining Leases that cover a number of copper oxide deposits, including Lorna Doone, Lynda, Mountain of Light (Rosmann East and Paltridge North) and the Mount Coffin deposit. All the Mineral Resources are contained within the Mining Leases. They contain a total resource of 3.61mt @ 0.69% copper for 24,900 of copper metal forms the base of the project and includes the following Resource category breakdown.

	Inferred		Indicated		Total Resource		
<u>Deposit</u>	<u>Tonnes</u>	<u>Copper Grade</u>	<u>Tonnes</u>	<u>Copper Grade</u>	<u>Tonnes</u>	<u>Copper Grade</u>	<u>Copper Metal (tonnes)</u>
Paltridge North	41,000	0.49%	879,000	0.82%	920,000	0.81%	7,400
Lynda	-	-	1,349,000	0.65%	1,349,000	0.65%	8,800
Lorna Doone	66,000	0.68%	1,280,000	0.65%	1,346,000	0.65%	8,700
Total	107,000	0.61%	3,508,000	0.69%	3,615,000	0.69%	24,900

An existing heap leach and Kennecott cone-based copper processing facility is located at the Mountain of Light deposit (adjacent to Rosmann East and nearby Paltridge North) and was successfully operated for a short period in 2019 to test its capacity to resume full time operations.



The region around the project has excellent infrastructure with a modern town (Leigh Creek), sealed airstrip, sealed and all-weather roads, power and water utilities.

In addition to the Mining Leases, two approved Exploration Leases, covering an area of 686km² in the northern Flinders Ranges, are included in the project. These provide excellent opportunities for exploration of new copper oxide resources.

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Copper prices have had a stellar performance in late 2020 and early 2021. Given that the acquisition of LCCM was based on a copper price of USD \$3-00 lb, the current copper price of over USD \$4-00 lb has significantly improved the underlying valuation of LCCM.

In 2020, the Board considered that the global pandemic put capital markets under pressure and that the Company's share price did not fully reflect its underlying asset values. Accordingly, in order to progress the Leigh Creek Copper Mine project, funding at the asset level was preferable.

To prepare to approach potential joint venture partners, the Company updated the economic evaluation of Leigh Creek Copper Mine for the results of metallurgical testing and an independent review by PPM Global of the capital cost associated with establishing processing capacity at the Lynda/Lorna Doone deposit. The result of this review below was published in November 2020 and has formed the basis for discussions with potential joint venture partners.

Measure	Unit	Paltridge North*	Lynda / Lorna Doone*	Total
Sold Copper	Tonnes	5,101	10,875	15,976
Life Of Mine ("LOM")	Months	58	100	110**
Pre-Tax Cash	USD Million	10.45	24.98	35.43
EBITDA Margin	%	47%	52%	51%
NPV Before tax @ 8%	USD Million	9.16	17.57	26.73
Cost of production	US\$/lb Cu	1.34	1.23	1.26
Start-up capital	USD Million	2.20***	4.00****	6.20****

* The Paltridge North analysis was completed at a "feasibility study" level for submission of the PEPR. The Lynda/Lorna Doone analysis reflects the comments of PPM GLOBAL and the Company's internal analysis only.

** There is considerable overlap between the Paltridge North LOM and that of the Lynda/Lorna Doone LOM. In the case of Lynda/Lorna Doone, the LOM reflects the preparation, submission and securing of the PEPR.

*** Whilst start-up capital for Paltridge North is only US\$1.6m, a further US\$0.6m is required in working capital to remove overburden on the Paltridge North deposit. Accordingly, this higher strip ratio results in a total funding requirement of US\$2.2m prior to receiving revenue.

**** Start-up capital for the Lynda/Lorna Doone Deposit is expected to be sourced from cashflow generated from production associated with the Paltridge North deposit. Accordingly, it is anticipated that the two projects can be achieved with total funding of US\$2.2m.

The November report also included a high-level review, conducted by PPM Global, that confirmed the potential for alternate processing at the Lynda/Lorna Doone deposit, via either a mini-Solvent Extraction Electro Winning (SX-EW) plant or a copper sulphate plant, and identified that either approach could result in a significant increase in project profitability, albeit with a concomitant increase in capital expenditure.

The review indicated that processing using a mini SX-EW plant had the potential to produce London Metal Exchange ("LME") grade copper cathode for direct sale the broader market, and would;

- result in an approximate 18% increase in sales revenue and significantly reduce operating costs and
- require significantly higher levels of capital investment, an additional US\$7.2m.

Overall, the adoption of processing the Lynda/Lorna Doone deposit using a mini SX-EW plant would result in an increase in project profitability in the order of US\$19.6m.

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

The review also indicated that processing the Lynda/Lorna Doone deposit using a copper sulphate plant, to supply Australian demand, would;

- (a) result in an approximate 20% increase in sales revenue and reduced operating costs: and
- (b) require higher levels of capital investment, an additional US\$4.5m.

Overall, the adoption of processing the Lynda/Lorna Doone deposit using a sulphate plant would result in an increase in project profitability in the order of US\$18.5m.

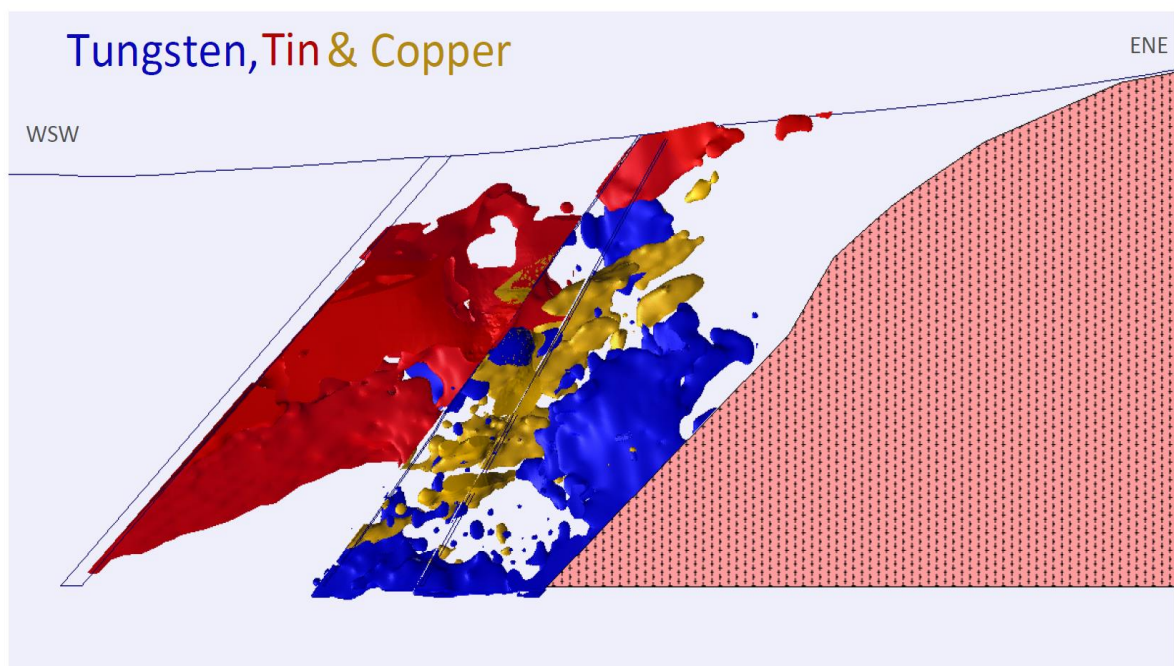
Cornwall Resources Limited – Redmoor Tin and Tungsten Project

In 2019, SML acquired full control of Cornwall Resources Limited (“CRL”), the holder of the Redmoor Tin and Tungsten Project. The move to acquire the balance of CRL was based on the Board’s perception of the value of the acquisition and its concern that the then current joint venture partner would not have the resources to continue forward movement with the project in a timely manner.

This 2019 resource update demonstrated that the overall inferred resource had increased from the previously assessed 4.5m tonnes at a tin equivalent (“SnEq”) of 1.00% to 11.7m tonnes at 1.17% SnEq. The result was a 200% increase in contained metal, 160% in resource tonnes and 0.17% in the tin equivalent grade over.

Not only has the resource been significantly expanded but, as shown in the diagram following, the mineralisation has been discovered in discrete locations giving rise to the ability to tailor mining and processing to preferred mineralisation at the time of extraction.

Redmoor metals distribution



During 2020, the CRL team continued to develop the world class resource at Redmoor, by building awareness of the project, building/maintaining relationships with stakeholders (including landowners) and generating strategies to obtain the greatest value for the Company’s investment. An option is being assessed to complete a limited exploration drilling program aimed at testing the potential to expand the significant resource already defined.

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

As previously discussed, the Board formulated the view that, in light of the uncertainty in capital markets associated with the global pandemic and its view that the market share price was greatly undervaluing the Company's assets, it should seek a joint venture partner to progress the Redmoor project. In preparation for this, the Company employed Wardell Armstrong International to update the Redmoor project's scoping study and, in October 2020, published their findings which confirmed that changes to the proposed mining schedule can successfully bring forward high-grade production from mineralisation, as defined during CRL's most recent drill programme and mineral resource estimate.

This update reported a significant uplift in the project's economic results when compared with 2019 results. Using the 2019 metal pricing, the project's post-tax IRR increased to 29% (previously 19%) and post-tax NPV @ 8% increased to US\$128m (previously US\$94m). Sensitivity analysis, using more conservative metal pricing, produced a post-tax IRR of 23.4%, with post-tax NPV of US\$91m.

Central Australia Rare Earth Pty Ltd ("CARE") Tenements

During 2020, the Company began the process of releasing its CARE tenements back to the Western Australian State government. This is now complete.

Safety

The Company is pleased to report that, during 2020, there were no safety incidents (2019: nil) across its operations in United States, England, and Australia.

Board and Management Changes

There has been no change to the composition of the Board during 2020 and the current Board does not currently envisage a need for change. Management changes have been made in line with normal operations although all such changes are based around consultancy, rather than direct employment contracts.

Key Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Strategic Minerals regularly reviews the principal risks that face the business and assesses appropriate responses to mitigate and, where possible, eliminate potential adverse impact. There is the possibility that if more than one event occurs, that the overall effect of such events would compound the possible adverse effects on the Group.

Our principal risks and uncertainties are as follows:

Commodity prices and currency risk

Although the Group's main income stream at Cobre is focused on localised markets, which minimises the impact of global commodity prices, the value of its development projects are subject to changes in global commodity prices. Fluctuations in commodity markets are affected by numerous factors beyond the Group's control, including global demand and supply, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. In addition, the COVID-19 pandemic has increased price volatility. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Group's investments. The Group monitors commodity prices and structures its portfolio of assets with commodities that are likely to appreciate in the medium to long term. During early 2020, the onslaught of the COVID-19 pandemic saw commodity prices hit hard, although its impact on the valuation of projects was partly offset by associated currency movements. Since this time, commodity prices associated with our major development assets have rebounded and are now significantly higher than prior to the commencement of the pandemic.

The Group reports its results in US Dollars, whilst the functional currency of the parent company from which the Group derives the majority of its funding is Pound Sterling. This may result in additions to the Group's reported costs. Fluctuations in exchange rates between currencies in which the Group invest, reports, or derives income may cause fluctuations in its financial results that are not necessarily related to the Group's underlying operations. The Group converts funds to a currency in which funds will be utilised on an as needed basis. The COVID-19 pandemic has seen greater volatility in exchange rates, but these have now reverted to levels used in the Company's financial evaluations.

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Funding risk

Strategic Minerals needs funds, both to manage its working capital requirements and fund new projects, as the Company seeks to grow. If the Company is not able to obtain sufficient financial resources, it may not be able to develop new projects. There can be no assurance that such funds will continue to be available on reasonable terms, or at all in the future. The Directors regularly review cash flow expenditure requirements and the cash flow generated from its Cobre operation to ensure the Group can meet financial obligations as and when they fall due. Covid 19 has placed additional risk around the ability of the Group to access capital and debt markets. The first half of 2020, saw the capital markets severely impacted by the COVID-19 pandemic. Unfortunately, this coincided with the Company's need to raise capital to repay the loan associated with the acquisition of the balance of the Redmoor. As a result, the Company deferred a planned early March 2020 equity raise until June 2020.

Reserve and resource risk

The Mineral reserve and resource relating to CRL and LCCM are only estimates and no assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Reserve and resource estimates are based on sampling and, consequently, are uncertain because the samples may not be representative. Reserve and resource estimates may require revision (up or down) based on future actual production experience. The discovery of mineral deposits is dependent upon a number of factors including the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, including the size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. There can be no guarantee that a mineral deposit will be economically viable. The Group undertakes studies in order to mitigate this risk.

Customer risk

The level of profitability of the Group is currently dependant on the performance of the Company's Cobre operation in the United States. The Cobre operation has a number of major customers and should one or more of these customers choose to not to purchase product it may have a substantial impact on the performance of the Group. The Group continues to look for additional customers at Cobre to address this risk and in addition will develop other projects such as Leigh Creek Copper Mine to reduce the risk of dependence on any one customer.

Operational risk

Mining operations are subject to hazards normally encountered in exploration, development, and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment, people, or the environment and which could impact any future production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Group's operations and its financial results. The Group will develop and maintain policies appropriate to the stage of development of its various projects. In 2020, as a safeguard to both our clients and staff, amendments were made to operational procedures to ensure that delivery of material was contactless.

Strategic risk

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Group may be unable to acquire rights to exploit additional revenue generative assets such as Cobre and attractive mining development properties such as CRL and LCCM on terms it considers acceptable. Accordingly, there can be no assurance that the Group will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. The Group expects to undertake sufficient due diligence to help ensure opportunities are subjected to proper evaluation.

Uninsurable risk

The Group may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of prohibitive premium costs or for other reasons, such as amounts which exceed policy limits.

STRATEGIC MINERALS PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Product risk

The Group has a contract for access to magnetite iron ore at the Cobre operation which automatically renews on the 1 March of each year unless either party terminates the agreement 30 days prior to renewal. There is a risk that the supplier may terminate the agreement in which case the Group would no longer have product to sell. So as to minimise this risk to the Group's management actively engages with its supplier throughout the year to proactively address any concerns that the supplier may raise.

An off-take arrangement is in place for the LCCM project which is subject to minimum product specifications. During 2019 the company was able to produce at specification material in its retreatment of heaps thereby substantially reducing the product specification risk.

Dependence on key personnel risk

The Group and Company are dependent upon the executive and local management teams. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions. The Group incentivises executives and management with market-based remuneration packages, short term and long-term incentive schemes.

Climate Change Risk

While climate change considerations can seriously impact resource companies, the Company considers that there is little downside risk from these considerations, given the metals and minerals in its portfolio, and that these climate change considerations are likely to impact positively on commodity prices for both copper and tin.

Coronavirus Pandemic Risk

While the implications of the COVID-19 pandemic appear to be mitigating, it remains difficult to predict its future impact given the evolving nature of this issue and the varying reactions of governments around the world. The Board and management are continually reviewing the potential implications and undertakes contingency planning reviewing actions it may take to mitigate the risk. At the Company's Cobre operation, the Company continues to implement a policy whereby drivers of trucks picking up material do not exit the vehicle on site and screens have been put up for the transfer of documents to protect staff. The working at home policy introduced in 2019 continues, at the Company's operations in the United Kingdom and Australia, in line with those country requirements. The company continues to actively talk with advisors and potential partners to move the Company's projects forward, although this is predominately being undertaken remotely.

Key Performance Indicators

The Board monitors the activities and performance of the Group on a regular basis. The principal KPI's monitored by the Company are domestic sales of product from Cobre, the cash position of the Group, the investment in project activities, the share price of the Company and the health, safety and environmental incidents of the Group.

The sales of domestic product at Cobre have been impacted by the major SMG client not honouring their contract to acquire a minimum monthly purchase (4,000 short wet tons) and has led to SMG seeking compensation for this through arbitration. Despite this, sales in 2020 improved by \$0.537m to \$3.025m (2019: \$2.488m).

The unrestricted cash position of the group as at 31 December 2020 was \$0.833m which increased from \$0.519m from the previous year, principally as a result of the capital raises during year.

The share price of the Company at year end was 0.40p (2019: 0.68p). Directors have indicated their confidence in the future performance of the Company through on market acquisition of shares.

The group did not have not had any health and safety or environmental incidents during the year.(2019: nil)

STRATEGIC MINERALS PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Strategy

In early 2016, the Company adopted a strategy emphasising both an operating and investment strategy which is continued today.

The Operating Strategy is centred on maintaining and improving cash flows from the Company's magnetite stockpile at the Cobre mine in New Mexico, USA, whilst also limiting corporate overheads in line with this profitability, thus ensuring operating self-sufficiency.

The Investment Strategy is built around investment in projects that relate to metals expected to increase in demand and price over the medium term.

The Company is well positioned to execute its plans to restart full LCCM production and commence a Pre-Feasibility Study at Redmoor, subject to available funds.

Outlook and Prospects

The Company continues to maintain controls on its overheads, is focused on restarting production at Leigh Creek in 2021, securing and expanding Cobre's profitable domestic sales and developing the Redmoor Tin and Tungsten mine.

The Board is confident that the outlook for the Company is encouraging having weathered testing times in 2020 and has seen a significant improvement in early 2021. The Company is actively pursuing non-dilutive funding approaches, both joint venture and debt style, to progress both LCCM and Redmoor. The low holding cost of these projects, the absence of debt in the Company and the continued strong cash flow stream from Cobre, provides the Company the flexibility, when considering financing options, to extract maximum value from these investments.

Current expectations are that funding for LCCM can be sourced in line with the completion of the PEPR process (a decision on the PEPR application is expected by the end of July 21) and that production can commence in 2021. Regarding the Redmoor project, expected time frames here are longer with the next goal being the preparation of a pre-feasibility study to be followed by a bankable feasibility study. This is expected to take 4 to 5 years to complete both.

The start of 2021 has provided some optimism for the Company with commodity prices for both Copper and Tin performing strongly, significantly improving underlying valuations on the Company's assets. While Covid-19 continues to impact our developmental operations, the Board considers that the impact is likely to dissipate over the second half of 2021. A more detailed analysis of the impact of COVID 19 is include as part of the corporate governance statement.

Directors' section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and referenced below, how the Board engages with stakeholders.

Likely consequence of any decision in the long term

The Chairman's Statement, Strategic Report Business Strategy and the Corporate Governance Statement set out the Company's long-term rationale and strategy.

Interests of employees

The Employee section of the Company's Corporate Governance Statement sets out the Company's approach to the interests of its employees.

STRATEGIC MINERALS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Foster business relationships with suppliers, customers and others

The Company's approach to business relationships with stakeholders and shareholders are set out in the Company's Corporate Governance Statement.

Community and environment

The Company's approach to the community is set out in the Corporate Governance Statement.

Maintain high standards of business conduct

The Corporate Governance Statement sets out the Board and Committee structures and extensive Board and Committee meetings held during 2020, together with the experience of executive management and the Board and the Company's policies and procedures.

Act fairly between shareholders

The Corporate Governance Statement sets out the process the Company follows to ensure it all shareholder interests are preserved and enhanced.

Principal Decisions made by the Board

We define principal decisions as both those that have long-term strategic impact and are material to the Group, but also those that are significant to our key stakeholder groups. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company:

(a) Commitment to creation of a second income stream at Leigh Creek

The Board considers the creation of a second income stream to the Company, particularly where the asset is owned and controlled by the Company, of extremely strategic importance to the Company. However, given the deterioration in the Company's share price through 2020, it has taken the strategic view that the progress of the Leigh Creek Copper Mine into production needs to be funded at the asset level either by debt or equity. Accordingly, the Board and Management have concentrated efforts in sourcing funding in parallel to the PEPR approval process.

(b) Debt reduction

The Board considered the repayment of the vendor finance used for the acquisition of the balance of shares in CRL should be equity funded to reduce risk of insolvency within the Company. This led to the need for an equity issue which was initially planned for March 2020, ahead of the CRL related debt repayment in June 2020. However, the global pandemic resulted in this decision being deferred until June 2020 when market conditions improved.

(c) Progression of Redmoor Tin and Tungsten Project

After consolidating the acquisition of CRL, the Board focused its attention on securing an appropriately resourced joint venture partner that could assist the Company to progress the Redmoor project to the completion of a bankable feasibility study. In so doing, the Board considered that:

- i) The Company should access strategic marketing guidance in securing a suitable joint venture partner. Accordingly, the Company employed NRG Capital to assist in locating and marketing to suitable, potential joint venture partners.
- ii) In order to ensure that cash funding requirements were minimised, the Company accepted that it may, ultimately, retain less than a controlling interest in the project.

STRATEGIC MINERALS PLC

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)***

In making the above principal decisions, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole.

The Strategic Report was approved and authorised for issue by the Board of Directors and was signed on its behalf by:

A handwritten signature in black ink, appearing to read 'John Peters', with a long horizontal flourish extending to the right.

John Peters
Managing Director
28 June 2021.

STRATEGIC MINERALS PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the audited financial statements for Strategic Minerals Plc ("the Company") and its wholly owned subsidiaries ("the Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is a public limited company registered in the UK whose registered office is 27/28 Eastcastle Street, London, W1W 8DH.

The principal activity of the Company is a holding company. The principal activity of the Group is the exploration, development, and operation of mining projects.

A review of the Group's business during the financial year and its likely development is given in the preceding Chairman's Report and Strategic Review.

RESULTS AND DIVIDENDS

The Group recorded a profit after taxation for the year of \$214,000 (2019 loss \$1,230,000).

The Directors do not propose to recommend any distribution by way of dividend for the period ended 31 December 2020.

DIRECTORS

The Directors who served the Company during the period and prior to the release of this report were as follows:

Current Directors

Alan Broome AM	(appointed 2 July 2015)
John Peters	(appointed 21 January 2015)
Peter Wale	(appointed 12 July 2016)
Jeffrey Harrison	(appointed 7 February 2018)

DIRECTORS' INTEREST IN SHARES AND OPTIONS

The persons who held office during the year or at the year-end had the following interests in share capital and options of the Company as detailed below.

The following are the shares held as at the reporting date and as at 31 December 2020 for all Directors and their related parties:

Director	Shares held at reporting date	Shares held 31 December 2020	Shares held 31 December 2019
Peter Wale	76,767,266	76,767,266	58,017,266
John Peters	65,200,000	65,200,000	53,535,714
Alan Broome AM	9,172,319	9,172,319	6,147,319
Jeffrey Harrison	1,669,642	1,669,642	1,669,642

STRATEGIC MINERALS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

DIRECTORS' INTEREST IN SHARES AND OPTIONS *(continued)*

The following are the options held as at the reporting date and as at 31 December 2020 for all Directors:

Director	Options held at reporting date	Options held 31 December 2020	Options held 31 December 2019	Exercise Price pence	Performance milestone 5 day VWAP pence	Expiry Date	Grant Date
Alan Broome AM	-	-	24,000,000	2.75	5.50	30/06/2020	15/02/2018
Alan Broome AM	11,000,000	11,000,000	11,000,000	3.75	7.50	30/06/2021	15/02/2018
Alan Broome AM	5,000,000	5,000,000	5,000,000	5.00	10.00	30/06/2022	15/02/2018
John Peters	-	-	36,000,000	2.75	5.50	30/06/2020	15/02/2018
John Peters	16,500,000	16,500,000	16,500,000	3.75	7.50	30/06/2021	15/02/2018
John Peters	7,500,000	7,500,000	7,500,000	5.00	10.00	30/06/2022	15/02/2018
Peter Wale	-	-	12,000,000	2.75	5.50	30/06/2020	15/02/2018
Peter Wale	11,000,000	11,000,000	11,000,000	3.75	7.50	30/06/2021	15/02/2018
Peter Wale	5,000,000	5,000,000	5,000,000	5.00	10.00	30/06/2022	15/02/2018
Peter Wale	-	-	12,000,000	2.75	5.50	30/06/2020	9/08/2018
Jeffrey Harrison	-	-	12,000,000	2.75	5.50	30/06/2020	9/08/2018
Jeffrey Harrison	5,500,000	5,500,000	5,500,000	3.75	7.50	30/06/2021	9/08/2018
Jeffrey Harrison	2,500,000	2,500,000	2,500,000	5.00	10.00	30/06/2022	9/08/2018

DIRECTORS' REMUNERATION AND SERVICE CONTRACTS

Under their respective service contracts, the officers of the company received fees as detailed in the Directors' Remuneration table in Note 7.

SUBSTANTIAL SHAREHOLDERS

As at 31 May 2021 shareholdings of 3% or more of the issued share capital notified to the Company were:

	Number of 0.1p ordinary shares	Percentage of issued share capital
Charles and Alexandra Manners	91,130,742	4.77
Peter Wale	76,767,266	4.02
John Peters	65,200,000	3.41

Based on the total issued share capital of 1,909,297,949.

POLITICAL CONTRIBUTIONS

There were no political contributions made by the Group during the year ended 31 December 2020 (2019: Nil).

STRATEGIC MINERALS PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

INFORMATION TO SHAREHOLDERS - WEBSITE

The Company has its own website (www.strategicminerals.net) for the purposes of improving information flow to shareholders, as well as to potential investors.

GOING CONCERN

The Directors have given careful consideration to the Group and Parent Company's (together "the Group") ability to continue as a going concern through review of cash flow forecasts prepared by management for the period to 31 December 2022, and a review of the key assumptions on which these are based and sensitivity analysis.

The Group cut costs during 2020 to reduce its overhead expenditure and is maintaining vigilance in preserving cash in response to depressed market conditions due to Covid-19 and its associated impact on commodity prices and capital markets. As at 31 December 2020, the Group had US\$0.83m of cash on hand.

The forecasts show that through the Group's operations at Cobre, there are sufficient funds until December 2022 to meet all operational costs, however additional funds will be required to progress the development of the Leigh Creek Copper Mine and Redmoor projects. Management are actively pursuing such funding and envisage that this will be sourced at the asset level.

The Group is reliant on cash being generated from the Cobre asset in line with forecast. Management has performed reverse stress testing which shows that a 6% reduction in forecast sales would result in a cash deficit in November 2021 without management taking mitigating actions within their control. In addition, management has assumed that the annual renewal of the Group's offtake permit will be rolled over in March 2022, as it has since entering into the underlying offtake agreement.

In the event the Cobre offtake permit rollover is not received or there is a reduction in forecast sales, these conditions indicate a material uncertainty which may cast significant doubt as to the Group and Parent Company'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.

In the event that the further funds are required, the Directors have reasonable expectation that the Group will have access to sufficient resources by way of debt or equity markets. Consequently, the consolidated financial statements have been prepared on a going concern basis.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

INDEMNITY OF OFFICERS

The Group currently maintains insurance to cover against legal action brought against its directors and officers. It evaluates on the appointment of new directors whether an indemnity from the Company for the actions of previous directors is warranted. However, the Group may purchase and maintain, for any Director or officer, insurance against any liability in the near future pending the evolution and complexity of any further new projects undertaken by the Company.

FINANCIAL RISK MANAGEMENT

Refer to Note 3 to the financial statements for further details.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Refer to Note 27 to the financial statements for further details.

PUBLICATION OF ACCOUNTS ON COMPANY WEBSITE

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein.

STRATEGIC MINERALS PLC
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors, at the time of approval of their report, are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

In accordance with section 489 of the Companies Act 2006, a resolution proposing that BDO LLP be reappointed as auditors of the Group will be put to the Annual General Meeting.

By order of the Board



John Peters
Director

28 June 2021.

STRATEGIC MINERALS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website (www.strategicminerals.net) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

STRATEGIC MINERALS PLC
CORPORATE GOVERNANCE STATEMENT

Board of Directors

The aim of the Board is to function at the head of the Group's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value. Regular meetings are held to review the Group's forward planning. The Board currently consists of a Non-Executive Chairman, a Managing Director, an Executive Director and a Non-Executive Director.

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders and, in 2018, formally adopted The QCA Corporate Governance Code (the 'QCAC') after noting that it had, effectively, implemented its content in its previous arrangements.

In addition to the details provided below, governance disclosures can be found at the company's website at www.strategicminerals.net

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Board has developed and enunciated a strategy and business model as detailed on the Company's website at <https://www.strategicminerals.net/company/strategy>.

The Board considers the Company's strategy provides a framework for medium to longer term growth in shareholder value.

The major risks to the Company's overall strategy stem from the potential failure to maintain access to the Cobre magnetite stockpile and over extending its cash requirements.

With respect to the exposure to operating cash flow only from the Cobre magnetite stockpile, the Board actively embarked on a search for a near term cash flow asset in our preferred mineral suite. With the addition of Leigh Creek Copper Mine, the Board feels it has, to a large extent, mitigated this risk, although it has now developed a new risk associated with the re-commencement of operations at Leigh Creek Copper Mine. Again, Management and the Board have sought to address such concerns through ensuring that sufficient resources are allocated to the project to give it the greatest chance of success.

In relation to cash flow management of the Company, Management and the Board closely monitor existing and expected cash flow resources and plans for committing these to project development and covering of corporate overheads. Additional to this, the Board regularly is in contact with market participants to ensure that sufficient interest is maintained in the market and that the Company can, generally, raise funding as required.

A consideration of broader risks of the Company can also be found at pages 9 to 11 of this report and the financial instruments note 3 of these financial statements.

Principle 2: Seek to understand and meet shareholder needs and expectations

Shareholder input and communication has been actively sought by the Board through direct contact with shareholders at both the Annual General Meeting, shareholder information evenings (sometimes combined with the Annual General Meeting), monitoring of social media platforms, regular RNS releases, interviews on both Proactive Investors and Vox Markets (including occasional shareholder Q & A sessions) and direct one on one meetings with larger investors. At all times, due regard is given to the price sensitive nature of comments.

All shareholders are encouraged to attend the Company's Annual General Meeting and investors have access to current information on the Company through its website and via the info@strategicminerals.net email address.

STRATEGIC MINERALS PLC

CORPORATE GOVERNANCE STATEMENT *(continued)*

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

As the Company is involved in the mining industry, the Board is highly cognisant of its responsibility not only to shareholders but in the broader community. As such, it has adopted a policy to ensure adequate community consultation is undertaken in the areas where we operate. Notably, in New Mexico USA, Cornwall UK and Leigh Creek Australia, communication with local residents and active involvement in the community has been encouraged. Additionally, the Company has a policy to, where possible, employ local residents when undertaking operations. To date, this has proven highly successful with all locations recording either none or extremely low levels of community dissent.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Company regularly reviews the principal risks that face the business and assesses appropriate responses to mitigate and, where possible, eliminate potential adverse impact.

The Board is constantly undertaking a review of risk and, as a mining company, has adopted and engendered a safety culture within the Company to ensure that personnel safety is considered above financial reward.

Information in relation to the Key Risks and Uncertainties that are relevant to the group are set on page 9-11 of this report.

Board Committees

The Board has established separate sub-committees around audit (chaired by Alan Broome AM) and remuneration within the Company (chaired by Alan Broome AM) shared by the entire Board, excluding the Managing Director. Additionally, a separate safety sub-committee (chaired by Alan Broome AM) operates with both Alan Broome AM and Jeffrey Harrison comprising its membership.

Given the composition of the Board and the size of the Company, it is felt a separate Nomination Committee is not yet warranted. However, as the Company's operations expand, the Board will monitor this aspect of operations and will respond accordingly. The Board collectively undertakes the function of such a committee and where conflicts arise the Directors exclude themselves from voting on such matters.

Further information on the Company's Remuneration, Safety and Audit Committees and their policies are set out under Principle 9 below.

Member details of the sub committees as at the date of this report are:

Members	Remuneration Committee	Safety Committee	Audit Committee
Mr Alan Broome AM - Non-Executive Chairman	✓ Chair	✓ Chair	✓ Chair
Mr Peter Wale - Executive Director	✓		✓
Mr Jeffrey Harrison -Non-Executive Director	✓	✓	✓
Mr John Peters - Managing Director			

STRATEGIC MINERALS PLC

CORPORATE GOVERNANCE STATEMENT *(continued)*

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the chair

There are currently four (4) Board Directors (two of which are non-executive) and the Board considers that, at this time, this is appropriate to the Company's current level of operations, although this is reviewed formally at least annually. The Board is considered well balanced in that:

- Mr Alan Broome AM, the Non-Executive Independent Chairman, provides a sounding board for corporate strategy, a wealth of mining experience, is a metallurgist by training and is highly experienced in corporate governance. As such Alan is not involved with the day to day operations of the Company and provides guidance at the Board level. It is Management (notably John Peters and Peter Wale) who have the responsibility to formulate overall strategy, propose it to the Board, adjust the strategy for Board feedback and then enact the approved strategy.
- John Peters, the Managing Director, brings in-depth strategic management and investment banking experience. His practical management has helped to focus the Company and its consultants on the overall strategy while managing the hands on, day to day management.
- Peter Wale, the Executive Director, provides an invaluable bridge to shareholders providing insights into shareholder requirements as well as monitoring and handling media aspects. Peter, along with John Peters, manage the Company's interface with shareholders, media and the investment community. Peter has also undertaken an executive role in the management of Cornwall Resources Limited.
- Jeffrey Harrison, the Non-Executive Director, provides practical mining operational skills to ensure appropriate review of development plans and has contributed to the safety culture within the Company and maintains complete independence in reviewing decisions. Jeff performs this role divorced from the running of the Company and, as such, is considered independent when performing his duties as a Director.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

Attendance at Board and Committee Meetings

The Board aims to meet at least eight times a year and as required from time to time to consider specific issues required for decision by the board.

The Company held 8 Board meetings and a number of sub-committee meetings during the reporting period and the number of meetings attended by each of the Directors of the Company during the year to 31 December 2020 were:

Director	Capacity	Board Meetings	Remuneration Committee	Audit Committee	Safety Committee
A Broome AM	Non-Executive	8	1	1	6
J Peters	Executive	8	n/a	n/a	n/a
P Wale	Executive	8	1	1	n/a
J Harrison	Non-Executive	8	1	1	6

The directors attended all board meetings and committee meetings that they were eligible and required to attend.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

STRATEGIC MINERALS PLC

CORPORATE GOVERNANCE STATEMENT *(continued)*

Time Commitment of Directors.

The Managing Director is employed by the Group on a full-time basis, whereas Mr Wale (Executive Director) and the Non- Executive Directors are remunerated on fixed fee part time basis and are remunerated for hours over and above their normal duties.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Biographies for the Directors can be found in the 'Board of Directors and Corporate Management' section of the company website at <https://www.strategicminerals.net/company/our-team.html>

The Board is not dominated by one person or group of people.

The Board undertakes regular reviews of its capacity to guide the Company in seeking to implement the Company's strategy. The appointment of Jeff Harrison in February 2018 illustrates how the Board, realising the need to increase its collective mining operational experience added a fourth Director with such skills. The Board also reviews periodically the appropriateness and opportunity for continuing professional development whether formal or informal.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary, Chief Financial Officer, Company's NOMAD, lawyers and auditors.

Re-election of Directors

The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

Principle 7: Evaluate the Board performance based on clear and relevant objectives, seeking continuous improvement

Given the size of the Company and the small but critical nature of the roles of the Directors, board performance measures have not been independently developed. The Company relies upon the market and shareholder feedback to assess the Board's performance.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Directors recognise that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board seeks to embody and promote a corporate culture that is based on sound ethical values as it believes the tone and culture set by the Board impacts all aspects of the Company, including the way that employees and other stakeholders behave.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

The formation of the Safety Committee and the manner in which options are allocated to Directors and key management/consultants has created a team environment in which the running of the company is aligned with medium to longer term shareholder goals.

These measures enable the Company to determine that ethical values and behaviours are recognised and respected.

STRATEGIC MINERALS PLC

CORPORATE GOVERNANCE STATEMENT *(continued)*

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

As a resource development company, the Board considers the crucial governance structures and processes revolve around Safety and Audit.

Safety Committee

Safety is a critical matter, particularly given the capacity for harm to employees and consultants. The purpose of the Safety committee is to ensure that our vision, to provide a safe workplace where no harm comes to anyone, is applied at all of the Company's locations and that a culture of Safety pervades throughout the organisation.

The Company believes that all reasonable efforts should be undertaken to ensure incidents are prevented, management have ultimate accountability for health and safety but everyone on site has a responsibility to ensure no one comes to harm and employees have the responsibility to stop any job or activity they believe is unsafe and could cause harm to people.

The Safety Committee attempts to monitor, and report to the full Board, on the achievement of the Company in devoting the necessary resources needed to create a working environment, both physically and supervisory, in which our people and others under our influence and control can work without sustaining injury or suffering ill health; ensuring no business target takes priority over health and safety; using risk assessments to identify hazards and unsafe behaviours and introduce actions to reduce the risk to acceptable levels; investigating and reporting all accidents and dangerous occurrences and preventing future incidents; setting safety targets with the aim of preventing incidents and accidents and communicate the performance to all employees; ensuring all employees are competent to carry out the tasks assigned to them by providing the relevant information, instruction, training and supervision required; encouraging everyone to contribute to working safely and preventing accidents; designing, constructing, operating and maintaining all equipment, buildings and structures to ensure a safe operation; and comply with all current legislation and codes of practice.

Audit Committee

The purpose of the Audit Committee is to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the QCAC and to maintain an appropriate relationship with the Company's auditors. The key terms are as follows:

- to monitor the integrity of the financial statements of the Company and Group, and any formal announcement relating to the Company's performance.
- to monitor the effectiveness of the external audit process and make recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors;
- to keep under review the relationship with the external auditors including (but not limited to) their independence and objectivity;
- to keep under review the effectiveness of the Company's financial reporting and internal control policies and systems;
- to review key judgements and estimates relating to the impairment assessment of project assets – LCCM, CRL and
- to assess the ability of the group to remain a going concern.

Further details of board committees are given under Principle 5 above.

STRATEGIC MINERALS PLC

CORPORATE GOVERNANCE STATEMENT *(continued)*

Securities Trading

The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is compliant with the Market Abuse Regulation (EU) No 596/2014 ("MAR") and appropriate for an AIM company. The Directors will comply with MAR and AIM Rule 21 relating to dealings and will take all reasonable steps to ensure compliance by persons discharging managerial responsibility ("PDMR") and persons closely associated with them.

Suitability of governance structures

The Board intends that the Company's governance structures evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Directors believe a healthy dialogue exists between the Board, the Company's shareholders and other stakeholders. The Board regularly has reports on shareholder feedback through summary of social media comments, shareholder information evenings and undertakes site visits and customer visits throughout the year.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The outcomes of all shareholder votes are disclosed in a clear and transparent manner via a regulatory information service, such as RNS of the London Stock Exchange.

The Company includes historical annual reports, notices of general meetings and RNS announcements over the last five years on its website. The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

The Company will include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

Impact on the Group of Covid-19

The global, social and economic impact of Covid-19 have been significant. Uncertainty remains as to the long-term implications of the pandemic as the Company continues to closely monitor governmental guidance in our various locations.

The Directors recognise that the current macro-economic environment continues to result in limited or more expensive sources of funding. However, as per its adoption of a going concern concept for the financial statements, the Board considers that funding required to maintain operations is available but notes that development capital may need to be deferred.

As per its strategy, the Board has invested in projects that relate to metals expected to increase in demand and price over the medium term. In line with the spread of Covid-19, commodity prices see-sawed during 2020, initially falling then, ultimately, rising to levels much higher than pre-pandemic pricing. This has now provided the impetus for the Company to seek joint venture participants to progress both Leigh Creek and Redmoor. This is especially the case for Leigh Creek as current copper prices are more than US\$1lb over the prices used in our feasibility studies. As foreshadowed in last year's annual report, it appears likely that the Board's expectations that the copper price and the Australian exchange rate would demonstrate the attractiveness of the project by the time Leigh Creek is funded and in full operations.

Operations at Cobre continue to be adjusted to ensure contactless supply to our customers and, as at the end of May 2021, demand remains strong at Cobre's operations.

The Company's early efforts to reduce costs and has enabled the Company to best position itself to manage any longer term impacts of the pandemic although the Company continues to focus on near term fiscal, operational and regulatory matters.

The Group will consequently carefully review any capital asset investment decisions and take further action to reduce costs if necessary. As the pandemic continues, clearly the priority for the Company remains the safety, health and wellbeing of our employees and wider stakeholders.

STRATEGIC MINERALS PLC

AUDIT COMMITTEE REPORT

This report addresses the responsibilities, the membership, and the activities of the Audit Committee in 2020 up to the approval of the 2020 Annual Report and 2020 year-end Financial Statements.

Responsibilities

The main responsibilities of the Audit Committee are the following:

- 1) monitor the integrity of the annual and interim financial statements;
- 2) Review the effectiveness of financial and related internal controls and associated risk management;
- 3) Manage the relationship with our external auditors including plans and findings, independence, and assessment regarding reappointment.

Membership

Members of the Audit Committee are Alan Broome AM, Peter Wale (Chairman) and Jeffrey Harrison.

Activities in 2020

With regard to the 2020 year-end Audit, the committee has reviewed the following key audit matters:

- 1) Going Concern

The Directors have given careful consideration to the Group and Parent Company's (together "the Group") ability to continue as a going concern through review of cash flow forecasts prepared by management for the period to 31 December 2022, and a review of the key assumptions on which these are based and sensitivity analysis.

The Group cut costs during 2020 to reduce its overhead expenditure and is maintaining vigilance in preserving cash in response to depressed market conditions due to Covid-19 and its associated impact on commodity prices and capital markets. As at 31 December 2020, the Group had US\$0.83m of cash on hand.

The forecasts show that through the Group's operations at Cobre, there are sufficient funds until December 2022 to meet all operational costs, however additional funds will be required to progress the development of the Leigh Creek Copper Mine and Redmoor projects. Management are actively pursuing such funding and envisage that this will be sourced at the asset level.

The Group is reliant on cash being generated from the Cobre asset in line with forecast. Management has performed reverse stress testing which shows that a 6% reduction in forecast sales would result in a cash deficit in November 2021, without management taking mitigating actions within their control. In addition, management has assumed that the annual renewal of the Group's offtake permit will be rolled over in March 2022, as it has since entering into the underlying offtake agreement.

In the event the Cobre offtake permit rollover is not received or there is a reduction in forecast sales, these conditions indicate a material uncertainty which may cast significant doubt as to the Group and Parent Company'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.

In the event that the further funds are required, the Directors have reasonable expectation that the Group will have access to sufficient resources by way of debt or equity markets. Consequently, the consolidated financial statements have been prepared on a going concern basis.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

STRATEGIC MINERALS PLC

AUDIT COMMITTEE REPORT *(continued)*

1) Impairment Assessments

The Committee has reviewed the judgements surrounding the impairment assessments required under IAS36 for LCCM and IFSR6 for CARE, CRL.

- CARE: The Group reduced the carrying amount of the asset to nil in 2019 and recognised an impairment loss. Further expenditure in 2020 has been expensed.
- CRL: The Redmoor projects are early-stage exploration projects. The Committee is satisfied that results from exploration activity provide sufficient evidence of the continued prospectivity of the asset. Accordingly, no impairment indicators have been identified.
- LCCM: The Committee is satisfied that the fair value of the Development Asset is greater than or equal to its carrying value, therefore no impairment is provided.
- The assessment of the financial model for the project included review of the following key elements.
- 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

Conclusion

In 2021 and beyond, the Committee will continue to adopt the new reporting and regulatory requirements and ensure that the system of internal controls is both maintained and regularly reviewed for improvement. The Committee will also continue to review group assets for triggers that may indicate impairment and closely monitor the financial risks faced by the business and progress made towards mitigating these.

For and on behalf of the Audit Committee



Alan Broome AM
28th June 2021
Chair of Audit Committee

STRATEGIC MINERALS PLC

REMUNERATION COMMITTEE REPORT

This remuneration report has been prepared by the Remuneration Committee and approved by the Board. The report for 2020 sets out the details of remuneration for the Directors and discloses the amounts paid during the year.

Membership

Members of the of the Remuneration Committee are Alan Broome AM (Chairman) Peter Wale and Jeffrey Harrison. Other Directors are invited to attend as appropriate provided they do not have a conflict of interest. The aim of the Remuneration Committee is to attract, retain and motivate the executive management of the Company and to offer the opportunity for employees to participate in share option schemes to incentivise employees to enhance shareholder value.

Director Remuneration

Compensation for Directors who held office during the year is as follows:

2020	Directors' Salary and fees 2020 \$'000	Consultancy fees 2020 \$'000	Bonus 2020 \$'000	Share based payments 2020 \$'000	Total 2020 \$'000
A Broome AM	63	-	-	49	112
J Peters	12	139	-	73	224
P Wale	61	-	-	39	100
J Harrison	9	23	-	8	40
J Harrison - Capitalised Fee*	-	17	-	-	17
Total	145	179	-	169	493

2019	Directors' Salary and fees 2019 \$'000	Consultancy Fees 2019 \$'000	Bonus 2019 \$'000	Share based payments 2019 \$'000	Total 2019 \$'000
A Broome AM	78	-	-	76	154
J Peters	13	173	191	114	491
P Wale	77	-	-	59	136
J Harrison	12	29	-	13	54
J Harrison - Capitalised Fee*	-	6	-	-	6
Total	180	208	191	262	841

During 2019, Directors took a significant amount of their cash remuneration by applying this to the exercise price of their vested options (J Peters \$205,000, A Broome AM \$16,000). Additionally, in 2019, P Wale purchased, on market, 3,514,942 shares @ 0.71p and, in early March 2020 J Peters acquired, on market, 3,464,286 at 0.5348p.

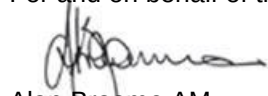
During 2020, the Directors purchased the following on market shares at @0.40p.

J Peters - 8,200,000, P Wale-18,750,000 and A Broome AM -3,025,000.

J Harrison provides consultancy services for CRL. This expenditure is capitalised as part of Deferred Exploration and Evaluation Expenditure.

Going forward into 2021 and beyond, the Committee and I will remain focused on ensuring that reward at the Company continues to be closely aligned with the delivery of long term shareholder value.

For and on behalf of the Remuneration Committee



Alan Broome AM
28 June 2021
Chair of Remuneration Committee

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATEGIC MINERALS PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Strategic Minerals plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise of the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and the Company statement of cash flows, the Consolidated and the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the group's funding position is reliant on the Cobre offtake permit being rolled over and sales being generated in line with forecast. As stated in note 1, these condition, along with other matters set out in note 1, indicate a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our audit procedures in response to this key audit matter included the following:

- We assessed the directors' base case cash flow forecasts, including their assessment of potential risks and uncertainties associated with the current and any future trading at the group's only cash generating asset in the US.
- We compared recent sales information to the director's forecast to assess the reasonableness of price and volume assumptions, and we compared forecast operating cost cash flows to current run rates.

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

- We reviewed Management's sensitivity analysis and conducted our own sensitivities on the cash flow forecast to consider the available headroom under different reasonably possible scenarios, including assessing the validity of mitigating factors available to the Group.
- We reviewed Management's reverse stress tests to determine the point at which liquidity breaks and considered whether such scenarios were possible.
- We discussed with Management and the Board the Group's strategy to access capital to fund its discretionary development plans.
- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the directors' assessment of the going concern basis of preparation and the disclosure of the material uncertainties.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	<i>100% (2019: 100%) of Group profit before tax</i>		
	<i>100% (2019: 100%) of Group revenue</i>		
	<i>99% (2019: 99%) of Group total assets</i>		
Key audit matters		2020	2019
	Going Concern	✓	✓
	Carrying value of Leigh Creek	✓	✓
	Carrying value of Exploration and Evaluation assets	✓	
Materiality	<i>Group financial statements as a whole</i>		
	\$216,000 (2019: \$200,000) based on 1.5% (2019: 1.5%) of Total Assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's principal operating locations being Australia (Leigh Creek Copper Mine Pty Ltd, "LCCM"), USA (Strategic Minerals Group LLC, "SMG") and the United Kingdom (Cornwall Resources Limited "CRL" and Strategic Minerals Plc "SML, Parent Company").

LCCM, SMG, CRL and SML were regarded as being significant components of the Group, which were selected, based on their size and risk characteristics and were subject to full scope audits.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures.

The audits of each component were performed in the United Kingdom and were conducted by the Group engagement team.

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter identified in the material uncertainty related to going concern section above we determined that the following were key audit matters.

Key Audit Matter	Carrying value of Leigh Creek As detailed in Note 2: Significant Accounting Policies and Note 12: Property, Plant and Equipment, the carrying value of the group's Property, plant and equipment assets amounted to US\$7.3 million and represents capitalised development expenditure on the Leigh Creek Copper Mine ("LCCM"), ("Development asset"). Management are required to assess at least annually, whether there is any indication that the group's development assets may be impaired. Management are required to perform a detailed assessment if there are indicators of potential impairment. As disclosed in Note 2, improved forecast copper pricing and a favourable exchange rate movement indicate that the expected project value has increased from the prior year. As disclosed in Note 2 and Note 12, the assessment of the recoverable value of the Development asset requires significant judgment and estimates to be made by management – in particular regarding the inputs applied in the models including; forecast copper prices, exchange rates production and reserves, discount rates and operating and development costs. The carrying value of the Leigh Creek development asset is therefore considered a key audit matter given the level of judgment and estimation involved.
How we addressed the key audit matter in the audit	Our procedures in relation to management's assessment of the carrying value of LCCM included, but were not limited to the following: • We reviewed Management's assessment of indicators of impairment for LCCM and considered the requirements of IAS36 Impairment of assets. • We reviewed the license documentation and confirmed that valid licenses exist and that the Group is in compliance with license terms. • We challenged the key estimates and assumptions applied in the valuation model prepared by management's expert. This included the following: - Comparing the key inputs in the current year impairment model against the impairment model reviewed in the prior year and considered the basis for any changes in inputs used by Management. - Comparing forecast copper pricing against market consensus pricing. - Analysing management's discount rate. We recalculated the discount rate using empirical data to assess the reasonableness of management's discount rate. - Comparing foreign exchange rate assumptions to market consensus forecasts - Assessing the methodology applied and the consistency of the fair value less cost to sell method used against the requirements of International Accounting Standards ("IAS") 36 Impairment of Assets, and the mathematical accuracy of management's model.

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

	- Assessing the objectivity and competence of management's internal expert who prepared estimates input into the valuation model. - We reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs including the copper price, exchange rate, operating costs and discount rate, together with a combination of sensitivities over such inputs. - We assessed the adequacy of the disclosures contained within notes 2 and 12 of the financial statements against the requirements of the relevant underlying accounting framework and confirmed that related policies, judgements and estimates were adequately disclosed. Key observation: Based on the work performed we found management's assessment of the carrying value of LCCM to be reasonable. We found the disclosures in the financial statements to be appropriate.
Key Audit Matter	Carrying value of Exploration and Evaluation assets As detailed in Note 10, the group's capitalised exploration expenditure in Cornwall Resources Limited ("CRL") amounted to \$4.9m at year-end. The Directors have assessed whether there are any indications that these assets may be impaired in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources. Due to the value attributed to the assets and the significant level of judgement involved in the impairment analysis, the carrying value of Exploration and Evaluation assets is considered to be a key audit matter.
How we addressed the key audit matter in the audit	Our procedures included, but were not limited to the following: - Reviewing Management's indicators of impairment assessment for CRL in accordance with the requirements of IFRS6. This included the performing the following procedures: - We reviewed the Group's licence documentation to confirm that the Group has valid tenure over its area of interest. - We discussed with management the exploration activity undertaken during the year to assess if there are any facts or circumstances that would indicate that the project is uneconomic or unlikely to be developed. - We obtained future budgets and minutes of meetings to confirm that there is an intention to continue to explore the project area. - We also assessed the adequacy of the disclosures contained within the financial statements against the requirements of the accounting standards. Key observation: Based on the work performed we found management's assessment of the carrying value of CRL to be reasonable. We found the disclosures in the financial statements to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 \$	2019 \$	2020 \$	2019 \$
Materiality	216,000	200,000	132,000	108,000
Basis for determining materiality	1.5% of Total Assets	1.5% of Total Assets	1.5% of Total Assets	1.5% of Total Assets
Rationale for the benchmark applied	We consider total assets to be the most significant determinant of the Group's financial performance used by members. The Group has invested significant sums on its Development and Exploration assets and these are considered to be the key value driver for the Group as its assets are an indicator of future value to shareholders		The Company is a holding company which performs fund raising activities and incurs other administrative expenditure. As the strategic focus of the Company is monetising its asset base we have determined that an asset based materiality is the appropriate basis of materiality.	
Performance materiality	162,000	150,000	99,000	81,000
Basis for determining performance materiality	Performance materiality was set at 75% of the above materiality level as all the work on the significant components and components of the Group was undertaken by the Group engagement team and the level of prior year adjustments was immaterial		Performance materiality was set at 75% of the above materiality level as all the work on the significant components and components of the Group was undertaken by the Group engagement team and the level of prior year adjustments was immaterial	

Component materiality

We set materiality for each component of the Group based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$114,000 to \$132,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$3,000 (2019: \$4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Report of the directors' have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent Company financial statements are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

STRATEGIC MINERALS PLC

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
- Gaining an understanding of the laws and regulations relevant to the Group and the industry in which it operates, through discussion with management and our knowledge of the industry. These included the the listing rules, financial reporting framework, UK Companies Law, tax legislation and environmental regulations in the UK, USA and Australia;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. In response our procedures included, but were not limited to;
 - Agreeing the financial statement disclosures to underlying supporting documentation;
 - Addressing the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud;
 - Assessing areas of the Financial Statements which include judgement and estimates, as set out in note 2 to the financial statements and in our Key audit matters section above and evaluated whether there was evidence of bias by the directors;
 - Made of enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to the Financial Statements;
 - Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



DA402F69E4M54AC

Peter Acioque (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London
United Kingdom

28 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STRATEGIC MINERALS PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Revenue	4	3,025	2,488
Other Revenue	5	-	900
Raw materials and consumables used		(562)	(511)
Gross profit		2,463	2,877
Other Income	6	155	-
Impairment Charge	6	-	(1,122)
Overhead expenses	6	(1,872)	(2,266)
Other expenses	6	(222)	(244)
Profit (Loss) from operations		524	(755)
Finance Expense	6	(65)	(52)
Lease Interest	6	(9)	-
Share of post-tax loss of equity accounted joint arrangements	11	-	(38)
Profit (loss) before taxation		450	(845)
Income tax charge	8	(236)	(385)
Profit (loss) for the period attributable to the owners of the parent		214	(1,230)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain arising on translation of foreign operations		876	227
Total comprehensive income (loss) attributable to the owners of the parent		1,090	(1,003)
Profit (loss) per share attributable to the ordinary equity holders of the parent:			
Basic	9	¢0.14	(¢0.86)
Diluted	9	¢0.14	(¢0.86)

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

STRATEGIC MINERALS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000 <i>(Restated, note 1)</i>
Assets			
Non-current assets			
Other Intangible Asset	10	616	560
Exploration and evaluation assets	10	5,026	4,567
Property, plant, and equipment	1, 12	7,351	6,465
Right of Use Assets	20	78	-
Other Receivables	14	155	140
		<u>13,226</u>	<u>11,732</u>
Current assets			
Inventories	13	3	3
Trade and other receivables	14	330	948
Prepayments	14	16	132
Cash and cash equivalents	15	833	519
		<u>1,182</u>	<u>1,602</u>
Total Assets		<u>14,408</u>	<u>13,334</u>
Equity and liabilities			
Share capital	21	2,770	2,203
Share premium reserve	21	49,010	47,415
Share options reserve	22	272	543
Merger reserve		21,300	21,300
Foreign exchange reserve		345	(667)
Warrant reserve	21	153	-
Other reserves		(23,023)	(23,023)
Retained earnings		(37,275)	(37,800)
Total Equity		<u>13,552</u>	<u>9,971</u>
Liabilities			
Non-current Liabilities			
Provision	1, 18	439	395
Lease Liabilities	20	22	-
		<u>461</u>	<u>395</u>
Current liabilities			
Income Tax payable	8	21	406
Trade and other payables	16	316	451
Loans and other borrowings	17	-	2,111
Lease Liabilities	20	58	-
		<u>395</u>	<u>2,968</u>
Total Liabilities		<u>856</u>	<u>3,363</u>
Total Equity and Liabilities		<u>14,408</u>	<u>13,334</u>

These financial statements were approved and authorised for issue by the Board of Directors on 28th June 2021. and were signed on its behalf by:


John Peters
Director

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

STRATEGIC MINERALS PLC

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	2020 \$'000	2019 \$'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	11	4,561	4,397
Loans to subsidiary undertakings	11	3,807	2,782
		8,368	7,179
Current assets			
Trade and other receivables	14	39	40
Cash and cash equivalents	15	394	3
		433	43
Total Assets		8,801	7,222
Equity and liabilities			
Share capital	21	2,770	2,203
Share premium reserve	21	49,010	47,415
Share options reserve	22	272	543
Merger reserve		21,300	21,300
Foreign exchange reserve		(1,153)	(1,500)
Warrant Reserve	22	153	-
Retained earnings		(64,493)	(64,541)
Total Equity		7,859	5,420
Liabilities			
Non -Current Liabilities			
Loans from Subsidiary undertakings	18	827	-
Current liabilities			
Loans and Borrowings	17	-	1,692
Trade and other payables	16	115	110
Total Liabilities		942	1,802
Total Equity and Liabilities		8,801	7,222

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent Company is not presented as part of these financial statements. The parent Company made a loss for the year of \$399,000 (2019: \$2,091,000).

These financial statements were approved and authorised for issue by the Board of Directors on 28th June 2021. and were signed on its behalf by:


John Peters
Director

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

STRATEGIC MINERALS PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Cash flows from operating activities			
Profit/(loss)		214	(1,230)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	15	17
Amortisation of Right of Use	20	152	-
Profit/Loss on financial assets held at fair value through profit or loss		-	(13)
Impairment of Deferred Exploration and Expenditure	10	-	1,122
Share of equity loss	11	-	38
Finance expense		65	52
Income Tax expense	8	236	385
Decrease in inventory		-	1
Decrease (increase) in trade and other receivables		746	(119)
Decrease (increase) in prepayments		116	(33)
(Decrease)/ increase in trade and other payables		(171)	438
(Decrease)/ increase in prepaid income tax		(98)	-
Decrease in deferred revenue		-	(900)
Income tax paid		(522)	(46)
Share based payment expense	22	176	275
Net cash generated from/ (used in) operating activities		929	(13)
Investing activities			
Increase in PPE development asset	12	(251)	(2,293)
Receipt of research and development incentive		41	515
Increase in exploration and evaluation assets	10	(348)	(316)
Increase in PPE	12		(265)
Acquisition of exploration and evaluation intangible asset	11	-	(205)
Investments in joint arrangements	11	-	(33)
Sale of financial assets held at fair value through profit or loss		-	33
Net cash used in investing activities		(558)	(2,564)
Financing activities			
Net proceeds from issue of equity share capital	21	2,256	1,059
Proceeds from borrowings		-	400
Lease payments	20	(176)	-
Repayment of borrowings	17	(2,140)	(206)
Net cash generated from financing activities	23	(60)	1,253
Net increase \ (decrease) in cash and cash equivalents		311	(1,325)
Cash and cash equivalents at beginning of year		519	1,840
Effects of exchange rate changes on the balance of cash held in foreign currencies		4	4
Cash and cash equivalents at end of year	15	833	519

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

STRATEGIC MINERALS PLC

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Cash flows from operating activities			
Profit / (loss)		(399)	(2,091)
<i>Adjustments for:</i>			
Impairment to investment in subsidiary undertakings	11	6	1,033
Charge (Write back) of receivables from subsidiary undertakings	11	357	(19)
(Increase)/decrease in trade and other receivables		(481)	234
Increase in trade and other payables		5	223
Decrease (increase) in prepayments		-	(16)
Share based payment expense		176	275
Net cash used in operating activities		(336)	(361)
Investing activities			
Investments in joint arrangements	11	-	(33)
Acquisition of subsidiary undertaking	11	-	(206)
(Advances) to subsidiary undertakings		(1,532)	(557)
Net cash used in investing activities		(1,532)	(796)
Financing activities			
Net proceeds from issue of equity share capital	21	2,256	1,059
Repayment of Borrowings	17	-	(206)
Net cash generated from financing activities	25	2,256	853
Increase/(decrease) in cash and cash equivalents		388	(304)
Cash and cash equivalents at beginning of year		3	304
Effects of exchange rate changes on the balance of cash held in foreign currencies		3	3
Cash and cash equivalents at end of year	16	394	3

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

STRATEGIC MINERALS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital \$'000	Share premium reserve \$'000	Merger Reserve \$'000	Warrant 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	2,095	46,213	21,232	-	330	(23,023)	(894)	(36,632)	9,321
Loss for the year	-	-	-	-	-	-	-	(1,230)	(1,230)
Foreign exchange translation	-	-	-	-	-	-	227	-	227
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	227	(1,230)	(1,003)
Share based payments	-	-	-	-	275	-	-	-	275
Transfer	-	-	-	-	(62)	-	-	62	-
Shares issued in the year	108	1,273	68	-	-	-	-	-	1,449
Share issue costs	-	(71)	-	-	-	-	-	-	(71)
Balance at 31 December 2019	2,203	47,415	21,300	-	543	(23,023)	(667)	(37,800)	9,971
Profit for the year	-	-	-	-	-	-	-	214	214
Foreign exchange translation	-	-	-	-	-	-	876	-	876
Total comprehensive income for the year	-	-	-	-	-	-	876	214	1090
Share based payments	-	-	-	-	176	-	-	-	176
Transfer	-	-	-	-	(447)	-	-	447	-
Shares issued in the year	567	1,865	-	153	-	-	-	-	2,585
Share issue costs	-	(270)	-	-	-	-	-	-	(270)
Balance at 31 December 2020	2,770	49,010	21,300	153	272	(23,023)	209	(37,139)	13,552

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

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

STRATEGIC MINERALS PLC

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital \$'000	Share Premium Reserve \$'000	Merger reserve \$'000	Warrant Reserve \$'000	Share Options Reserve \$'000	Foreign exchange reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 January 2019	2,095	46,213	21,231	-	330	(1,508)	(62,512)	5,850
Loss for the year	-	-	-	-	-	-	(2,091)	(2,091)
Foreign exchange translation	-	-	-	-	-	8	-	8
Total comprehensive loss for the year						8	(2,091)	(2,083)
Share based payments	-	-	-	-	275	-	-	275
Transfer	-	-	-	-	(62)	-	62	-
Shares issued in the year	108	1,273	69	-	-	-	-	1,449
Share issue costs	-	(71)	-	-	-	-	-	(71)
Balance at 31 December 2019	2,203	47,415	21,300		543	(1,500)	(64,541)	5,420
Loss for the year	-	-	-	-	-	-	(399)	(399)
Foreign exchange translation	-	-	-	-	-	484	-	484
Total comprehensive profit for the year						484	(399)	85
Share based payments	-	-	-	-	176	-	-	176
Transfer	-	-	-	-	(447)	-	447	-
Shares issued in the year	567	1,865	-	153	-	-	-	2,585
Share issue costs	-	(270)	-	-	-	-	-	(270)
Balance at 31 December 2020	2,770	49,010	21,300	153	272	(1,016)	(64,493)	7,996

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

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

STRATEGIC MINERALS PLC

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Share capital is the amount subscribed for shares at nominal value.

Share premium reserve represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

Merger reserve arises from the 100% acquisition of Ebony Iron Pty Limited in September 2011 and LCCM In April 2018 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve, in accordance with section 612 of the Companies Act 2006.

Share option reserve relates to increases in equity for services received in equity-settled share-based payment transactions and on the grant of share options.

Initial restructure reserve consists of an adjustment arising from the Group reorganisation in 2011 being the formation of a new holding Company for Iron Glen Holdings Limited by way of a share for share issue and is the difference between consideration given and net assets of the Company at the date of acquisition.

The group foreign exchange reserve occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate.

The company foreign exchange reserve recognises the exchange differences arising on translating the closing net assets of the Company at the closing rate at the balance sheet date, and the results of Company's operations at average exchange rate for the year.

Warrants reserve represents the value of warrants issued. Warrants reserve is non-distributable and will be transferred to share premium account upon the exercise of warrants. The balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Significant accounting policies

Basis of preparation

In preparing these financial statements the presentational currency is US dollars. As the entire group's revenues and majority of its costs, assets and liabilities are denominated in US dollars it is considered appropriate to report in this currency.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The financial statements have been prepared on a historical cost basis, except for the acquisition of LCCM and the valuation of certain investments which have been measured at fair value, not historical cost.

Going concern basis

The Directors have given careful consideration to the Group and Parent Company's (together "the Group") ability to continue as a going concern through review of cash flow forecasts prepared by management for the period to 31 December 2022, and a review of the key assumptions on which these are based and sensitivity analysis.

The Group cut costs during 2020 to reduce its overhead expenditure and is maintaining vigilance in preserving cash in response to depressed market conditions due to Covid-19 and its associated impact on commodity prices and capital markets. As at 31 December 2020, the Group had US\$0.83m of cash on hand.

The forecasts show that through the Group's operations at Cobre, there are sufficient funds until December 2022 to meet all operational costs, however additional funds will be required to progress the development of the Leigh Creek Copper Mine and Redmoor projects. Management are actively pursuing such funding and envisage that this will be sourced at the asset level.

The Group is reliant on cash being generated from the Cobre asset in line with forecast. Management has performed reverse stress testing which shows that a 6% reduction in forecast sales would result in a cash deficit in November 2021, without management taking mitigating actions within their control. In addition, management has assumed that the annual renewal of the Group's offtake permit will be rolled over in March 2022, as it has since entering into the underlying offtake agreement.

In the event the Cobre offtake permit rollover is not received or there is a reduction in forecast sales, these conditions indicate a material uncertainty which may cast significant doubt as to the Group and Parent Company'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.

In the event that the further funds are required, the Directors have reasonable expectation that the Group will have access to sufficient resources by way of debt or equity markets. Consequently, the consolidated financial statements have been prepared on a going concern basis.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1 Significant accounting policies *(continued)*

Adoption of standards effective in 2020

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2020. Below is a list of the new standards which impacted the Group, where appropriate these new standards have been incorporated into the Financial Statements:

New standards, interpretations, and amendments effective 01 January 2020:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that 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

New standards, interpretations and amendments effective 01 June 2020:

- Covid -19- Related Rent Concessions – Amendment to IFRS 16

The group has assessed the impact of these new accounting standards and amendments and they have not had an impact on the financial statements.

New standards, interpretations, and amendments effective 01 January 2021:

IBOR Reform and its Effects on Financial Reporting – Phase 2	In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.
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The group has currently assessing the impact of these new accounting standards and amendments and does not believe they will have a material impact on the financial statements.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights,
- substantive potential voting rights held by the company and by other parties,
- other contractual arrangements and
- historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1. Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Change in accounting policy

Under the terms of the various agreements in relation to the LCCM, the Company has the following royalties:

- 3.5% royalty to the South Australian state government
- 1.0% royalty on tons of copper sold at LME prices over the life of the project and
- \$A100,000 following 3,000 tonnes of copper sales from the project.

At acquisition of LCCM, the Group recognised the estimated fair value of the above mining royalties in the financial statements as a liability. In subsequent reporting periods the liability has been fair valued with any change in fair value being recognised in the income statement. The calculation of the liability is dependent on inherently judgemental estimates over future copper prices, and the timing and volume of copper sold.

During 2020 the Group has opted to retrospectively change the accounting policy so that the royalties are not presented separately as liabilities, but the fair value of the asset on initial recognition is adjusted to factor potential cash outflows from the royalties. This is on the basis that the new policy provides users of the financial statements more relevant and reliable information in which to assess the value of the LCCM asset.

The impact of this change in accounting policy is to reduce 2019 Non-current liabilities and Non-current assets by \$433,000. There is no income statement impact.

Investment in joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement.
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (in any other contractual arrangements).

The Group accounts for its interests in joint ventures initially at cost in the consolidated statement of financial position. Subsequently joint ventures are accounted for using the equity method where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint ventures' profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1 Significant accounting policies *(continued)*

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues, and expenses in accordance with its contractually conferred rights and obligations. In accordance with IFRS 11 Joint Arrangements, the Group is required to apply all of the principles of IFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3. Where there is an increase in the stake of the joint venture entity from an associate to a subsidiary and the acquisition is considered as an asset acquisition and not a business combination in accordance with IFRS 3, this step up transaction is accounted for as the purchase of a single asset and the cost of the transaction is allocated in its entirety to that asset with no gain or loss recognised in the income statement. The step-up acquisition of CRL in 2019 has been accounted for as a purchase of a single asset and the cost of the transaction is allocated in its entirety to that balance sheet.

Listed equity investments

Listed equity investments in an active market are usually valued at the mid-price on the valuation date.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method under IFRS 3 Business Combinations ("IFRS3"). The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group and the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the relevant conditions for recognition are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration paid over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Transaction costs incurred directly in connection with business combinations are expensed.

Impairment of non-financial assets (excluding inventories)

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest Group of assets to which it belongs for which there are separately identifiable cash flows: its cash generating units ('CGUs').

Impairment charges are included in the statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

An intangible asset was recognised in the acquisition of Leigh Creek Copper Mine Pty Ltd and represents the fair value of the offtake agreement that was in place at acquisition date (Refer note 10).

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1. Significant accounting policies *(continued)*

Exploration and evaluation assets

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

The successful efforts method means that only the costs which relate directly to the discovery and development of specific mineral reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the statement of comprehensive income and that which relates to unsuccessful exploration operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial mineral reserves will remain capitalised and to be depreciated over the lives of these reserves. Exploration and evaluation costs are capitalised within intangible assets. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the statement of comprehensive income.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed mineral assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made. Management considers all tenements relating to each project to represent one asset when undertaking their impairment assessment.

Property, plant, and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant, and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

- Plant and machinery (except screening equipment) – 5 to 10 years straight line basis
- Screening Equipment – on a unit of production basis
- Mining assets - on a unit of production basis

The carrying value of property, plant and equipment assets is assessed annually and any impairment is to the statement of comprehensive income.

Investments in subsidiaries – company only

Investments in subsidiaries are stated at cost less provision for any impairment in value.

If circumstances indicate that impairment may exist, investments in subsidiary undertakings of the Company are evaluated using market values, where available, or the discounted expected future cash flows of the investment.

If these cash flows are lower than the Company's carrying value of the investment an impairment charge is recorded in the Company.

Loans to subsidiaries – company only

Loans to subsidiaries are stated at cost less provision for expected credit losses ("ECL's").

The Company recognises an ECL's on intercompany loans, based on management's assessment and understanding of the credit risk attaching to each asset, changes in the level of credit risk between periods and an assessment of the scenarios under which management expect the assets to be repaid.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with under 90 days maturity with banks.

Revenue

Revenue from the sale of magnetite is recognised when the group passes control of the product to the customer, and it is probable the group will receive the funds. Control is considered to have passed when the goods are passed to the buyer, being the point of leaving the mine gate for domestic sales to the US markets. This is point in time when revenue is recognised.

Where a contract allows the group to advance bill ahead of delivery, a contract liability in relation to the outstanding performance obligation is only recognised on the date when payment is received. In those cases, the entity recognises revenue only after it transfers the goods to the buyer.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The Group has not recognised any deferred tax at balance date.

When an asset or liability is raised the amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1. Significant accounting policies *(continued)*

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the statement of financial position date approximated their fair values, due to the relatively short term nature of these financial instruments.

Share-based compensation

The fair value of the employee and suppliers' services received in exchange for the grant of options and warrants is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options and warrants granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options and warrants that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options and warrants that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options and warrants are exercised.

The fair value of share-based payments recognised in the statement of comprehensive income is measured by use of the Black Scholes model or other appropriate models, which takes into account 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, and exercise restrictions. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience.

Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

The fair value of warrants are credited to warrants reserve. The warrants reserve is non-distributable and will be transferred to share premium account upon the exercise of warrants. The balance of the warrants reserve in relation to unexercised warrants at the expiry of the warrants period will be transferred to accumulated profits.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Provisions for decommissioning costs are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are recorded at the present value of the expenditures expected to be required to settle the Group's future obligations. Provisions are reviewed at each reporting date to reflect the current best estimate of the cost at present value. Any change in the date on which provisions fall due will change the present value of the provision. Any change in the present value of the estimated future expenditure is reflected and adjusted against the provision and development asset, unless the asset to which the provision relates has been impaired, in which case the reversal of the provision is taken through the Consolidated statement of comprehensive income. The increase in restoration provisions, owing to the passage of time, is charged to the Consolidated statement of comprehensive income as a finance expense.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1 Significant accounting policies *(continued)*

Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transactions costs and are subsequently carried at amortised cost.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets

All financial assets other than an immaterial investment in listed equity shares, which are measured at fair value through profit or loss, are classified as financial assets at amortised cost. The Group determines the classification of its financial assets at initial recognition.

The Group's financial assets include cash and cash equivalents, trade receivables and other receivables.

The Company's financial assets include cash and cash equivalents and loans receivable due from subsidiaries.

The Company recognises a loss allowance for expected credit losses ("ECL") on intercompany loans which are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The Group applies the IFRS 9 simplified approach to measuring credit losses using a lifetime expected credit loss provision for trade receivables.

Further details of the reviews undertaken during the year are set out in Note 2 below.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1. Significant accounting policies *(continued)*

Financial liabilities

Financial liabilities refer to trade payables, other payables and loans and borrowings (including the host debt in a convertible instrument) and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method.

All loans and borrowings which are financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance costs in the income statement.

Where there is a significant modification to a financial liability, the financial original liability is de-recognised, and a new financial liability is recognised at fair value in accordance with the Group's policy.

Convertible loan notes are assessed in accordance with IAS 32 Financial Instruments: Presentation to determine whether the conversion element meets the fixed-for-fixed criterion. Where this is met, the instrument is accounted for as a compound financial instrument with appropriate presentation of the liability and equity components. Where the fixed-for-fixed criterion is not met, the conversion element is accounted for separately as an embedded derivative which is measured at fair value through profit or loss. On issue of a convertible borrowing, the fair value of embedded derivative is determined, and the residual is recorded as a host liability initially at fair value and subsequently at amortised cost. Issue costs are apportioned between the components based on their respective carrying amounts when the instrument was issued. The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

As disclosed in Note 10 (ii) the CRL acquisition consideration payable was restructured to allow the lender the right to convert the outstanding loan balance and accrued interest to new ordinary shares should the facility be in default. Refer note 2(c) for key judgements relating to the restructuring of the facility.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. The functional currency of the Company is deemed to be GBP. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the gain or loss on disposal.

Management of capital

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of the costs of financing working capital as inventory is built up prior to sale.

The Board receives periodic cash flow projections as well as information on cash balances. The Board will not commit to material expenditure prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1 Significant accounting policies *(continued)*

Research and Development Tax Incentive (RDTI)

The Group's policy is that any RDTI should be recognised as a government grant, in accordance with IAS20 Accounting for Government Grants. This means it will be recognised as part of profit before tax, either as income or as a reduction of the associated costs.

Where the Group capitalises development costs, then the RDTI amounts received that relate to these costs will be offset against the capitalised development costs or deferred exploration expenditure as the case may be.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of twelve months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee.
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove, or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

1. Significant accounting policies *(continued)*

Government Grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

2. 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.

Estimates

(a) Carrying value of intangible assets

Management assesses the carrying value of the exploration and evaluation assets for indicators of impairment based on the requirements of IFRS 6 which are inherently judgemental. This includes ensuring the Group maintains legal title, assessment regarding the commerciality of reserves and the clear intention to move the asset forward to development.

- i) The Redmoor projects are early-stage exploration projects and therefore Management have applied judgement in the period as to whether the results from exploration activity provide sufficient evidence to continue to move the asset forward to development. There are no indicators of impairment for the Redmoor project in the 31 December 2020 financial year.

Further detail regarding the carrying value of exploration and evaluation can be found in note 10.

(b) Share based payments

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. Further details are given in Note 24.

(c) Carrying value of amounts owed by subsidiary undertakings.

IFRS9 requires the parent company to make certain 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. Further details are given in Note 11.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

2 Critical accounting estimates and judgements *(continued)*

(d) Carrying Value of Development Assets

Management assesses 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.

If the carrying amount of the Development asset exceeds the recoverable amount, the asset is impaired. The Group will reduce the carrying amount of the asset to its recoverable amount and recognise an impairment loss. The assessment is carried out twice per year – end of half year reporting period and end of annual reporting period.

The assessment of the recoverable amount was conducted on the basis of the following assumptions (copper price of \$3.00/lb,(2019:\$2.50/lb) AUD /USD exchange rate of 0.70(2019:0.65) and after-tax discount rate of 11%(2019:11%)) The NPV based on these assumptions was \$8.8m (2019:\$7.6m)

The carrying value of the asset is sensitive to market changes in key assumptions. Since the project was acquired at fair value in 2018, there has been significant movement in copper prices and the AUD/USD exchange rate. In conducting the assessment, a number of copper price and exchange rate scenarios were considered to indicate when the after tax NPV of the project was equal to the current carrying value (\$7.3m).

- At a copper price of \$2.84/lb, AUD/USD exchange rate of 0.70 and after-tax discount rate of 11.0%, the after tax NPV of the project is \$7.3m (the current book value).
- At a copper price of \$3.00/lb and AUD/USD exchange rate of 0.75 and after-tax discount rate of 11.0%, the after tax NPV of the project is \$7.3m (the current book value).

(e) Determination of incremental borrowing rate for leases

Under IFRS 16, where the interest rate implicit in the lease cannot be readily determined the incremental borrowing rate is used. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

The Group has applied a borrowing rate of 6% to the Plant and Machinery Asset- the interest expense is \$7,000 and the initial liability is \$190,000.

At a borrowing rate of 5%- the interest expense is \$6,000 and the initial liability would be \$191,000.

At a borrowing rate of 7%- the interest expense is \$9,000 and the initial liability would be \$189,000.

The Group has applied a borrowing rate of 5% to the Office lease - the interest expense is \$2,000 and the initial liability is \$57,000.

At a borrowing rate of 3%- the interest expense is \$1,000 and the initial liability would be \$59,000.

At a borrowing rate of 7%- the interest expense is \$3,000 and the initial liability would be \$55,000.

Refer to Note 20 for details in relation to lease arrangements.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

2 Critical accounting estimates and judgements *(continued)*

Judgements

(a) Asset Acquisitions

In July 2019, the company acquired the balance 50% of CRL from New Age Exploration Ltd. Judgement was required in assessing whether the acquisition represented an asset acquisition or a business combination.

The company has assessed that the acquisition of CRL is an Asset Acquisition and not a Business Combination based on the review of the following factors.

Inputs:

The CRL project comprises an inferred resource. As such there is level of geological uncertainty associated with the resource. The CRL project can be classified as an early-stage exploration project with limited inputs.

Existence of Substantive Processes:

CRL employees a small number of geological staff to manage the exploration activities of the company, At this stage the company has does not have a sufficiently organised, skilled workforce that has the necessary skills, knowledge or experience to develop an operating project. It does not have a substantive process.

Outputs:

The project does not have any outputs.

(b) Investments in subsidiaries

Investment in subsidiaries comprises of the cost of acquiring the shares in subsidiaries.

If an impairment trigger is identified and investments in subsidiaries are tested for impairment, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account the underlying economic factors in the business of the Company's subsidiaries including estimated recoverable reserves, resources prices, capital investment requirements, and discount rates among other things. Refer to Note 11 for further details in respect of the recoverability of the investment in subsidiaries.

(c) Contingent consideration as part of Asset acquisition

Judgement was required in determining the accounting for the contingent consideration payable as per of the CRL acquisition. The group has an obligation to pay A\$1m on net smelter sales arising from CRL production reaching A\$50m and a further A\$1m on net smelter sales arising from CRL production reaching A\$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, a contingent liability, relating to this possible obligation is disclosed in Note 24.

(d) Investments in joint arrangements

Under the shareholders agreement with NAE, CRL operated as a 50:50 joint venture with each party being entitled to appoint one Director. Based on this, the Group considered that they had 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 for the period to July 2019.

In July 2019, the company acquired the balance 50% of CRL from NAE.

Refer to Note 11 for details in relation to investments in joint arrangements.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

3. Financial instruments - Risk management

The Group is exposed to the following financial risks:

- Credit risk
- Foreign exchange risk
- Commodity price risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from last year unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are:

- Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Lease liabilities
- Borrowings

A summary of the financial instruments held by category is provided below:

Financial assets

	Financial assets at Amortised cost	
	2020 \$'000	2019 \$'000
Group		
Cash and cash equivalents	833	519
Trade and other receivables	273	317
Total financial assets	1,106	836

Financial liabilities

	Financial liabilities at amortised cost	
	2020 \$'000	2019 \$'000
Group		
Trade and other payables	203	403
Lease Liability	80	-
Loans and borrowings	-	2,111
Total financial liabilities	283	2,514

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

3 Financial instruments - Risk management *(continued)*

Financial assets at Amortised cost

	2020	2019
Company	\$'000	\$'000
Cash and cash equivalents	394	3
Trade and other receivables	-	-
Amounts owed by subsidiary undertakings	3,807	2,782
Total financial assets at Amortised cost	4,201	2,785

Financial liabilities at Amortised cost

	2020	2019
Company	\$'000	\$'000
Trade and other payables	38	110
Loans and Borrowings	-	1,692
Amounts owed to subsidiary undertakings	827	-
Total financial liabilities at Amortised cost	865	1,802

Financial instruments measured at fair value

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

3 Financial instruments - Risk management *(continued)*

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit assessments are taken into account by local business practices. Further disclosures regarding trade and other receivables, which follow IFRS 9 including expected credit losses, are provided for in Note 14.

The Company is exposed to credit risk through amounts due from its subsidiary undertakings. Refer to Note 1 for details on the credit loss allowance made.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their own functional currency (being Pound Sterling, US dollar and Australian dollar) with the cash generated from their own operations where possible in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The parent Company maintains US dollar and pounds sterling bank accounts, whilst subsidiaries may hold either these currency accounts or their local currency.

All receivables and payables are settled at the prevailing spot rate; no forward contracts or other hedging instruments are currently entered into. The Board monitors the total foreign exchange risk on a periodic basis but given the major in and out flows of cash are in US dollars there is a natural hedge in place which minimises the overall exposure.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

3 Financial instruments - Risk management (continued)

Foreign exchange risk (continued)

As of 31 December, the net exposure to foreign exchange risk was as follows:

Group	US dollar		Functional currency of individual Entity				Total	
			Sterling		Australian dollar			
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net foreign currency financial assets/(liabilities)								
US dollar	519	352	-	-	-	-	519	352
Sterling	-	-	308	(6)	-	-	308	(6)
Australian dollar	-	-	-	(1,692)	(4)	(19)	(4)	(1,711)
Total net exposure	519	352	308	(1,698)	(4)	(19)	823	(1,365)

The effect of a 20% strengthening of the Sterling and Australian Dollar against US Dollar at the reporting date on the corresponding net financial assets carried at that date would, all other variables held constant, have resulted in an increase in the post-tax profit for the year of US\$62,000 (2019: decrease US\$343,000) and an increase of the net assets of US\$62,000. A 20% weakening in the exchange rate would, on the same basis, have decreased post-tax profit and decreased net assets by US\$62,000 (2019: increase US\$343,000).

Company	Functional currency of individual entity			
	Sterling		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net foreign currency financial assets/(liabilities)				
US dollar	-	-	-	-
Sterling	356	2,686	356	2,686
Australian dollar	-	(1,692)	-	(1,692)
Total net exposure	356	994	356	994

Commodity price risk

Typically, the sale of magnetite to the export market, as opposed to US domestic customers, is priced by reference to the market quoted Platts IODEX 62% Fe CFR China price over which the Group has no influence. There were no exports of product in the 2020 year. As domestic sales prices are determined more by local supply/demand factors and transportation costs, they do not, generally fluctuate with changes in global prices, hence, there is no significant exposure to market price risks expected in the coming year.

Liquidity risk

Liquidity risk arises from the Group's management of working capital.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

3 Financial instruments - Risk management (continued)

Liquidity risk (continued)

The Board receives periodic cash flow projections as well as information regarding cash balances. The Group does not have any overdraft or credit lines in place. The liquidity risk of each Group entity is managed centrally by the finance function.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group	Up to 3 Months \$'000	Between 3 and 12 Months \$'000	Between 1 and 2 Year \$'000	Between 2 and 5 Years \$'000	Over 5 years \$'000
At 31 December 2020					
Trade and other payables	203	-	-	-	-
Lease Liabilities	15	43	22	-	-
Total	218	43	22	-	-
Group	Up to 3 Months \$'000	Between 3 and 12 months \$'000	Between 1 and 2 Year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 December 2019					
Trade and other payables	403	-	-	-	-
Loans and borrowings	-	2,111	-	-	-
Total	403	2,111	-	-	-
Company	Up to 3 Months \$'000	Between 3 and 12 months \$'000	Between 1 and 2 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 December 2020					
Trade and other payables	38	-	-	-	-
Loans from subsidiary undertakings	-	827	-	-	-
Total	38	827	-	-	-
Company	Up to 3 Months \$'000	Between 3 and 12 months \$'000	Between 1 and 2 year \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 December 2019					
Trade and other payables	110	-	-	-	-
Loans and borrowings	-	1,692	-	-	-
Total	110	1,692	-	-	-

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

3 Financial instruments - Risk management *(continued)*

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e., share capital, share premium, merger reserve, and retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

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 International Accounting Standards.

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.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

4 Segment information (continued)

	SMG	Head Office	Australia	United Kingdom	Development Asset	Intra Segment Elimination	Total
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Revenues	3,025	-	-	-	-	-	3,025
Other Revenue	-	-	-	-	-	-	-
Cost of sales	(562)	-	-	-	-	-	(562)
Gross profit	2,463	-	-	-	-	-	2,463
Other Income	-	-	-	155	-	-	155
Overhead expenses	(821)	(614)	(233)	(37)	-	-	(1,705)
Management fee income/(expense)	(630)	631	-	-	-	(1)	-
Share based payments	-	(176)	-	-	-	-	(176)
Amortisation- right of use asset	(152)	-	-	-	-	-	(152)
Depreciation	(15)	-	-	-	-	-	(15)
Lease Interest	(7)	-	-	(2)	-	-	(9)
(Loss)/ gain on intercompany loans	-	(485)	-	-	-	485	-
Foreign exchange gain/(loss)	-	156	360	-	-	(562)	(46)
Segment profit /(loss) from operations	838	(488)	127	116	-	(78)	515
Finance Expense	-	(33)	(28)	-	(4)	-	(65)
Segment profit /(loss) before taxation	838	(521)	99	116	(4)	(78)	450

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

4 Segment information *(continued)*

	SMG	Head Office	Australia	United Kingdom	Development Asset	Intra Segment Elimination	Total
	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'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)

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

4 Segment information (continued)

	SMG	Head Office	Development Asset	Australia	United Kingdom	Total
As at 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Additions to non-current assets	-	-	251	-	348	599
Reportable segment assets	839	433	7,975	70	5,091	14,408
Reportable segment liabilities	174	115	474	37	56	856

	SMG	Head Office	Development Asset	United Kingdom	Australia	Total
As at 31 December 2019	\$'000	\$'000	\$'000	\$,000	\$'000	\$'000
Additions to non-current assets	-	-	2,558	460	94	3,112
Reportable segment assets	1,023	43	6,995	4,672	601	13,334
Reportable segment liabilities	529	1,802	540	8	484	3,363

	External revenue by location of customers		Non-current assets by location of assets	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
United States	3,025	2,488	200	177
United Kingdom	-	-	5,066	4,568
Australia	-	-	7,960	6,987
	3,025	2,488	13,226	11,732

Revenues from Customer A totalled \$406,000 (2019: \$689,000), which represented 13% (2019: 21%) of total domestic sales in the United States, Customer B totalled \$1,555,000 (2019: \$1,323,000) which represented 50% (2019: 51%) of total sales and Customer C totalled \$863,000 (2019: \$353,000) which represented 28% (2019: 14%). There were no export sales in the year (2019: Nil).

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

5. Other Revenue

Other revenue for 2020: nil (2019: \$0.9m is the conversion of deferred revenue to income)

During 2019, deferred revenue of \$0.9m was deemed to be income and was released to Profit and Loss.

The right to ownership of the product (for which \$0.9m advance payments had been received) had lapsed.

As a result, the revenue was deemed as earned. This revenue is classified as 'other revenue'.

6. Profit/(loss) before tax

Group		Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Costs by nature	Notes		
Operating Profit/(loss) is stated after charging:			
Other Income (i)		(155)	-
Directors' fees and emoluments	7	307	573
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements		74	96
Staff costs	7	495	559
Depreciation		15	-
Amortisation of right-of-use assets		152	-
Equipment rental (ii)		134	276
Equipment maintenance		36	46
Legal, professional and consultancy fees		396	420
Travelling and related costs		-	5
Other expenses		263	291
Overhead Expenses		1,872	2,266
Foreign exchange (gain)/loss		46	(35)
Share based payments charge		176	275
Depreciation		-	17
(Gain) Loss on financial assets held at fair value through profit and loss		-	(13)
Finance Fee		65	52
Lease Interest		9	-
Share of net loss from joint arrangements		-	38
Impairment of Exploration and Evaluation Asset	10	-	1,122
		2,013	3,722

- (i) During the year, the Group sold a portion of the CRL mineral rights for \$0.155m to an unrelated party. The sale covered a parcel of land in Cornwall and included the rights to use and maintain all mines and minerals to maximum depth of 60m from the surface of the relevant land parcel. The land parcel equates to less than 1.0% of the total land holding. The portion of mineral rights sold did not contain mineral deposits of significance to the CRL project and was sold for housing development.
- (ii) Equipment rental includes a number of short term rental agreements.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

7. Directors and employees

Group	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Staff costs during the year		
Directors' remuneration expense including consultancy fees	307	573
Directors' fees capitalised including consulting fees	17	6
Wages and salaries including consulting fees for management	495	559
Share based payments	176	175
Total staff costs	995	1,413

Government Grants – Payroll Support

Included in wages expense is a \$46k US government grant relating to supporting the payroll of SMG's employees. The Group has elected to present this government grant as a reduction of the wage expense. SMG does not have any unfulfilled obligations relating to this program. The grant was originally given as a loan to SMG; however, the loan has since been forgiven.

The average number of people (including Directors) employed by the Group during the year was:

	2020 Number	2019 Number
Total	11	10

Company	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Staff costs during the year		
Directors' remuneration including consultancy fees	238	496
Directors' fees capitalised including consulting fees	17	-
Wages and salaries	-	-
Share based payments	176	275
Total staff costs	431	771

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

7 Directors and employees *(continued)*

The average number of people (including Directors) employed by the Company during the year was:

	2020 Number	2019 Number
Total	5	4

Remuneration of the Directors and other key management personnel in the period is summarised as follows:

	Directors' Salary and fees 2020 \$'000	Consultancy fees 2020 \$'000	Bonus 2020 \$'000	Share based payments 2020 \$'000	Total 2020 \$'000
A Broome AM	63	-	-	49	112
J Peters**	12	139	-	73	224
P Wale	61	-	-	39	100
J Harrison	9	23	-	8	40
J Harrison Capitalise Fee	-	17	-	-	17
Total	145	179	-	169	493

Director Options

Nil director options (2019:17,500,000) options were exercised during the year.

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

7 Directors and employees (continued)

	Directors' Salary and fees 2019 \$'000	Consultancy fees 2019 \$'000	Bonus 2019 \$'000	Share based payments 2019 \$'000	Total 2019 \$'000
A Broome AM*	78	-	-	79	154
J Peters*	13	173	191	114	491**
P Wale*	77	-	-	59	136
J Harrison	12	29	-	13	54
J Harrison- Capitalise Fee		6	-	-	6
Total	<u>180</u>	<u>208</u>	<u>191</u>	<u>262</u>	<u>841</u>

* During 2019, Directors took a significant amount of their cash remuneration by applying this to the exercise price of their vested options (J Peters \$205,000, A Broome AM \$16,000). Additionally, in 2019, P Wale purchased on market, 3,514,942 shares at 0.71p each and, in early March 2020 J Peters acquired, on market, 3,464,286, at 0.5348p each.

During 2020, the Directors purchased the following shares at 0.40p as part of the December issue.

J Peters - 8,200,000 (refer note 21)
A Broome AM-3,025,000 (refer note 21)
P Wale-18,750,000,

**J Peters is the highest paid director in 2020 and 2019.

Directors and key management personnel remuneration shown above comprises all of the salaries, Directors' fees, consultancy fees and other benefits and emoluments paid to the Directors and key management personnel.

Each Director is also paid all reasonable expenses incurred wholly, necessarily, and exclusively in the proper performance of his duties.

Director Remuneration: Gains on exercise of share options

	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
J Peters	-	158
A Broome AM	-	15
P Wale	-	-
Total	<u>-</u>	<u>173</u>

The gain on exercise of share options is based on the difference between the exercise price of the options and the market value of the shares on the date they were exercised.

It should be noted that the Directors of the Company have, since becoming Directors, not sold any shares outright and that, as at the date of this report, all implied gains on options have not materialised and implied losses exist.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

8. Taxation

	Year to 31 December 2020 \$'000	Year to 31 December 2019 \$'000
Current tax expense – Overseas Tax (USA)	236	385
	236	385
Reconciliation of effective tax rates	\$'000	\$'000
Profit(loss) before tax	450	(845)
Tax using UK domestic rates of corporation tax of 19% (2018 - 19%)	(86)	(151)
Effect of:		
Expenses not deductible for tax purposes	201	245
(Over) provisions in respect of previous years	(72)	(21)
Losses (utilised)/carried forward	(43)	193
Difference in overseas tax rates	92	119
	236	385

The Group has tax payable of \$0.021m (2019: \$0.406m)

The Group has unused losses to carry forward of \$23,303,242 (2019: \$21,256,171). No deferred tax asset has been recognised for losses as their full recovery is not probable in the foreseeable future.

Different tax rates applied in overseas jurisdictions reflect the different tax rates applicable in the various jurisdictions in which the Group operates. The current tax expense and over provision in respect of prior year relates to operations in the USA. The combined state, federal and branch rate of corporate tax in USA is approx.31%

9. Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial year. The weighted average number of shares in issue during the year was 1,573,956,203 (2019: 1,434,077,744) Fully diluted earnings are based on 1,573,956,203 (2019: 1,434,077,744) shares and the profit for the financial period was \$0.450m (2019 loss: \$1.230m).

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

10. Intangible Assets

Group	Exploration and evaluation assets \$'000	Other intangible asset \$'000	Total \$'000
Cost			
At 1 January 2019	1,037	26,336	27,373
Acquired through asset acquisition of CRL (ii)	4,392	-	4,392
Interest and Borrowing Costs- CRL	62	-	62
Additions in the year	254	-	254
Research and development incentive	(317)	-	(317)
Foreign exchange difference	261	(4)	257
At 31 December 2019	5,689	26,332(iv)	32,021
At 1 January 2020	5,689	26,332	32,021
Additions in the year	348	-	348
Research and development incentive	(41)	-	(41)
Foreign exchange difference	152	56	208
At 31 December 2020	6,148(i)	26,388(iv)	32,536
Amortisation and impairment			
At 1 January 2019	-	(25,772)	(25,772)
Impairment of exploration and evaluation costs (iii)	(1,122)	-	(1,122)
At 31 December 2019	(1,122)	(25,772)	(26,894)
At 1 January 2020	(1,122)	(25,772)	(26,894)
At 31 December 2020	(1,122)	(25,772)	(26,894)
Net book value			
At 31 December 2018	1,037	564	1,601
At 31 December 2019	4,567	560	5,127
At 31 December 2020	5,026	616	5,642

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

10 Intangible Assets *(continued)*

Mining tenements and exploration and evaluation costs

- (i) Exploration and evaluation (“**E&E**”) costs as at 31 December 2020 are the costs associated with the exploration tenements in the UK held by Cornwall Resources Ltd (‘CRL’).
- (ii) During 2019, the Group acquired the remaining 50% equity of CRL held by NAE for a total consideration of A\$5.0m.

The original sale agreement (May 2019) provided for consideration of \$A5.0m to be paid progressively with \$A2.0m due on 30 May 2019, A\$1.0m on 29 November 2019 and a further A\$1.0m on Net smelter sales from the project reaching \$A50.0m. The final \$A1.0m to be paid on net smelter sales from the project reaching \$A100m.

The sales agreement was amended in July 2019 via a convertible note agreement. The convertible note agreement provided for the initial consideration of \$A3.0m to be paid progressively with an initial payment of \$A0.3m in July 2019 and the balance of \$A2.7m repaid via an 11-month payment schedule.

Payments of \$A0.3m were due on 31 October 2019, 31 January 2020, 30 April 2020 with balance \$A1.8m due on 26 June 2020.

Interest on the outstanding loan balance at 5% p.a. was calculated daily with payment due at the end of each quarter. A further \$A1m is payable for on Net smelter sales from the project reaching \$A50m. The final \$A1m to be paid on net smelter sales from the project reaching \$A100m. SML has provided NAE with a charge over the Company's shares in CRL and a debenture charge over CRL's property.

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.

The restructure was considered to represent a significant modification with the loan restructured to allow the lender the right to convert the outstanding loan balance and accrued interest to new ordinary shares should the facility be in default. It was concluded that as the likelihood of default was low the value attached to the potential feature was immaterial. Accordingly, the loan was categorised at its face value with no value attributed to the conversion feature.

Refer Note 1 on the accounting policies for modification of a financial liability and accounting for derivative instruments.

Management have deemed the acquisition of CRL as an asset acquisition.

The additions to Exploration and Evaluation assets in the period represents the carrying value of the E&E asset at cost.

	\$000
Equity accounted investment at acquisition	2,281
Consideration on acquisition of remaining 50%	2,064
Share of equity loss in joint venture	(38)
Foreign Exchange	<u>85</u>
Additions to Exploration and Evaluation	4,392

As the CRL acquisition has been treated as an asset acquisition the excess consideration provided over net assets acquired has been recorded within the cost base of the CRL asset.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

10 Intangible Assets (continued)

(iii) Impairment of Exploration of Evaluation Costs

Having assessed the carrying value of the asset based on its fair value less cost to sell, the Company impaired the full value of CARE holding in the Company's books in 2019. The Company will divest all holdings in CARE during 2021.

Other intangible assets

(iv) An intangible asset arises from the contractual relationship entered into by Southern Minerals Group LLC ('SMG'), an entity wholly owned by Ebony Iron Pty Limited, with a third party for the rights to a magnetite stockpile held at that party's Cobre mine in New Mexico, USA. The intangible asset was fully amortised at the end of 31 December 2017.

11. Investments

Investment in associates, joint ventures and subsidiaries

The Company maintained its 100% (2019: 100%) interest in its investment in Cornwall Resources Ltd during the year.

In July 19, the Company purchased the remaining interest in CRL resulting in an increase in ownership from 50% to 100%. Hence, the CRL investment was consolidated in the year ended 2019 (see note 10 for details).

The acquisition of CRL has been treated as an Asset Acquisition.

Under this treatment the balance of the investment in the joint venture has been transferred to Deferred Exploration and Evaluation Expenditure.

Group	Investment in joint ventures	Total
Cost	\$'000	\$'000
At 1 January 2019	2,248	2,248
Additions	33	33
Acquisition of remaining 50% Joint Venture interest*	2,064	2,064
Share of equity loss in joint ventures	(38)	(38)
Foreign exchange difference	85	85
Transferred to Deferred Exploration and Evaluation Expenditure.	(4,392)	(4,392)
At 31 December 2019	-	-
At 31 December 2020	-	-

*The CRL Sale agreement (July 2019) provided for the initial consideration of \$A3,000,000 (US \$2,064,000) to be paid progressively with an initial payment of \$A300,000 (\$US206,000) in July 2019 and the balance of \$A2,700,000 (\$US1,858,000) repaid via an 11-month payment schedule.

Refer Note 10(ii) for further details of sale agreement.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

11 Investments *(continued)*

Investment in associates, joint ventures, and subsidiaries (continued)

Company	Loans to subsidiary Undertakings (ii) \$'000	Shares in subsidiary Undertakings (i) \$'000	Total \$'000
Cost			
At 1 January 2019	4,510	46,702	51,212
Movement in the year	291	-	291
Transfer to Deferred Exploration and Evaluation Expenditure	-	4,392	4,392
Foreign exchange difference	157	-	157
At 31 December 2019	4,958	51,094	56,052
At 1 January 2020	4,958	51,094	56,052
Movement in the year	1,360	-	1,360
Foreign exchange difference	192	170	362
At 31 December 2020	6,510	51,264	57,774
Impairment			
At 1 January 2019	(2,068)	(45,664)	(47,732)
Charge for the year	(15)	(1,033)	(1,048)
Foreign exchange difference	(92)	-	(92)
At 31 December 2019	(2,176)	(46,697)	(48,873)
At 1 January 2020	(2,176)	(46,697)	(48,873)
Charge for the year	(357)	(6)	(363)
Foreign exchange difference	(170)	-	(170)
At 31 December 2020	(2,703)	(46,703)	(49,406)
Carrying Value			
At 31 December 2019	2,782	4,397	7,179
At 31 December 2020	3,807	4,561	8,368

(i) Shares in subsidiary undertakings are assessed for impairment and are carried at the net asset position of the subsidiary. Refer Note 1 for further information in respect to the accounting policy.

(ii) Loans to subsidiary undertakings are assessed for impairment in accordance with IFRS9. Under IFRS9, provisions for impairment of loans in subsidiary undertakings is based on an expected credit loss assessment (refer note 1 for further detail).

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

11 Investments *(continued)*

Investment in associates, joint ventures, and subsidiaries (continued)

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. The model also assesses the Investment in 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 and an assessment of the net asset position of the subsidiary.

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.

Refer Note 1 for further information in respect to the accounting policy and Note 2 (c) in relation to the accounting judgements.

Investment in subsidiaries

Company	2020 \$'000	2019 \$'000
Investments in subsidiary undertakings – CARE	-	5
Investments in subsidiary undertakings – CRL	4,561	4,392
	4,561	4,397

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

11 Investments *(continued)*

Investment in associates, joint ventures, and subsidiaries (continued)

Cornwall Resources Limited

In March 2019, both the Company and New Age Exploration (“**NAE**”) each subscribed for further shares in CRL of \$32,562 (£25,001) which maintained a 50% interest held by each party. The subscription was prior to the CRL acquisition.

Under the shareholders agreement with NAE, CRL operated as a 50:50 joint venture with each party being entitled to appoint one Director. Based on this and up to the time of acquisition, the Group considered that they had 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 to the date of acquisition.

During the prior period the company acquired the remaining 50% remaining balance of CRL held by NAE. Details of the consideration are given in Note 10 (ii).

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Subsidiary undertakings	Country of Incorporation	Principal Activity	Class of share	% Owned
Central Australian Rare Earths Pty Ltd	Australia (ii)	Exploration and development	Ordinary	100%
Iron Glen Holdings Pty Limited	Australia (ii)	Holding Company	Ordinary	100%
Southern Minerals Group LLC (i)	USA (iii)	Sale of magnetite	Ordinary	100%
Ebony Iron Pty Limited	Australia (ii)	Holding Company	Ordinary	100%
Leigh Creek Copper Mine Pty Ltd (i)	Australia (ii)	Exploration and development	Ordinary	100%
Iron Glen Pty Ltd	Australia (ii)	Dormant Company	Ordinary	100%
Cornwall Resources Limited	United Kingdom (iv)	Exploration and development	Ordinary	100%

(i) Held by Ebony Iron Pty Limited

(ii) Registered office – 3 Laundess Avenue, Panania NSW 2213

(iii) Registered office - 303 Fierro Road, Hanover, New Mexico, USA, 88041

(iv) Registered office – 10 John St, London WC1N2EB

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

12. Property, plant and equipment

Group	Development Asset \$'000	Plant and Machinery \$'000	Total \$'000
Cost			
At 1 January 2019	4,907	461	5,368
Change in accounting policy (ii)	(433)	-	(433)
At January 2019 (restated)	4,474	461	4,935
Acquired on acquisition	-	7	7
Additions in the year (i)	2,293	265	2,558
Research and development incentive	(796)	-	(796)
Foreign exchange difference	(13)	2	(11)
At 31 December 2019 (restated)	5,958	735	6,693
Additions	251	-	251
Foreign exchange difference	619	27	646
At 31 December 2020	6,828	762	7,590
Depreciation			
At 1 January 2019	-	(198)	(198)
Charge in the year	-	(17)	(17)
Acquired on acquisition of CRL	-	(4)	(4)
Foreign exchange difference	-	(9)	(9)
At 31 December 2019	-	(228)	(228)
Charge in the year	-	(15)	(15)
Foreign exchange difference	-	4	4
At 31 December 2020	-	(239)	(239)
Carrying value			
At 31 December 2018	4,907	263	5,170
At 31 December 2019	6,391	507	6,898
At 31 December 2020	6,828	523	7,351

- (i) During 2019, \$127,000 of testing revenue was offset against costs incurred on the Development Asset. Common convention during commissioning and test production phases of operation is such that all revenues and operating costs are capitalised to the cost of the asset in the Statement of Financial Position until commercial production is achieved.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

12 Property, plant and equipment *(continued)*

(ii) Under the terms of the various agreements in relation to the LCCM, the Company has the following royalties:

- 3.5% royalty to the South Australian state government
- 1.0% royalty on tons of copper sold at LME prices over the life of the project and
- \$A100,000 following 3,000 tonnes of copper sales from the project.

At acquisition of LCCM, the Group recognised the estimated fair value of the above mining royalties in the financial statements as a liability. In subsequent reporting periods the liability has been fair valued with any change in fair value being recognised in the income statement. The calculation of the liability is dependent on inherently judgemental estimates over future copper prices, and the timing and volume of copper sold.

During 2020 the Group has opted to retrospectively change the accounting policy so that the royalties are not presented separately as liabilities, but the fair value of the asset on initial recognition is adjusted to factor potential cash outflows from the royalties. This is on the basis that the new policy provides users of the financial statements more relevant and reliable information in which to assess the value of the LCCM asset.

The impact of this change in accounting policy is to reduce 2019 non-current liabilities and non-current assets by \$433,000. There is no income statement impact.

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

13. Inventories

	2020 \$'000	2019 \$'000
Finished goods held for sale	3	3
	3	3

No inventories have been written off to profit or loss in the year (2019: Nil).

14. Trade, other receivables, and prepayments

	2020 \$'000	2019 \$'000
Group		
Current		
Trade receivables	273	317
Less: provision for impairment of trade receivables	-	-
	273	317
Other receivables	4	598
VAT/GST Receivable	53	33
	330	948
Prepayments	16	132
Non-Current		
Rehabilitation bond	155	140
	155	140
Company		
Current		
Prepayments	13	29
VAT/GST Receivable	26	11
	39	40

The Group's trade receivables are derived from magnetite customers at Cobre, whose credit quality is assessed by considering the customers financial position, experience, and other factors. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. Within 45 days of the year end, the Group had collected 100% of the trade receivables outstanding at 31 December 2020. The Group did not recognise any impairment and believes that credit risk is limited as customers pay within a short period of time. Other receivables in 2019 includes \$598,000 receivable from the Australian Tax office being a Research and Development Tax incentive, which was received May 2020 and applied to the repayment of the associated loan (Refer note 17).

The Group applies the IFRS 9 simplified approach to measuring credit losses using a lifetime expected credit loss provision for trade receivables. Based on the assessment, the carrying value of trade receivables, classified at amortised cost, approximated the fair value.

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

15. Cash and cash equivalents

Group	2020 \$'000	2019 \$'000
Bank current accounts – unrestricted	833	519
Cash and cash equivalents in the statement of cash flows	833	519

Cash and cash equivalents (continued)

Company	2020 \$'000	2019 \$'000
Bank current accounts – unrestricted	394	3
Cash and cash equivalents in the statement of cash flows	394	3

The Group's balances are held with well-known and highly rated UK, USA, and Australian banks.

16. Trade and other payables

Group	2020 \$'000	2019 \$'000
Trade payables	186	403
Other payables	17	47
Accruals	113	1
	316	451
Company		
Trade payables	36	107
Other payables	2	3
Subsidiary payable	-	-
Accruals	77	-
	115	110

Book values approximate to fair value at 31 December 2020 and 2019.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

17. Loans and Borrowings

Group	Loan R&D Grant \$'000	Loan CRL Acquisition \$'000	Total \$'000
As at 1 January 2019	-	-	-
Loan Advance	403	1,858	2,261
Loan repayments	-	(206)	(206)
Interest	16	21	37
Foreign exchange	-	19	19
	<u>419</u>	<u>1,692</u>	<u>2,111</u>
Group			
As at 1 January 2020	419	1,692	2,111
Loan repayments	(410)	(1,632)	(2,042)
Interest	28	34	62
Interest paid	(45)	(53)	(98)
Foreign exchange	8	(41)	(33)
	<u>-</u>	<u>-</u>	<u>-</u>
Company		CRL Acquisition \$'000	Total \$'000
As at 1 January 2019		-	-
Loan Advance		1,858	1,858
Loan repayments		(206)	(206)
Interest		21	21
Foreign exchange		19	19
		<u>1,692</u>	<u>1,692</u>
As at 1 January 2020		1,692	1,692
Loan repayment		(1,632)	(1,632)
Interest		33	33
Interest paid		(53)	(53)
Foreign exchange		(42)	(42)
		<u>-</u>	<u>-</u>

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

17 Loans and Borrowings *(continued)*

The terms and conditions of the loans are as follows:

Loan – CRL acquisition

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

SML made an initial payment totalling \$A300,000 and entered an 11-month payment schedule for the balance of \$A2,700,000 (\$US1,858,000). A payment of \$A300,000 (\$US206,000) was paid in October 2019. Further payments of \$A300,000 (being approximately \$US206,000) were made in January 2020 and April 2020. The balance of \$A1,800,000 (being approximately \$US1,200,000) plus interest was paid in June 2020.

The interest rate on the loan of \$A2,700,000 (\$US1,858,000) was 5% pa, calculated on a daily balance basis, payable at the end of each calendar quarter.

SML 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 had 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.

Loan – R&D Grant

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.

The loan represents approx. 80% of the anticipated RDTI calculated at the time of submission to the Loan provider. Interest at 15% per annum accrues to the loan and the Loan is repaid upon receipt of the RDTI.

The group received \$A575,000 (\$US403,000) in September 2019. The group received a further \$A102,000 (\$US72,000) in Jan 2020 based a revised RDTI. The loan was repaid in May 2020.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

18. Non-Current Liabilities

Group	Provision for environmental Liability ¹ \$'000	Provision for mining Royalty ² \$'000	Total \$'000
At 1 January 2019	361	435	796
Change to accounting policy (i)		(435)	(435)
At 1 January 2019(restated)	361	-	361
Finance Charges	35	-	35
Foreign exchange	(1)	-	(1)
At 1 January 2020	395	-	395
Finance Charges	4	-	4
Foreign exchange	40	-	40
At 31 December 2020	439	-	439

¹ LCCM's operations are subject to specific environmental regulations. The Group has assessed the environmental rehabilitation provision arising from these regulations and has recognised an amount, which reflects the fair value of such liabilities.

² (i) Under the terms of the various agreements in relation to the LCCM, the Company has the following royalties:

- 3.5% royalty to the South Australian state government
- 1.0% royalty on tons of copper sold at LME prices over the life of the project and
- \$A100,000 following 3,000 tonnes of copper sales from the project.

At acquisition of LCCM, the Group recognised the estimated fair value of the above mining royalties in the financial statements as a liability. In subsequent reporting periods the liability has been fair valued with any change in fair value being recognised in the income statement. The calculation of the liability is dependent on inherently judgemental estimates over future copper prices, and the timing and volume of copper sold.

During 2020 the Group has opted to retrospectively change the accounting policy so that the royalties are not presented separately as liabilities, but the fair value of the asset on initial recognition is adjusted to factor potential cash outflows from the royalties. This is on the basis that the new policy provides users of the financial statements more relevant and reliable information in which to assess the value of the LCCM asset.

The impact of this change in accounting policy is to reduce 2019 Non-current liabilities was \$435,000 and Non-current assets by \$433,000. There is no income statement impact.

Non-Current Liabilities

Company	2020 \$'000	2019 \$'000
Loans to Subsidiary Undertakings	827	-
	827	-

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable for losses in the relevant jurisdiction. However, the deferred tax asset as at 31 December 2020 was nil (2019: nil) as the tax losses were not expected to be recovered in the foreseeable future (see note 8 for details).

20. Leases

Right of Use Asset

	Lease \$'000	Plant, machinery, and vehicles \$'000	Total \$'000
Group			
At 1 January 2020		-	
Additions	57	190	247
Amortisation (capitalised)	(17)	-	(17)
Amortisation	-	(152)	(152)
At 31 December 2020	40	38	78

Lease Liabilities - Current

	Office \$,000	Plant, machinery, and vehicles \$'000	Total \$'000
Group			
Additions	35	190	225
Interest expense	2	7	9
Lease payments	(19)	(157)	(176)
At 31 December 2020	18	40	58

Lease Liabilities – Non-Current

	Office \$'000	Total \$'000
Group		
Additions	22	22
At 31 December 2020	22	22

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

21. Share Capital and Premium

	Number	Issue Price	Share Capital \$,000	Share Premium \$,000	Total \$'000
At 1 January 2019 Ordinary shares (par value of 0.1 pence each)	1,383,693,127		2,095	46,213	48,308
Exercise of options on 19 February 2019	1,000,000	1.00p	1	13	14
Exercise of options on 19 February 2019	15,000,000	1.00p	20	192	212
Exercise of options on 19 February 2019	1,500,000	1.00p	2	19	21
Non Cash Share Consideration – LCCM(i)	2,866,730	1.91p	4	-	4
Share Issue(ii)	63,571,425	1.40p	81	1,049	1,130
Issue Costs on Placement				(71)	(71)
At 31 December 2019 Ordinary shares of 0.1 pence each	1,467,631,282		2,203	47,415	49,618
Share Issue(iii)	266,666,667	0.45p	334	1,171	1,505
Share Issue(iv)	163,775,000	0.40p	218	649	867
Share Issue for settlement of liability(iv)	11,225,000	0.40p	15	45	60
Transfer to warrant reserve				(153)	(153)
Issue Costs on Placement				(117)	(117)
At 31 December 2020 Ordinary shares of 0.1 pence each	1,909,297,949		2,770	49,010	51,780

No director options (2019:17,500,000) were exercised during the year.

- (i) During the 2019 year, the Company issued 2,866,730 shares at 1.91 pence being \$72,000 (£54,669) as balance consideration for purchase of 100% of Leigh Creek Copper Mine Pty Ltd.
- (ii) During the 2019 year, the Company issued 63,571,425 shares at 1.4 pence raising \$1,130,000 (£890,000). Issue costs on placement were \$71,000 (£56,000)
- (iii) During the 2020 year, the Company issued 266,666,666 shares at 0.45 pence raising \$1,505,000 (£1,200,000). Issue costs on this placement were \$76,000 (£60,900)
- (iv) During the 2020 year, the Company issued 163,775,000 shares at 0.40 pence raising \$867,000 (£655,000) and issued 11,225,000 shares at 0.40 pence to settle liabilities of \$60,000 (£45,000) . Refer Note 7. Issue costs on these two placements were \$40,000 (£30,130)

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

21 Share Capital and Premium *(continued)*

As part of the second 2020 share issue the Company issued 175,000,000 warrants.

Each share has a warrant attached entitling the holder to subscribe for one new Ordinary Share at a price of 1.0p per share with an expiry date of 30 December 2022.

Number of outstanding warrants at 31 December 2020 and a reconciliation of their movements during the year were:

Date of grant	Granted at 31.12.19	Issued	Cancelled / Exercised	Granted at 31.12.20	Exercise price	Exercise Period	
						From	To
03.12.20	-	175,000,000	-	175,000,000	1.00p	03/12/20	30/12/22

As part of the 3 December 2020 share issue, each share has a warrant attached entitling the holder to subscribe for one new Ordinary Share at a price of 1.0p per share with an expiry date of 30 December 2022.

The estimated fair value of options issued is calculated by applying the Black-Scholes option pricing model.

The assumptions used in the calculation were as follows:

Share price at date of grant	0.42p
Exercise Price	1.00p
Expected Volatility	75.7%
Expected Dividend	nil
Contractual Life	2.7 years
Risk free rate	0.189%
Estimated fair value of each option	0.1115p

The expected volatility was determined based on the historic volatility of the Company's shares.

The risk-free rate of interest for a 2-year term is estimated to be 0.0189% United Kingdom Sovereign Curve.

The value of the outstanding options at 31 December 2020 is \$153,000.

22. Share based payments

The Group has a share-ownership compensation scheme for senior executives of the Group whereby senior executives may be granted options to purchase ordinary shares in the Company. There were nil (2019: nil) options issued to directors and senior executives during the year and 107,250,000 options lapsed (2019: 17,500,000 options exercised) during the year.

The options and warrants carry neither rights to dividends nor voting rights at shareholders meetings.

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

22 Share based payments (continued)

Options

Number of outstanding options at 31 December 2020 and a reconciliation of their movements during the year were:

Date of grant	Granted at 31.12.19	Issued	Lapsed	Granted at 31.12.20	Exercise price	Exercise Period	
						From	To
15.02.18	72,000,000 (i)	-	(72,000,000)	-	2.75p	15.02.18	30.06.20
15.02.18	38,500,000 (ii)	-	-	38,500,000	3.75p	15.02.18	30.06.21
15.02.18	17,500,000 (iii)	-	-	17,500,000	5.00p	15.02.18	30.06.22
09.08.18	35,250,000 (i)	-	(35,250,000)	-	2.75p	09.08.18	30.06.20
09.08.18	10,750,000 (ii)	-	-	10,750,000	3.75p	09.08.18	30.06.21
09.08.18	4,750,000 (iii)	-	-	4,750,000	5.00p	09.08.18	30.06.22
	178,750,000	-	(107,250,000)	71,500,000			

(i) Market based vesting condition of 5.5p volume weighted average share price over 5 consecutive days.

(ii) Market based vesting condition of 7.5p volume weighted average share price over 5 consecutive days.

(iii) Market based vesting condition of 10.0p volume weighted average share price over 5 consecutive days.

The options outstanding at 31 December 2020 had an exercise price of between 2.75p and 5.00p, a weighted average exercise price of 4.14p (2019: 3.30p) and a remaining weighted average contractual life of 294 days (2019: 374 days). The weighted average exercise price of warrants and option lapsed, cancelled or exercised during the year was 1.00p (2019: 1.00).

Of the total number of options outstanding at 31 December 2020, nil (2019: 17,500,000) had vested and were exercisable. The value of the options at 31 December 2020 is \$272,000 (2019: \$543,000)

STRATEGIC MINERALS PLC

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

23. Notes supporting statement of cash flows – Financing activities

Group	Loan CRL Acquisition \$'000 (Note 17)	Loan R&D Grant \$'000 (Note 17)	Total \$'000
At January 2019			
Cash Flows	(206)	400	184
Non-Cash Flows			
Recognised on asset acquisition	1,858	-	1,858
Interest accruing in period	21	17	38
Effect of Foreign Exchange	19	2	21
At December 2019	<u>1,692</u>	<u>419</u>	<u>2,111</u>
Cash Flows	(1,685)	(454)	(2,139)
Non-Cash Flows	-	-	-
Recognised on asset acquisition	-	-	-
Interest accruing in period	34	28	62
Effect of Foreign Exchange	(41)	7	(34)
At December 2020	<u>-</u>	<u>-</u>	<u>-</u>

Company	Loan CRL Acquisition \$'000 (Note 17)	Total \$'000
At January 2019		
Cash Flows	(206)	(206)
Non-Cash Flows	-	-
Recognised on asset acquisition	1,858	1,858
Interest accruing in period	21	21
Effect of Foreign Exchange	19	19
At December 2019	<u>1,692</u>	<u>1,692</u>
Cash Flows	-	-
Non-Cash Flows	(1,685)	(1,685)
Recognised on asset acquisition	-	-
Interest accruing in period	34	34
Effect of Foreign Exchange	(41)	(41)
At December 2020	<u>-</u>	<u>-</u>

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

24. Commitments

- (a) Capital expenditure commitments.

At 31 December 2020, no capital commitments existed (2019: Nil).

- (b) Exploration commitments

So as to maintain current rights to tenure of exploration tenements, the group is required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. Other than for standard rent and licence fees, the group has flexibility over the life of the tenement to meet exploration expenditure commitments. The expected timing of outlays (exploration expenditure, rent and licence fees) which arise in relation to granted tenements and are as follows:

Group	2020 \$'000	2019 \$'000
due within one year	389	548
due after one year and within five years	1,633	2,270
due after five years	2,177	1,984
	4,219	4,802

- (c) Other commitments

- (d)

As part of the terms of agreement in relation to the purchase of CRL, the company had a commitment of AUD \$1m on net smelter sales arising from CRL production reaching \$A50m and a further \$A1m on net smelter sales arising from CRL production reaching \$A100m.

Given the asset is still in the exploration phase, these milestone events triggering deferred consideration payments are considered to be uncertain. When the payments become probable, the group will raise a liability.

25. Controlling party

There is no ultimate controlling party of the Group.

26. Related party transactions

Director and key management personnel remuneration has been disclosed in Note 7.

Directors interest in Shares and Options have been disclosed in the Directors Remuneration Report.

The Group held a 50% holding in Cornwall Resources Ltd to July 2019 as disclosed in Note 11. P. Wale is both a director of the group and chairman of Cornwall Resources Ltd ('CRL')

The Group has maintained a 100% ownership of CRL since July 2019.

J Harrison is a director of the group and was consultant to CRL from January to July 2019. Fees paid by CRL for services provided by J Harrison during this period were \$29,000.

There were no other relevant transactions with Directors or other related parties.

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(continued)*

27. Events after the reporting period

Cobre Client – Update

In 2019, the Company's wholly owned subsidiary, Southern Minerals Group ("SMG"), demanded payment from its major Cobre client for breach of its contract with SMG. As payment was not made, SMG commenced an arbitration process, as required under the contract, which resulted in a finding in SMG's favour for \$21.9m plus interest.

As the Company is uncertain as to the credit capacity of the client to meet such a payment, the Company has adopted a view that potential income will only be recorded when it is certain that funds will be received.

The Company maintains a dialogue with the Receiver, appointed by the US Securities Exchange Commission with regard to its claim of \$21.9m plus interest. The Receiver is currently in the process of identifying and validating assets applicable to this claim. To date, it has identified in excess of \$8.0m of liquid assets, although until arrangements are finalised, it is uncertain as to what proportion of these funds will be attributed to SMG arbitrated claim.

Cobre Stockpile - Access Rollover

SMG's formal access to the Cobre mine magnetite stockpile has now been extended until March 2022 making this the ninth roll-over to date. The Company is currently unaware of any likelihood that SMG's access to the magnetite stockpile at Cobre will not be rolled over in the future.

STRATEGIC MINERALS PLC

Competent Persons Statement

The information in this report that relates to Redmoor Project is based on information compiled and reviewed by Paul Gribble C.Eng. a Fellow of the Institute of Materials, Minerals and Mining (FIMMM), and who is Principal Geologist of Geologica UK (Geologica). Paul Gribble has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Gribble is also a Competent Person as defined in the Note for Mining and Oil & Gas Companies which form part of the AIM Rules for Companies.

The information in this report that relates to the LCCM project is based on information compiled by Mr. David Larsen, who is a Member of the Australian Institute of Geoscientists (Member No. 1976). Mr. Larsen is the Principal Geologist at Terra Consulting Pty Ltd and is a consultant to the Company. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012) and a qualified person as defined in the AIM Note for Mining and Oil & Gas Companies which forms part of the AIM Rules for Companies. Mr. Larsen has over 30 years' Australia and international experience in exploration, mining geology and resource estimation for gold, base metals and iron ore deposits.

The information in this report relating to the CARE project is based on information compiled by Mr. Graeme Purcell, who is a Member of the Australasian Institute of Geoscientists. Mr. Purcell is the Principal of Petrichor Geological and is a consultant to the Company. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and a qualified person as defined in the AIM Note for Mining and Oil & Gas Companies AIM Rules for Companies. Mr. Purcell has over 20 years' Australia and international experience in exploration for precious and base metals.