

**STRATEGIC MINERALS PLC**

**07440902**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2018**

WEDNESDAY



\*L89WS6H6\*

LD3

17/07/2019

#18

COMPANIES HOUSE

**STRATEGIC MINERALS PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

**CONTENTS**

**Page:**

1	Chairman's statement
4	Strategic report
11	Report of the directors
15	Statement of directors' responsibilities
16	Statement of corporate governance
22	Audit committee report
23	Remuneration committee report
24	Independent auditor's report
29	Consolidated statement of comprehensive income
30	Consolidated statement of financial position
31	Company statement of financial position
32	Consolidated statement of cash flows
33	Company statement of cash flows
34	Consolidated statement of changes in equity
35	Company statement of changes in equity
37	Notes forming part of the financial statements

---

**FORWARD-LOOKING STATEMENT**

This Report and Financial Statements for the year ended 31 December 2018 ("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 2018**

I am pleased to present Strategic Minerals Plc's Annual Report for the year ended 31 December 2018. The Company continues to follow the strategy laid out by the Board and has undertaken and developed projects that are focused on metals and minerals expected to be sought in burgeoning battery market. The Group has recorded a seven figure after tax profit for the second consecutive year and utilised this, along with the proceeds from its last equity raising in October 2017 to secure and progress projects without the need to raise capital in 2018.

The Group made a total comprehensive after tax profit of \$788,000 as compared to a comprehensive after tax profit in 2017 of \$1,792,000. While it is pleasing to report such a profit, to some extent this understates the performance in 2018. During the year, operational issues caused our major client at Cobre to be unable to physically receive its minimum 4,000 tons a month product delivery. In working with the client, the Company was able to secure a series of advance payments on expected future product deliveries, which is reflected as deferred revenue in the consolidated statement of financial position.

If this series of payments were taken into consideration, they would add a further \$900,000 to sales for the year. This fact is reflected in the high cash figure maintained at the end of 2018, despite the acquisition of Leigh Creek Copper Mine and significant project development costs (notably Redmoor).

The Group had unrestricted cash of \$1.840m as at 31 December 2018 (2017: \$3.706m).

Throughout 2018, the Company completed both the acquisition of the Leigh Creek Copper Mine Pty Ltd ("LCCM") and further exploration at both the Redmoor Tin/Tungsten Mine, through the joint venture vehicle Cornwall Resources Limited ("CRL") and tenements held by Central Australian Rare Earths Pty Ltd ("CARE").

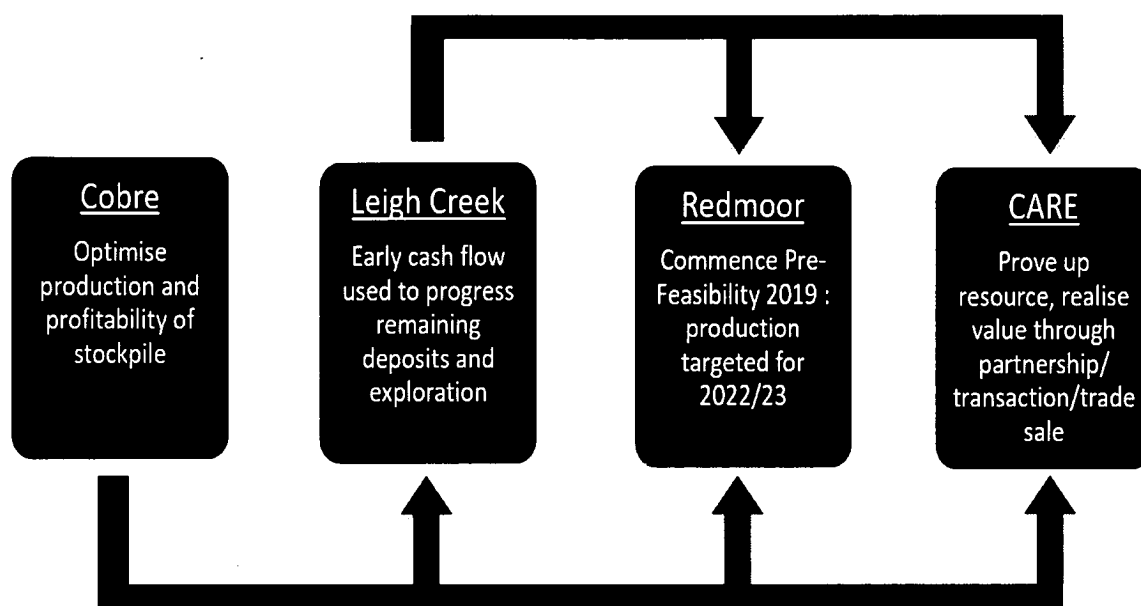
In the case of CARE, certain tenements in the Mount Weld area, which had been held primarily for their rare earth prospectivity, were, as a result of drilling, found to have little prospectivity for rare earths although still retaining some for gold. As gold is not a battery related metal, and hence not a primary focus for the Company, arrangements were made to sell the tenements, as reported in the Company's announcement on 3 September 2018.

In March 2018, the Company settled the purchase of LCCM which had been an operating copper mine that closed in 2011. In May 2019, the Company recorded its maiden sale from LCCM, providing a key second income stream, and paving the way for broader possibilities, such as potential dividend payments. LCCM was acquired for \$2.338m (AUD \$3m) with approximately half paid in cash and the balance satisfied by the issuance of 41,567,630 SML shares.

Since acquisition, the Company has assembled a highly experienced team to execute the restart of operations and has invested significantly in drilling and understanding the metallurgy of the site to ensure previous mistakes in the heap leach treatment of the ore are not repeated. The Board continues to be excited with the LCCM acquisition, having obtained 24,900 tonnes of JORC compliant copper metal at less than USD 100 per tonne. The value of the bargain purchase of LCCM has been reflected in our accounts as a gain on acquisition of \$2,162,000.

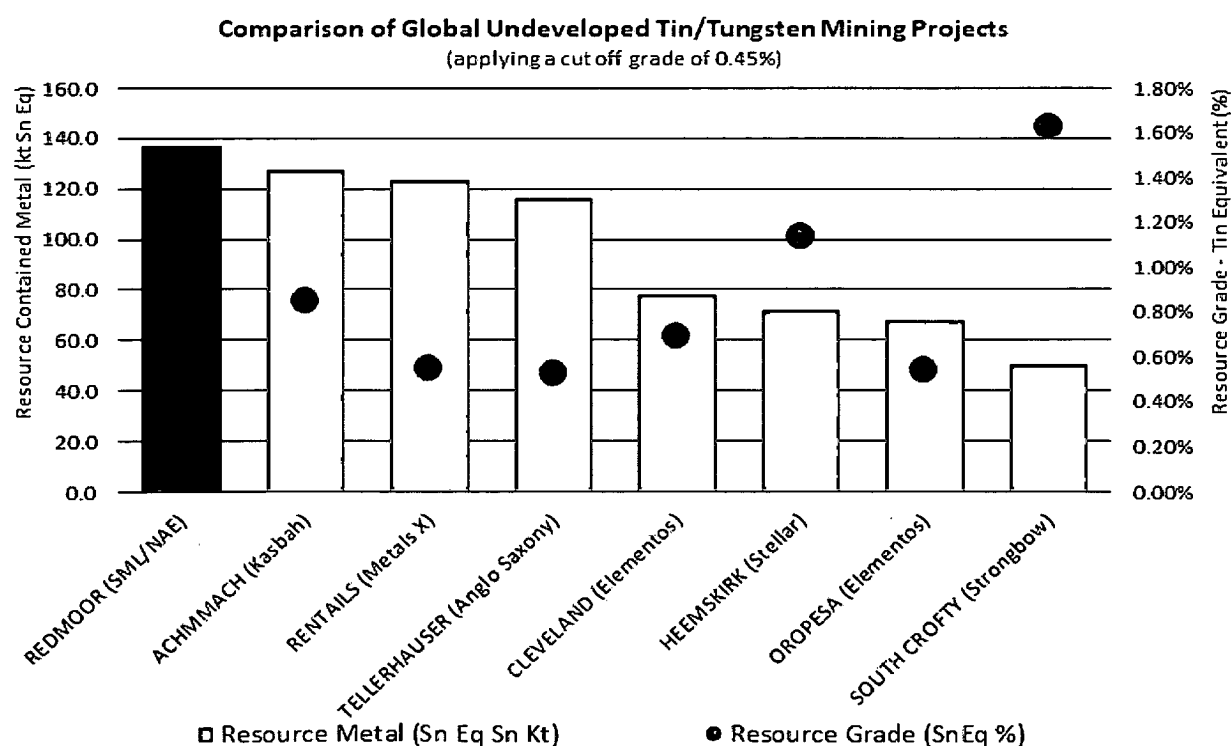
The acquisition of LCCM is consistent with the Board's strategy of achieving a balanced portfolio of cash generating, near term cash generating and exploratory projects with good exposure to the battery market that provide the Company the opportunity to develop projects from internally generated cash flows with minimum equity dilution (shown graphically over page).

**STRATEGIC MINERALS PLC**  
**CHAIRMAN'S STATEMENT** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



During 2018, CRL conducted a drilling programme designed to expand on the inferred resource and, in so doing, attempt to establish the credibility of the Redmoor project as a stand alone operation and amongst its global peers. While drilling and assay were completed in 2018, it was not until early 2019 that an updated resource statement was published. This indicated that the inferred resource had significantly increased to 11.7mt at a tin equivalent (SnEq) of 1.17% (previously 4.5mt at 1.00% SnEq).

The improvement in inferred resource represented increases, since the previous March 2018 resource estimate, of 200% in contained metal, 160% in resource tonnes and 17% in the tin equivalent grade. Which, when put in a global context as shown in the chart below, makes it one of the world's premier undeveloped tin/tungsten mine prospects.



## STRATEGIC MINERALS PLC

### CHAIRMAN'S STATEMENT *(continued)* FOR THE YEAR ENDED 31 DECEMBER 2018

In line with the release of the updated resource statement, the Board considered it an opportune time to acquire the balance of the equity in CRL and on 18 March 2019 announced the acquisition of the balance of CRL shares for cash of AUD \$3m and a capped royalty/deferred payment from Redmoor of AUD \$2m. The Board believes this project has the potential to produce a world class mining operation and has begun discussions with mining investment houses who have indicated an interest to be involved once prefeasibility and bankable feasibility studies are complete.

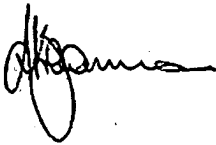
In February 2018, the Company welcomed, Mr Jeffrey Harrison to the Board. Mr Harrison is a seasoned, highly experienced mining engineer who has been working with the Company through his involvement in CRL. Mr Harrison's appointment has added balance and depth to the Board's skill set and will prove a vital asset in the development of the Company's projects. During 2018, Mr Harrison was appointed as a member of the newly formed Safety Committee where his workplace experience has proven invaluable in the Company's development of safety procedures for current and planned operations.

The strong position the Company has found itself at the end of 2018 and the development work scheduled for 2019 augurs well for the Board delivering shareholder value.

I look forward to working with my fellow Directors and the staff of the Company to ensure that the 2019 financial year is one of both operating and project growth for the Company.

Finally, I would like to acknowledge the support of our shareholders, suppliers and other stakeholders and I look forward to your continued support during 2019 and beyond.

Alan Broome AM



Chairman

14 May 2019

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018.

**Financial Performance**

The Company and the Group's reporting currency is US dollars as, previously, the Group's revenues, expenses, assets and liabilities were predominately in US currency and the bulk of revenues continues to be based in US dollars.

The Group made an operating profit before tax for the financial year of \$1.933m (2017: Profit of \$2.234m) which, after making allowance for exchange rate movements, produced a total comprehensive after tax profit of \$0.788m (2017: Profit \$1.792m). The profit in 2018 was derived from both the continued performance of the Company's subsidiary, Southern Minerals Group LLC ("SMG") which operates the Cobre mine along with the recognition of the "fair value" of the Leigh Creek Copper Mine acquired during the financial year.

During the year, the Company made significant investments into its development projects as follows:

- a) Leigh Creek Copper Mine Pty Ltd ("LCCM") a near production brownfields copper oxide project in the North Flinders Ranges in South Australia. During 2018, the Company acquired LCCM for \$2.338m (AUD \$3.0m) by a combination of cash \$1.214 (AUD \$1.550m) and the issuance of shares \$1.124m (AUD \$1,450m) and has invested a further \$0.797m in preparing the project for recommencing production in 2019.
- b) Cornwall Resources Limited ("CRL") a brownfields tin/tungsten project in Cornwall, England where the Group maintained its 50% ownership in CRL through the investment of \$0.639m of cash, the proceeds of which were primarily utilised to undertake an exploration drill programme which resulted in a significant upgrade in the inferred resource estimate.
- c) Central Australian Rare Earths Pty Ltd ("CARE") a company holding a number of greenfields exploration tenements in Western Australia prospective for Cobalt, Nickel Sulphide and Rare Earths. During 2018, the Company invested \$0.237m in furthering drilling, scanning and understanding the geology of the tenements.

Group overheads for 2018 of \$2.324m were maintained in line with last year's levels (\$2.113m in 2017). The Board and management continue to closely monitor overheads and administration costs to ensure they are appropriately in line with operations.

Head office expenses were slightly increased to \$1.250m from \$1.086m in 2017 reflecting increased activities across all the Company's projects, including the addition of LCCM.

SMG has now absorbed its previous tax losses and has become a tax paying entity. In line with this, the Company incurred a tax expense of \$0.460m (2017: \$0.650m) for the year, however, the remainder of the Group continues to generate tax losses.

Cash at the end of the year was \$1.840m (2017: \$3,706m). The end of year cash position reflected the significant investment made in the Group's projects during the year of \$2.887m, Group cash overheads of \$1.021m and the offsetting positive cashflow contribution by SMG's Cobre operation of \$2.163m.

**PROJECT REVIEW AND ACTIVITIES**

**Cobre Performance**

The 2018 year continued to be a profitable year for domestic sales at Cobre despite a reduction in sales as compared to last year. 55,565 short wet tons of magnetite were sold resulting in \$3.350m in sales compared to 2017 when 84,980 short wet tons were sold for \$5.637m. Operations at the mine continue to be closely managed while still ensuring adequate service to customers and safe operating conditions.

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

While sales levels at Cobre are down, this reflects the inability of SMG's major client to physically receive its minimum 4,000 tons per month, as specified in its contract. Considering this constraint, Management arranged for a variation of the underlying contract, until 1 March 2019, which saw \$375,000 a quarter being paid to the Company as a non-refundable deposit. During 2018, net cash flow from SMG was \$2.163m (2017: \$3.796m).

SMG's formal access to the Cobre mine magnetite stockpile has now been extended until March 2020. 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.

**Leigh Creek Copper Mine Pty Ltd ("LCCM")**

On 6 March 2018, the Company acquired LCCM which holds the mining rights to a copper mine in the Flinders Ranges of South Australia.

The LCCM project is a historically mined copper oxide deposit based close to one of the world's largest copper producers (Olympic Dam and Prominent Hill) and is located in the northern Flinders Ranges of South Australia which has been a source of copper since the 1880s. The South Australian government has a stated policy to assist in making this the third largest copper producing area in the world.

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.

The previous owners completed a JORC 2012 compliant Mineral Resource estimate on Lynda, Lorna Doone and Paltridge North deposits in 2016. 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		
Deposit	Tonnes	Copper Grade	Tonnes	Copper Grade	Tonnes	Copper Grade	Copper Metal (tonnes)
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
<b>Total</b>	<b>107,000</b>	<b>0.61%</b>	<b>3,508,000</b>	<b>0.69%</b>	<b>3,615,000</b>	<b>0.69%</b>	<b>24,900</b>

Drilling and metallurgical testing undertaken in 2018 has indicated a capacity to commercially retreat two of the existing heap leach pads and identified both Rosmann East and Paltridge North as economically viable sources from which to commence mining. Metallurgical analysis is being undertaken to derive the most appropriate method of treating ore from both Rosmann East and Paltridge North.

An existing heap leach and copper processing facility is located at the Mountain of Light deposit (adjacent to Rosmann East and nearby Paltridge North) and has been in care and maintenance since 2012. The treatment plant treats the copper solution extracted via a standard heap leach pad into a copper cement (>70% Cu) via two existing Kennecott cones. The Mountain of Light Processing plant is 100% owned by LCCM. Refurbishment works to the plant began in 2018 and the plant became operational in April 2019.

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 686km<sup>2</sup> 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** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

Copper prices have performed excellently during 2018 and into 2019. This reflects an ongoing general decline in mine grades of existing projects and increasing challenges for exploration success, which places copper as a strategically attractive commodity.

The Company has an offtake agreement for all planned copper production of up to 300 tonnes per month from the LCCM project.

In the first half of 2019, considerable effort is being applied to restart operations at LCCM, beginning with the retreatment of existing heaps which has culminated in our first sale of product as announced in early May 2019.

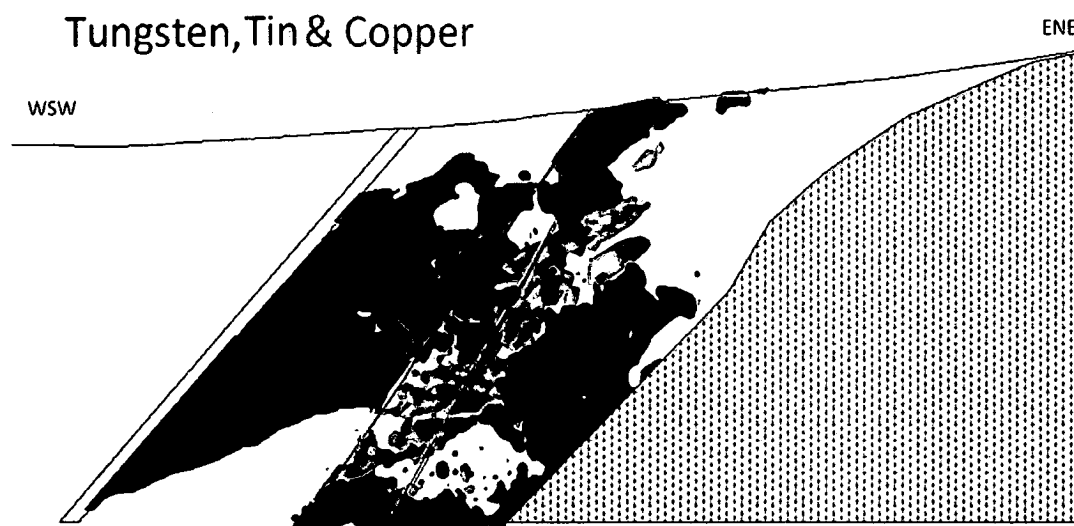
#### **Cornwall Resources Limited – Redmoor Tin/Tungsten Project**

In 2018, SML and its joint venture partner, New Age Exploration Limited ("NAE"), each funded its joint venture vehicle, Cornwall Resources Limited ("CRL") for \$0.705m to undertake a drilling programme designed to expand its inferred resource level. The 2018 drilling programme consisted of circa 7,000 metres across 12 holes.

The subsequent assay results exceeded Management's expectations and led to a resource update being published on 14 February 2019 which demonstrated that the overall inferred resource had increased from 4.5m tonnes at a tin equivalent ("SnEq") of 1.00% to 11.7m tonnes at 1.17% SnEq. The result is a 200% increase in contained metal, 160% in resource tonnes and 0.17% in the tin equivalent grade.

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**



As a result of these excellent grades, the Company moved to acquire full ownership of CRL and has made an offer accepted by NAE management to acquire the other 50% of CRL for AUD \$5.0m (estimated at US\$3.563m) payable in cash of AUD \$3.0m (estimated at US\$2.138m) with this amount including AUD \$1.0m (estimated at US\$0.713m) payable 180 days after settlement and a capped royalty of AUD \$2.0m (estimated \$1.425m) with half payable on a net smelter revenue of AUD \$50m and the balance on a net smelter revenue of AUD \$100m. On 8 April 2019, NAE advised that shareholder approval was not required and the parties agreed to settle the acquisition on 30 May 2019 subject to the parties agreeing the form of the promissory note and royalty documents.

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

At the beginning of 2018, the Company, via its 100% owned subsidiary CARE, conducted an Electro Magnetic ("EM") geophysical survey at the Hanns Camp region which identified a significant conductor which was recognised as potentially hosting komatiite lava channel-facies rocks. Follow up drilling, completed in the first half of 2018, identified that the anomalies were not associated with accumulations of nickel sulphide.

In the middle of 2018, CARE completed a 65 hole 3,863m aircore drilling programme at the Hanns Camp and Mt Weld projects. Of these, 25 holes totalling 1,290m were drilled at the Hanns Camp South Targets. Cumulate facies ultramafic lithologies were recognised in one area potentially identifying another komatiite lava channel-facies position prospective for nickel sulphide mineralisation. The remaining 40 holes, totalling 2,573m, were drilled testing a series of gold, nickel and REE targets in the Mt Weld group of tenements. No carbonatite lithologies were intersected or significant REE assays received and no further work is planned in these target areas. Gold assays have highlighted some zones of broad low-level gold anomalism within the weathered profile.

As a result of the completion and evaluation of results from the air core drilling programme, conducted in June 2018, additional targets were identified at Hanns Camp South, Royal North and Royal Central highlighting potential Nickel Sulphide targets. Dr. Martin Gole, along with SML's Consultant Geologist Graeme Purcell, reviewed the data and targets in the field and confirmed the potential for lava channel embayments in the ultramafics which have the potential for hosting nickel sulphide mineralisation. Ground-based EM surveys, across all three targets, were commenced in December 2018 and, due to climactic influences, was not completed until later in the first quarter 2019.

In September 2018, the Company completed the sale of the tenements E38/2829, E38/2442, E38/2587, E38/2856 to GSN for a total consideration of AUD 145,000 paid by way of AUD 100,000 in cash and issuance to CARE of 1,000,000 shares in GSN at an issue price of AUD 0.045.

The Company is planning to complete a strategic assessment of the CARE exploration assets in the first half of 2019 following completion and analysis of the EM survey around Hanns Camp South.

**Safety**

The Company reports that, during 2018, across its operations in United States and Australia that the Company had one (2017: nil) safety incident which resulted in a prohibition notice (since lifted) and incurred no environmental, regulatory, or other operation violations.

**Board and Management Changes**

The addition of Jeffrey Harrison is the only change to the composition of the Board. Management changes have been made in line with the acquisition of LCCM although all such changes are based around consultancy, rather than direct employment contracts.

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT *(continued)***  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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:

**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 CARE, 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 where warranted to help ensure opportunities are subjected to proper evaluation.

**Reserve and resource risk**

The Mineral reserve and resource relating to CARE, 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.

**Commodity prices and currency risk**

Although the Group's strategy is primarily focused on localised markets which minimises the impact of global commodity prices, global commodity prices will generally affect the markets in which it operates. 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. 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.

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.

**Dependence on key personnel**

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.

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT *(continued)***  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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.

**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.

**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.

**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.

**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 which, while currently considered achievable, cannot be guaranteed. The Company is currently retreating heaps at LCCM to produce product at specification in order to minimise this risk.

**STRATEGIC MINERALS PLC**  
**STRATEGIC REPORT** *(continued)*  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Key Performance Indicators**

The Board monitors the activities and performance of the Group on a regular basis. The principal KPIs 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 were impacted by a major client not taking up its minimum monthly commitment (4,000 short wet tons) although this was offset by the payment of \$375,000 per quarter in deposits lodged by the client.

The unrestricted cash position of the group as at 31 December 2018 was \$1.840m which decreased by \$1.866m from the previous year, principally as a result of the increased investment in project activities which saw a net \$2.817m (2017: \$1.744m) invested in LCCM, Redmoor and CARE and as a result of a reduction in sales at Cobre to \$3.350m (2017: 5.637m).

The share price of the Company at year end was 1.30p (2017: 2.13p) which had increased to 1.65p as at 12 April 2019 with the Company poised to see the benefit of its project development portfolio in the near term.

There was one safety incident in December 2018 which the Board extensively addressed with a full review undertaken on safety policies after year end. There were no environmental incidents during the period.

**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 a three-pronged approach focused on supplying the burgeoning battery materials market. The strategy features bulk commodities with offtake arrangements, advanced materials with expected improvement in demand (Rare Earths, Cobalt, Graphite etc) and metals with expected pricing improvements over the next three to five years (Nickel Sulphide, Lithium etc).

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

**Outlook and Prospects**

The Company continues to maintain controls on its overheads, is focused on restarting production at Leigh Creek in 2019, expanding Cobre's profitable domestic sales, completing the acquisition of the other 50% of Cornwall Resources Limited/commencing the Redmoor Pre-Feasibility Study and undertaking further exploration of the CARE tenements.

The Board is confident that the outlook for the Company is encouraging as it now has a strong cash flow stream from Cobre, near term cash flows from LCCM, control of Redmoor and potential upside from CARE in Western Australia.

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



**John Peters**  
**Managing Director**

14 May 2019

Company Number?  
07440902

**STRATEGIC MINERALS PLC**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018.

**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 \$1,473,000 (2017: \$1,586,000).

The Directors do not propose to recommend any distribution by way of dividend for the period ended 31 December 2018.

**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	(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 2018 for all Directors and their related parties:

Director	Shares held at reporting date	Shares held 31 December 2018	Shares held 31 December 2017
Alan Broome	6,147,319	4,647,319	147,319
John Peters	50,500,000	34,500,000	20,500,000
Peter Wale	50,359,467	50,359,467	46,364,000
Jeffrey Harrison	812,500	-	-

**STRATEGIC MINERALS PLC**

**REPORT OF THE DIRECTORS *(continued)***  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The following are the options held as at the reporting date and as at 31 December 2018 for all Directors:

Director	Options held at reporting date	Options held 31 December 2018	Options held 31 December 2017	Exercise Price pence	Performance milestone 5 day VWAP pence	Expiry Date	Grant Date
Alan Broome	-	-	3,000,000	1.00	1.50	30/06/2018	6/01/2017
Alan Broome	-	1,500,000	3,000,000	1.00	3.00	30/06/2019	6/01/2017
Alan Broome	24,000,000	24,000,000	-	2.75	5.50	30/06/2020	15/02/2018
Alan Broome	11,000,000	11,000,000	-	3.75	7.50	30/06/2021	15/02/2018
Alan Broome	5,000,000	5,000,000	-	5.00	10.00	30/06/2022	15/02/2018
John Peters	-	-	2,000,000	1.00	1.50	30/06/2018	10/04/2015
John Peters	-	8,000,000	12,000,000	1.00	3.00	30/06/2019	10/04/2015
John Peters	-	-	8,000,000	1.00	1.50	30/06/2018	6/01/2017
John Peters	-	8,000,000	8,000,000	1.00	3.00	30/06/2019	6/01/2017
John Peters	36,000,000	36,000,000	-	2.75	5.50	30/06/2020	15/02/2018
John Peters	16,500,000	16,500,000	-	3.75	7.50	30/06/2021	15/02/2018
John Peters	7,500,000	7,500,000	-	5.00	10.00	30/06/2022	15/02/2018
Peter Wale	-	-	2,000,000	1.00	1.50	30/06/2018	6/01/2017
Peter Wale	-	-	2,000,000	1.00	3.00	30/06/2019	6/01/2017
Peter Wale	12,000,000	12,000,000	-	2.75	5.50	30/06/2020	15/02/2018
Peter Wale	11,000,000	11,000,000	-	3.75	7.50	30/06/2021	15/02/2018
Peter Wale	5,000,000	5,000,000	-	5.00	10.00	30/06/2022	15/02/2018
Peter Wale	12,000,000	12,000,000	-	2.75	5.50	30/06/2020	9/08/2018
Jeffrey Harrison	12,000,000	12,000,000	-	2.75	5.50	30/06/2020	9/08/2018
Jeffrey Harrison	5,500,000	5,500,000	-	3.75	7.50	30/06/2021	9/08/2018
Jeffrey Harrison	2,500,000	2,500,000	-	5.00	10.00	30/06/2022	9/08/2018

## STRATEGIC MINERALS PLC

### REPORT OF THE DIRECTORS *(continued)* FOR THE YEAR ENDED 31 DECEMBER 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 30 April 2019 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	71,487,885	5.09
John Peters	50,500,000	3.60
Mr Peter Wale	50,359,467	3.59
Lenark Pty Ltd as trustee for Lenark Investment Trust and related parties	44,834,954	3.19

Based on the total issued share capital of 1,404,059,857.

#### POLITICAL CONTRIBUTIONS

There were no political contributions made by the Group during the year ended 31 December 2018 (2017: Nil).

#### INFORMATION TO SHAREHOLDERS - WEBSITE

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

#### GOING CONCERN

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

When assessing the foreseeable future, the Directors have looked at the Group's working capital requirements for the period to 30 June 2020 being the period for which projections have been prepared and the minimum period the Directors are required to consider.

The Directors have reviewed the Group's current cash resources, funding requirements and ongoing trading of the operations. The Directors note that the Group's future funding position is reliant on the key customers with the Cobre operation fulfilling the requirements of the underlying sales agreements. As at the date of this report there is uncertainty as to whether these commitments will be fulfilled. If the Group loses a key customer then the directors will be required to raise further funding through debt or equity and cut the spending on the other group assets as appropriate. As at the date of this report there is no certainty regarding the group's ability to execute these transactions. These conditions indicate the existence of material uncertainties which may cast doubt as to the Group's ability to continue as a going concern. In the event that the Group is unable to raise sufficient funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

**STRATEGIC MINERALS PLC**  
**REPORT OF THE DIRECTORS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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.

**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**

14 May 2019

## **STRATEGIC MINERALS PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors are responsible for preparing the Strategic Report, Directors' 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group and parent Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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](http://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](http://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 8 to 9 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](mailto: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 8 - 9 of this report.

#### *Board Committees*

The Board has established separate sub-committees around safety (chaired by Alan Broome) and audit (chaired by Alan Broome).

The responsibilities for remuneration within the Company continues to be shared by the entire Board, excluding the Managing Director.

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 Safety Committee and Audit Committee 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, 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 members of the Company and its consultants on the overall strategy while managing the hands on day to day management oversight.
- 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.
- 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 9 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 2018 were:

Director	Capacity	Board Meetings	Remuneration Committee	Audit Committee	Safety Committee
A Broome	Non-Executive	9	1	1	5
J Peters	Executive	9			
P Wale	Executive	9	1	1	
J Harrison (appointed 7/2/2018)	Non-Executive	8		1	5

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.

#### *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.

## STRATEGIC MINERALS PLC

### CORPORATE GOVERNANCE STATEMENT (continued)

#### **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 supervisorial, 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; and
- to keep under review the effectiveness of the Company's financial reporting and internal control policies and systems.

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

##### *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.

## STRATEGIC MINERALS PLC

### CORPORATE GOVERNANCE STATEMENT (continued)

#### *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 intends to include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

## STRATEGIC MINERALS PLC

### AUDIT COMMITTEE REPORT

This report addresses the responsibilities, the membership and the activities of the Audit Committee in 2018 up to the approval of the 2018 Annual Report and 2018 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 of the Audit Committee are Alan Broome, Peter Wale (Chairman) and Jeffrey Harrison.

#### Activities in 2018

With regard to the 2018 year-end Audit, the committee has reviewed the following key audit matters:

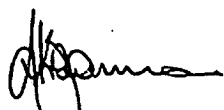
1. going concern,
2. the adoption of the new revenue recognition standard (IFRS 15) and the Financial Instruments standard (IFRS 9), and
3. the acquisition fair values of LCCM

The Committee has reviewed the Group's current cash resources, funding requirements and ongoing trading of the operations. The Committee notes that the Group's future funding position is reliant on the key customers with the Cobre operation fulfilling the requirements of the underlying sales agreements. As at the date of this report there is uncertainty as to whether these commitments will be fulfilled. If the Group loses a key customer then the directors will be required to raise further funding through debt or equity and cut the spending on the other group assets as appropriate. As at the date of this report there is no certainty regarding the group's ability to execute these transactions. These conditions indicate the existence of material uncertainties which may cast doubt as to the Group's ability to continue as a going concern. In the event that the Group is unable to raise sufficient funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### Conclusion

In 2019 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 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  
14 May 2019  
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 2018 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 (Chairman) Peter Wale and Jeffrey Harrison. Other Directors are invited to attend as appropriate and only if 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

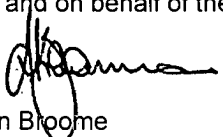
Compensation for Directors who held office during the year is as follows:

<b>2018</b>	<b>Directors' Salary and fees 2018 \$'000</b>	<b>Consultancy fees 2018 \$'000</b>	<b>Bonus 2018 \$'000</b>	<b>Share based payments 2018 \$'000</b>	<b>Total 2018 \$'000</b>
A Broome	147	-	-	80	227
J Peters	7	206	133	120	466
P Wale	69	52	-	57	178
J Harrison*	22	28	-	6	56
<b>Total</b>	<b>245</b>	<b>286</b>	<b>133</b>	<b>263</b>	<b>927</b>
<b>2017</b>	<b>Directors' Salary and fees 2017 \$'000</b>	<b>Consultancy fees 2017 \$'000</b>	<b>Loss of office 2017 \$'000</b>	<b>Share based payments 2017 \$'000</b>	<b>Total 2017 \$'000</b>
A Broome	86	-	-	19	105
J Peters	-	216	129	84	429*
P Wale	66	-	-	12	78
<b>Total</b>	<b>152</b>	<b>216</b>	<b>129</b>	<b>115</b>	<b>612</b>

\* Mr J Harrison was appointed on 7 February 2018.

Going forward into 2019 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  
 14 May 2019  
 Chair of Remuneration Committee

## STRATEGIC MINERALS PLC

### INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

##### Opinion

We have audited the financial statements of Strategic Minerals Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's 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 their is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

##### 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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements which indicates that the Group needs additional funding in the next twelve months. This matter along with the other matters set out in Note 1 relating to the uncertainty around the Group and Parent Company's ability to fund its working capital needs and development plans indicate the existence of a material uncertainty which may cast significant doubt over the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted 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 audit procedures in response to this key audit matter included the following:

- We critically assessed the directors' and management's cash flow forecast, and the underlying assumptions, in particular the key sensitivity which analysed the impact of a key customer to the Cobre operations no longer being able to fulfil their obligations under the offtake arrangement.
- We discussed with Management and the Board the Group's strategy to ensure that funds are available to the Group to fund its operations and development plans.
- We obtained and reviewed documents which support the funding streams included by Management and the Directors in the Group cashflow forecast.
- We reviewed key cash outflows to underlying budgets for the Group's key assets or projects to ensure commitments have been appropriately included.
- We compared forecast operating cost cash flows to current run rates for the underlying business.
- 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.

## STRATEGIC MINERALS PLC

### INDEPENDENT AUDITOR'S REPORT *(continued)* FOR THE YEAR ENDED 31 DECEMBER 2018

#### Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, 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) 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.

#### Key audit matter

##### Accounting for the acquisition of Leigh Creek Copper mine

As detailed in note 12, the group acquired 100% interest in Leigh Creek Copper Mine Pty Ltd ("LCCM") which owns exploration and mining rights in South Australia for total consideration of \$2.4m in April 2018.

The assets and liabilities acquired are required to be measured at fair value on the date of acquisition. The valuation of the assets and liabilities requires significant estimates and judgements and is inherently uncertain. As disclosed in note 12 to the financial statements, Management determined that the acquisition of LCCM represented a bargain purchase, as defined in IFRS, as the purchase price was lower than the fair values of the assets and liabilities acquired. IFRS requires that the gain on a bargain purchase is recognised immediately in the income statement in the year of acquisition.

Management judgement was required as to whether the transaction is a business combination rather than an asset acquisition. Moreover the valuation of the acquired assets and liabilities required significant estimates and judgements. Therefore, we consider this to be a key audit matter.

#### How we addressed the key audit matter in our audit

Our procedures included, but were not limited to the following:

- We reviewed the Sale and Purchase Agreement and considered factors including the nature of the operations acquired to assess the appropriateness of management's judgment that this transaction represented a business combination.
- We reviewed and critically challenged the key estimates and assumptions applied in the valuation report prepared by Management's expert which detailed the acquisition date fair values of the assets and liabilities acquired. This included the review of:
  - Resource estimate back to the JORC compliant statement within the original feasibility study.
  - Key cost estimates to benchmarked industry information and overall development plans.
  - Forecast copper pricing to market consensus pricing.
  - Discount rate to empirical data to assess and form an opinion on the appropriate range of discount rates.
  - Completeness of the assessment of the fair value of assets and liabilities acquired.
- We assessed the independence and qualifications of the expert who prepared the valuation report.
- We visited the mine site in South Australia to understand the nature of the operations, the assets and liabilities acquired and the consistency with the valuation undertaken.
- We challenged and considered whether the recognition of a bargain purchase was appropriate.
- We agreed the underlying assets and liabilities acquired through to the financial statements.
- We verified the purchase price paid through to supporting documentation.
- We checked the disclosures in note 1 and 12 against the requirements of the relevant underlying framework and that related policies, judgments and estimates were adequately disclosed.

## STRATEGIC MINERALS PLC

### INDEPENDENT AUDITOR'S REPORT *(continued)* FOR THE YEAR ENDED 31 DECEMBER 2018

#### Our application of materiality

Group materiality FY 2018	Group materiality FY 2017	Basis for materiality
\$175,000	\$120,000	1.5% of total assets (2017: 1.5% of total assets)

Total Assets was determined as an appropriate basis as the principal focus of the Group remains fundamentally focussed on the development of its exploration and development assets.

Materiality for the Parent Company was set at \$90,000 (2017: \$60,000) and was restricted to 75% of Group materiality (2017: 75% of Group 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. 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.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2017: 75%) of the above materiality levels for both Group and Company on the basis that we have not identified high volumes or values of misstatements in prior year audits.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of \$8,000.

Whilst materiality for the financial statements as a whole was \$175,000 each significant component of the Group was audited to a lower level of materiality ranging from \$12,000 to \$90,000 which was used to determine the financial statement areas that were included within the scope of the component audits and the extent of sample sizes used during the audit.

#### 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 at the group level.

Our group audit scope focused on the group's principal operating subsidiaries being Strategic Minerals Plc, Southern Minerals Group LLC, Leigh Creek Copper Mine Pty Ltd and Central Australia Rare Earths Pty Ltd, which were subject to a full scope audit. Together with the parent company and its group consolidation, which was also subject to a full scope audit, these represent the significant components of the group.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component. The full scope audits covered 98% of the group's net assets.

The audits of each of the components were performed in the United Kingdom. All of the audits were conducted by BDO LLP.

## STRATEGIC MINERALS PLC

### INDEPENDENT AUDITOR'S REPORT *(continued)* FOR THE YEAR ENDED 31 DECEMBER 2018

#### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the 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.

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 Directors' responsibilities statement, 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.

## STRATEGIC MINERALS PLC

### INDEPENDENT AUDITOR'S REPORT *(continued)* FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



**Matt Crane** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
14 May 2019

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

Company Number!  
07440902

**STRATEGIC MINERALS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

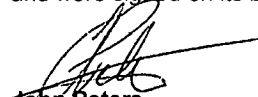
	Note	Year to 31 December 2018 \$'000	Year to 31 December 2017 \$'000
<b>Revenue</b>	<b>4</b>	3,355	5,642
Raw materials and consumables used		(650)	(914)
<b>Gross profit</b>		<u>2,705</u>	<u>4,728</u>
Bargain purchase gain on LCCM Acquisition	<b>12</b>	2,162	-
Administration expenses	<b>6</b>	(2,907)	(2,431)
<b>Profit from operations</b>		<u>1,960</u>	<u>2,297</u>
Share of post-tax loss of equity accounted joint arrangements	<b>11</b>	(27)	(63)
<b>Profit before taxation</b>		1,933	2,234
Income tax charge	<b>8</b>	(460)	(648)
<b>Profit for the period attributable to the owners of the parent</b>		<u>1,473</u>	<u>1,586</u>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) arising on translation of foreign operations		(685)	206
<b>Total comprehensive income attributable to the owners of the parent</b>		<u>788</u>	<u>1,792</u>
<b>Profit per share attributable to the ordinary equity holders of the parent:</b>			
<b>Basic</b>	<b>9</b>	\$0.00108	\$0.00152
<b>Diluted</b>		\$0.00106	\$0.00147

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 2018**

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Asset	10	564	-
Deferred exploration and evaluation expenditure	10	1,037	1,242
Investments in joint ventures– equity accounted	11	2,248	1,611
Property, plant and equipment	13	5,170	257
Other Receivables	15	141	-
Restricted cash	17	100	100
		<u>9,260</u>	<u>3,210</u>
<b>Current assets</b>			
Inventories	14	4	7
Financial assets held at fair value through profit and loss		20	-
Trade and other receivables	15	285	1,069
Prepayments	15	32	12
Cash and cash equivalents	16	1,840	3,706
		<u>2,181</u>	<u>4,794</u>
<b>Total Assets</b>		<u><u>11,441</u></u>	<u><u>8,004</u></u>
<b>Equity and liabilities</b>			
Share capital	22	2,095	2,009
Share premium reserve	22	47,205	45,935
Merger reserve		20,240	20,240
Foreign exchange reserve		(894)	(209)
Share options reserve	22	330	137
Other reserves		(23,023)	(23,023)
Retained earnings		(36,632)	(38,180)
<b>Total Equity</b>		<u><u>9,321</u></u>	<u><u>6,909</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision	19	796	-
		<u>796</u>	<u>-</u>
<b>Current liabilities</b>			
Income Tax payable	8	-	648
Trade and other payables	18	354	447
Deferred Revenue	20	900	-
Deferred consideration		70	-
		<u>1,324</u>	<u>1,095</u>
<b>Total Liabilities</b>		<u><u>2,120</u></u>	<u><u>1,095</u></u>
<b>Total Equity and Liabilities</b>		<u><u>11,441</u></u>	<u><u>8,004</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 14 May 2019 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 2018**

	Notes	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	11	1,038	950
Investments in joint ventures– equity accounted	11	2,248	1,611
Loans to subsidiary undertakings	11	2,441	456
		<hr/> 5,727	<hr/> 3,017
<b>Current assets</b>			
Trade and other receivables	15	25	170
Cash and cash equivalents	16	304	1,651
		<hr/> 329	<hr/> 1,821
<b>Total Assets</b>		<hr/> 6,056	<hr/> 4,838
<b>Equity and liabilities</b>			
Share capital	22	2,095	2,009
Share premium reserve	22	47,205	45,935
Merger reserve		20,240	20,240
Foreign exchange reserve		(1,508)	(577)
Share options reserve	22	330	137
Retained earnings		(62,512)	(63,175)
		<hr/> 5,850	<hr/> 4,569
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	206	269
		<hr/> 206	<hr/> 269
<b>Total Liabilities</b>		<hr/> 206	<hr/> 269
<b>Total Equity and Liabilities</b>		<hr/> 6,056	<hr/> 4,838

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 profit for the year of \$588,000 (2017: loss of \$113,000).

These financial statements were approved and authorised for issue by the Board of Directors on 14 May 2019 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 2018**

	Notes	Year to 31 December 2018 \$'000	Year to 31 December 2017 \$'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		1,473	1,586
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	13	64	74
Bargain purchase of Leigh Creek Copper Mine Pty Ltd	12	(2,162)	-
Loss on sale of tenements		245	-
Loss on financial assets held at fair value through profit or loss		12	-
Share of equity loss	11	27	63
Decrease in inventory		3	6
Decrease/(Increase) in trade and other receivables		690	(138)
Increase in prepayments		(20)	(6)
Increase in trade and other payables		119	440
Increase in deferred revenue		900	-
(Decrease)/ increase in income tax payable		(648)	648
Share based payment expense	23	268	209
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		971	2,882
		<hr/>	<hr/>
<b>Investing activities</b>			
Acquisition of PPE Development Asset	12	(1,214)	-
Increase in PPE Development Asset	13	(797)	-
Increase in deferred exploration and evaluation expenditure	10	(237)	(186)
Sale of tenements		70	-
Acquisition of PPE		-	(190)
Investments in joint arrangements	11	(639)	(1,328)
Loans to third parties		-	(40)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(2,817)	(1,744)
		<hr/>	<hr/>
<b>Financing activities</b>			
Net proceeds from issue of equity share capital		-	1,399
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		-	1,399
		<hr/>	<hr/>
<b>Net (decrease) increase in cash and cash equivalents</b>		(1,846)	2,537
Cash and cash equivalents at beginning of year		3,706	1,105
Effects of exchange rate changes on the balance of cash held in foreign currencies		(20)	64
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	16	1,840	3,706
		<hr/>	<hr/>

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 2018**

	Notes	Year to 31 December 2018 \$'000	Year to 31 December 2017 \$'000
<b>Cash flows from operating activities</b>			
Profit / (loss) before tax		588	(113)
<i>Adjustments for:</i>			
Impairment/ (write back) to investment in subsidiary undertakings		300	-
Write back of receivables from subsidiary undertakings	11	(2,199)	(776)
Decrease / (increase) in trade and other receivables		162	(82)
Increase / (decrease) in trade and other payables		150	334
Increase in prepayments		(2)	(6)
Share based payment expense		268	209
		<hr/>	<hr/>
<b>Net cash used in operating activities</b>		(733)	(434)
		<hr/>	<hr/>
<b>Investing activities</b>			
Investments in joint arrangements	11	(639)	(1,328)
Receipts from subsidiary undertakings	11	41	1,306
Loans to third parties		-	(40)
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		(598)	(62)
		<hr/>	<hr/>
<b>Financing activities</b>			
Net proceeds from issue of equity share capital		-	1,399
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		-	1,399
		<hr/>	<hr/>
<b>Decrease / increase in cash and cash equivalents</b>		(1,331)	903
Cash and cash equivalents at beginning of year		1,651	685
Effects of exchange rate changes on the balance of cash held in foreign currencies		(16)	63
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	16	304	1,651
		<hr/>	<hr/>

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 2018**

	Share capital \$'000	Share premium reserve \$'000	Merger reserve \$'000	Share options reserve \$'000	Other Reserves \$'000	Foreign exchange reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2017</b>	<b>1,873</b>	<b>43,865</b>	<b>20,240</b>	<b>138</b>	<b>(23,023)</b>	<b>(415)</b>	<b>(39,976)</b>	<b>2,702</b>
Profit/(Loss) for the year	-	-	-	-	-	-	1,586	1,586
Foreign exchange translation	-	-	-	-	-	206	-	206
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206</b>	<b>1,586</b>	<b>1,792</b>
Share based payments	-	-	-	209	-	-	-	209
Transfer	-	-	-	(210)	-	-	210	-
Shares issued in the year	136	2,113	-	-	-	-	-	2,249
Share issue costs	-	(43)	-	-	-	-	-	(43)
<b>Balance at 31 December 2017</b>	<b>2,009</b>	<b>45,935</b>	<b>20,240</b>	<b>137</b>	<b>(23,023)</b>	<b>(209)</b>	<b>(38,180)</b>	<b>6,909</b>
Profit/(Loss) for the year	-	-	-	-	-	-	1,473	1,473
Foreign exchange translation	-	-	-	-	-	(685)	-	(685)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(685)</b>	<b>1,473</b>	<b>788</b>
Share based payments	-	-	-	268	-	-	-	268
Transfer	-	-	-	(75)	-	-	75	-
Shares issued in the year	86	1,270	-	-	-	-	-	1,356
Share issue costs	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>2,095</b>	<b>47,205</b>	<b>20,240</b>	<b>330</b>	<b>(23,023)</b>	<b>(894)</b>	<b>(36,632)</b>	<b>9,321</b>

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

**STRATEGIC MINERALS PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Share premium reserve	Merger reserve	Share Options Reserve	Foreign exchange reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2017</b>	<b>1,873</b>	<b>43,865</b>	<b>20,240</b>	<b>138</b>	<b>(142)</b>	<b>(63,272)</b>	<b>2,702</b>
Profit/(Loss) for the year	-	-	-	-	-	(113)	(113)
Foreign exchange translation	-	-	-	-	(435)	-	(435)
Total comprehensive income for the year					(435)	(113)	(548)
Share based payments	-	-	-	209	-	-	209
Transfer	-	-	-	(210)	-	210	-
Shares issued in the year	136	2,113	-	-	-	-	2,249
Share issue costs	-	(43)	-	-	-	-	(43)
<b>Balance at 31 December 2017</b>	<b>2,009</b>	<b>45,935</b>	<b>20,240</b>	<b>137</b>	<b>(577)</b>	<b>(63,175)</b>	<b>4,569</b>
Profit/(Loss) for the year	-	-	-	-	-	588	588
Foreign exchange translation	-	-	-	-	(931)	-	(931)
Total comprehensive income for the year					(931)	588	(343)
Share based payments	-	-	-	268	-	-	268
Transfer	-	-	-	(75)	-	75	-
Shares issued in the year	86	1,270	-	-	-	-	1,356
Share issue costs	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>2,095</b>	<b>47,205</b>	<b>20,240</b>	<b>330</b>	<b>(1,508)</b>	<b>(62,512)</b>	<b>5,850</b>

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 2018**

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 on 2 September 2011 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.

Other reserves consist 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.

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.

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 2018

#### 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 Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

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

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

When assessing the foreseeable future, the Directors have looked at the Group's working capital requirements for the period to 30 June 2020 being the period for which projections have been prepared and the minimum period the Directors are required to consider.

The Directors have reviewed the Group's current cash resources, funding requirements and ongoing trading of the operations. The Directors note that the Group's future funding position is reliant on the key customers with the Cobre operation fulfilling the requirements of the underlying sales agreements and the offtake contract being renewed for a further 12 months from March 2020. Based on past experience the Directors are confident that the offtake contract will be renewed and as at the date of this report there is no evidence to suggest that it will not be renewed. However there is uncertainty as to whether the Group's customers will continue to fulfil the requirements of their contractual arrangements and this will impact upon the Group's future working capital position. If the Group loses a key customer then the directors will be required to raise further funding through debt or equity and cut the spending on the other group assets as appropriate. As at the date of this report there is no certainty regarding the group's ability to execute these transactions. These conditions indicate the existence of material uncertainties which may cast significant doubt as to the Group and Company's ability to continue as a going concern. In the event that the Group is unable to raise sufficient funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

##### Adoption of standards effective in 2018

A number of new and amended standards became mandatory and are effective for annual periods beginning on or after 1 January 2018. Below is a list of the new standards which impacted the Group; where appropriate these new standards have been incorporated into the Financial Statements:

##### **IFRS 15 Revenue from contracts with customers ("IFRS 15")**

IFRS 15 provides a principles based five step model to be applied to all contracts with customers. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. Specifically, IFRS 15 introduces a five-step approach to revenue recognition with an entity recognising revenues when a performance obligation is satisfied, which is when "control" of the goods has transferred to the customer. The Group currently recognises revenues when the control is transferred. Control of goods is transferred at the point of time, when magnetite is passed to the buyer at the gate. This is consistent with the current revenue recognition and the adoption of IFRS 15 does not have an impact on overall revenue recognition.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. Significant accounting policies (*continued*)

##### **IFRS 9 Financial Instruments ("IFRS 9")**

IFRS 9 classification and measurement of financial assets replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also addresses requirements for financial liabilities; these were largely carried forward from IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The adoption of IFRS 9 has impacted the Group and Company as a result of the existing incurred loss approach under IAS 39 being replaced by the forward looking expected credit loss ("ECL") model approach of IFRS 9. The expected credit loss model is required to be applied to the trade receivables and intercompany loan receivables which are classified as held at amortised cost.

At 31 December 2018, Strategic Minerals plc (SM plc) has \$4.510m (1 January 2018 \$3.793m) loans outstanding to subsidiaries. These loans are owed by various subsidiaries. The advances have been made on an interest free basis and are repayable on demand. As some loans do not currently have sufficient liquid assets to be able to repay the amounts due if demanded, these loans are considered to be credit-impaired for the purposes of IFRS 9 and lifetime expected credit losses are required to be recognised.

As at 1 January 2018 the Company has determined a \$3.279m credit loss allowance and \$2.068m credit loss allowance at 31 December 2018 as a result of the application of the expected credit loss model approach of IFRS 9. As part of the assessment of expected credit losses on the intercompany loans receivable, the Directors have assessed for each loan balance, the cash flows associated with a number of different recovery scenarios. This included consideration of exploration project risk, the future sales potential of product, value of potential reserves and the resulting expected economic outcomes of each project.

As required by the standard, no transitional adjustment was processed at the date of initial application (1 January 2018) as the Directors concluded that the loss provision calculated under an ECL approach to be materially consistent with the carried forward loss provision in the 31 December 2017 financial statements.

##### **Issued IFRS that are not yet effective and have not been adopted early**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

IFRS "16 Leases" (effective for periods beginning on or after 1 January 2019) requires lessees to use single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group's 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.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Significant accounting policies (*continued*)

##### **Basis of consolidation** (*continued*)

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.

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.

##### **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 2018

#### 1 Significant accounting policies *(continued)*

##### **Investment in joint arrangements *(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.

##### **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 IFRS3 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)**

Impairment tests of intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. 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.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Significant accounting policies (*continued*)

##### **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).

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

##### **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 consider all tenements relating to each project to represent one asset when undertaking their impairment assessment.

Where Management acquires exploration and evaluation assets through a corporate acquisition an assessment is made as to whether this transaction meets the definition of a business combination and therefore accounted for under IFRS 3 or represents an asset purchase.

Costs are amortised on a unit of production method based on commercial proven and probable reserves.

##### **Contractual relationship**

The contractual relationship recognised as a result of the acquisition of Ebony Iron Pty Limited in 2011 was valued at that time using estimated discounted cash flow. The value of the acquisition is fully impaired and management continues to assess whether there is evidence to reverse this impairment. However, due to the short-term nature of the contract to purchase iron ore at the Cobre operation it is not considered appropriate to reverse the impairment as at balance date.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Significant accounting policies (*continued*)

##### **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:

- Office equipment – 3 years straight line
- Plant and machinery (except screening equipment) – 5 to 10 years straight line basis
- Development assets - on a unit of production basis
- Screening equipment - on a unit of production basis
- Rail infrastructure – on a per ton basis for inventory transported by rail in the year. This asset has been fully impaired in previous periods.

The carrying value of property, plant and equipment assets is assessed annually and any impairment is charged 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.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held on call with banks. Restricted cash is not available for use by the Group and therefore is not considered highly liquid.

##### **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.

Where a contract allows the group to advance bill ahead of delivery, a liability in relation 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Significant accounting policies (continued)

##### **Taxation (continued)**

###### *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.

##### **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.

##### **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. These changes are treated as an administration expense. The unwinding of the discount is reflected as a finance expense.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 and trade receivables.

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

The Company and Group recognise an ECL 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 an assessment of the scenarios under which management expect the assets to be repaid. Any credit loss will be calculated as the net present value of the difference between the contractual and expected cash flows and the ECL will represent the weighted average of those credit losses based on the respective risks of each scenario.

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 undertaking during the year are set out in Note 2 below.

##### **Financial liabilities**

The Group classifies its financial liabilities as other financial liabilities at amortised cost.

Other financial liabilities are trade payables and loans and borrowings, consisting of finance lease obligations, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

##### **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.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Significant accounting policies *(continued)*

##### **Foreign currencies** *(continued)*

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 2018

#### 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.

##### (a) Carrying value of intangible assets

Management assess 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.

Both the CARE and 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. In relation to CARE there are 5 tenement licences that expire in the next 12 months. Management assesses for impairment on a one asset basis rather than tenement by tenement and considered that the expiry of these licences do not represent an indicator of impairment at 31 December 2018.

There are no indicators of impairment in the 31 December 2018 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 20.

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

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

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

##### (d) Investments in joint arrangements

Under the shareholders agreement with NAE, CRL is operated as a 50:50 joint venture with each party being entitled to appoint one Director. Based on this, the Group considers that they have joint control over the arrangement. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

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

##### (e) Business combinations.

Significant estimates were made in determining the fair value of assets acquired in the groups acquisition of Leigh Creek these are described in note 12.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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
- Investments in quoted equity securities

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

#### **Financial assets**

	Financial assets at Fair value through profit and loss		Financial assets at Amortised cost	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Group</b>				
Cash and cash equivalents	-	-	1,840	3,706
Restricted cash	-	-	100	100
Trade and other receivables	-	-	232	1,043
Investments in quoted equity securities	20	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total financial assets</b>	<b>20</b>	<b>-</b>	<b>2,172</b>	<b>4,849</b>
	<hr/>	<hr/>	<hr/>	<hr/>

#### **Financial liabilities**

	Financial liabilities at amortised cost	
	2018 \$'000	2017 \$'000
<b>Group</b>		
Trade and other payables	288	371
Loans and borrowings	-	-
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>288</b>	<b>371</b>
	<hr/>	<hr/>

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 3 Financial instruments - Risk management *(continued)*

#### Financial assets at Amortised cost

	2018 \$'000	2017 \$'000
<b>Company</b>		
Cash and cash equivalents	304	1,651
Trade and other receivables	11	146
Amounts owed by subsidiary undertakings	2,442	456
	<hr/>	<hr/>
<b>Total financial assets at Amortised cost</b>	<b>2,757</b>	<b>2,253</b>
	<hr/>	<hr/>

#### Financial liabilities at Amortised cost

	2018 \$'000	2017 \$'000
<b>Company</b>		
Trade and other payables	65	125
Amounts owed to subsidiary undertakings	77	70
	<hr/>	<hr/>
<b>Total financial liabilities at Amortised cost</b>	<b>142</b>	<b>195</b>
	<hr/>	<hr/>

#### Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

#### Financial assets held at fair value through profit or loss

	2018 \$'000	2017 \$'000
<b>Group</b>		
Investments in quoted equity securities	20	-
	<hr/>	<hr/>
<b>Total financial assets held at fair value through profit or loss</b>	<b>20</b>	<b>-</b>
	<hr/>	<hr/>

The investments in quoted equity securities are valued based on the price of the quoted securities converted to US dollars at the balance date.

The reconciliation of opening and closing values of available for sale assets is provided below.

	2018 \$'000	2017 \$'000
<b>Group</b>		
At 1 January	-	-
Purchases	32	-
Gains/(loss) on fair value included in profit and loss	(12)	-
	<hr/>	<hr/>
At 31 December	<b>20</b>	<b>-</b>
	<hr/>	<hr/>

The sensitivity of the available for sale assets are not material to the group.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 15.

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.

At 31 December 2018, the Group had no external borrowings.

##### *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.

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 2018

### 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	Functional currency of individual Entity						Total	
	US dollar		Sterling		Australian dollar		2018	2017
	2018	2017	2018	2017	2018	2017		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net foreign currency financial assets/(liabilities)</b>								
US dollar	1,593	2,479	4	179	300	305	1,897	2,963
Sterling	-	-	235	1,460	-	-	235	1,460
Australian dollar	-	-	-	40	269	15	269	55
<b>Total net exposure</b>	<b>1,593</b>	<b>2,479</b>	<b>239</b>	<b>1,679</b>	<b>569</b>	<b>320</b>	<b>2,401</b>	<b>4,478</b>

The effect of a 20% strengthening of the Sterling against US Dollar at the reporting date on the Sterling 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\$47,000 (2017: US\$292,000) and an increase of the net assets of US\$47,000. A 20% weakening in the exchange rate would, on the same basis, have decreased post-tax profit and decreased net assets by US\$47,000 (2017: US\$292,000).

Company	Functional currency of individual entity			
	Sterling		Total	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Net foreign currency financial assets/(liabilities)</b>				
US dollar	4	179	4	179
Sterling	2,611	1,839	2,611	1,839
Australian dollar	-	40	-	40
<b>Total net exposure</b>	<b>2,611</b>	<b>2,058</b>	<b>2,611</b>	<b>2,058</b>

#### 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 2018 year, hence, there is no exposure to market price risks in the current 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 2018

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
<b>At 31 December 2018</b>					
Trade and other payables	288	-	-	-	-
<b>Total</b>	288	-	-	-	-
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
<b>At 31 December 2017</b>					
Trade and other payables	371	-	-	-	-
<b>Total</b>	371	-	-	-	-
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
<b>At 31 December 2018</b>					
Trade and other payables	65	-	-	-	-
Loans from subsidiary undertakings	77	-	-	-	-
<b>Total</b>	142	-	-	-	-
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
<b>At 31 December 2017</b>					
Trade and other payables	125	-	-	-	-
Loans from subsidiary undertakings	70	-	-	-	-
<b>Total</b>	195	-	-	-	-

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

#### 4 Segment information

The Group has four main segments during the period:

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

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

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

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

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

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

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

STRATEGIC MINERALS PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

4 Segment information (continued)

	SMG	Head Office	Australia	Development Asset	Intra Segment Elimination	Total
	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>	3,350	3	2	-	-	3,355
Cost of sales	(650)	-	-	-	-	(650)
<b>Gross profit</b>	2,700	3	2	-	-	2,705
Other income	-	-	-	2,162	-	2,162
Overhead expenses	(850)	(1,250)	(224)	-	-	(2,324)
Management fee income/(expense)	(380)	380	-	-	-	-
Share based payments	-	(268)	-	-	-	(268)
Depreciation	(64)	-	-	-	-	(64)
Loss on available for sale assets	-	-	(12)	-	-	(12)
Share of net loss from joint venture	-	(27)	-	-	-	(27)
(Loss)/ gain on intercompany loans	-	1,899	-	-	(1,899)	-
Loss on sale of tenements	-	-	(245)	-	-	(245)
Foreign exchange gain/(loss)	-	(149)	-	-	155	6
<b>Segment profit /(loss) before taxation</b>	1,406	588	(479)	2,162	(1,744)	1,933
	SMG	Head Office	Australia	Development Asset	Intra Segment Elimination	Total
	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>	5,637	5	-	-	-	5,642
Cost of sales	(914)	-	-	-	-	(914)
<b>Gross profit</b>	4,723	5	-	-	-	4,728
Overhead expenses	(1,016)	(1,086)	(11)	-	-	(2,113)
Management fee income/(expense)	(400)	391	-	-	9	-
Share based payments	-	(209)	-	-	-	(209)
Depreciation	(74)	-	-	-	-	(74)
Share of net loss from joint venture	-	(63)	-	-	-	(63)
Write back of intercompany provisions	-	776	-	-	(776)	-
Foreign exchange gain/(loss)	-	73	-	-	(108)	(35)
<b>Segment profit / (loss) before taxation</b>	3,233	(113)	(11)	-	(875)	2,234

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4 Segment information (continued)**

<b>As at 31 December 2018</b>	<b>SMG \$'000</b>	<b>Head Office \$'000</b>	<b>Development Asset \$'000</b>	<b>Australia \$'000</b>	<b>Total \$'000</b>
Additions to non-current assets (excluding deferred tax)	-	639	2011	237	2,887
Reportable segment assets (excluding deferred tax)	1,511	2,576	5,722	1,632	11,441
Reportable segment liabilities	978	129	901	112	2,120
Deferred tax liabilities					-
<b>Total Group liabilities</b>					2,120

<b>As at 31 December 2017</b>	<b>SMG \$'000</b>	<b>Head Office \$'000</b>	<b>Development Asset \$'000</b>	<b>Australia \$'000</b>	<b>Total \$'000</b>
Additions to non-current assets (excluding deferred tax)	190	1,328	-	186	1,704
Reportable segment assets (excluding deferred tax)	3,065	3,339	-	1,600	8,004
Reportable segment liabilities	870	199	-	26	1,095
Deferred tax liabilities					-
<b>Total Group liabilities</b>					1,095

	<b>External revenue by location of customers</b>		<b>Non-current assets by location of assets</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
United States	3,350	5,637	293	357
United Kingdom	3	5	2,248	1,611
Australia	2	-	6,719	1,242
	3,355	5,642	9,260	3,210

Revenues from Customer A totalled \$695,000 (2017: \$577,000), which represented 21% (2017: 10%) of total domestic sales in the United States, Customer B totalled \$1,225,000 (2017: \$1,439,000) which represented 36% (2017: 26%) of total sales and Customer C totalled \$507,000 (2017: \$2,587,000) which represented 15% (2017: 46%). There were no export sales in the year (2017: Nil).

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**5 Other income**

Included in other income in the 2018 financial year is the bargain purchase of Leigh Creek Copper Mine Pty Ltd for \$2,162,000 (refer to note 12).

**6 Operating Profit/(loss)**

<b>Group</b>	<b>Year to 31 December 2018 \$'000</b>	<b>Year to 31 December 2017 \$'000</b>
Costs by nature		
<b>Operating Profit/(loss) is stated after charging:</b>		
Directors' fees and emoluments (Note 7)	665	497
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	76	34
Staff costs (Note 7)	514	557
Equipment rental	248	300
Equipment maintenance	46	70
Legal, professional and consultancy fees	476	341
Travelling and related costs	95	121
Other expenses	204	193
Overhead Costs	<u>2,324</u>	<u>2,113</u>
Foreign exchange (gain)/loss	(6)	35
Share based payments charge	268	209
Depreciation	64	74
Loss on sale of tenements	245	-
Loss on financial assets held at fair value through profit and loss	12	-
Share of net loss from joint arrangements	27	63
	<u>2,934</u>	<u>2,494</u>

**7 Directors and employees**

<b>Group</b>	<b>Year to 31 December 2018 \$'000</b>	<b>Year to 31 December 2017 \$'000</b>
Staff costs during the year		
Directors' remuneration including consultancy fees	665	497
Wages and salaries including consulting fees for management	514	557
Share based payments	268	209
Total staff costs	<u>1,447</u>	<u>1,263</u>

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

	<b>2018 Number</b>	<b>2017 Number</b>
Total	<u>11</u>	<u>8</u>

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**7 Directors and employees (continued)**

<b>Company</b>	<b>Year to 31 December 2018 \$'000</b>	<b>Year to 31 December 2017 \$'000</b>
Staff costs during the year		
Directors' remuneration including consultancy fees	665	497
Wages and salaries	18	62
Social security and other costs	-	-
Share based payments	268	209
	<hr/>	<hr/>
Total staff costs	951	768
	<hr/>	<hr/>

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

	<b>2018 Number</b>	<b>2017 Number</b>
Total	5	4
	<hr/>	<hr/>

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

	<b>Directors' Salary and fees 2018 \$'000</b>	<b>Consultancy fees 2018 \$'000</b>	<b>Bonus 2018 \$'000</b>	<b>Share based payments 2018 \$'000</b>	<b>Total 2018 \$'000</b>
A Broome	147	-	-	80	227
J Peters	7	206	133	120	466*
P Wale	69	52	-	57	178
J Harrison	22	28	-	6	56
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	245	286	133	263	927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	<b>Directors' Salary and fees 2017 \$'000</b>	<b>Consultancy fees 2017 \$'000</b>	<b>Loss of office 2017 \$'000</b>	<b>Share based payments 2017 \$'000</b>	<b>Total 2017 \$'000</b>
A Broome	86	-	-	19	105
J Peters	-	216	129	84	429*
P Wale	66	-	-	12	78
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	152	216	129	115	612
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

\*J Peters is the highest paid director in 2018 and 2017.

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**7 Directors and employees (continued)**

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.

<b>Director Remuneration : Gains on exercise of share options</b>	<b>Year to 31 December 2018 \$'000</b>	<b>Year to 31 December 2017 \$'000</b>
J Peters	274	204
A Broome	79	-
P Wale	56	-
	<hr/>	<hr/>
Total	409	204
	<hr/>	<hr/>

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.

**8 Taxation**

	<b>Year to 31 December 2018 \$'000</b>	<b>Year to 31 December 2017 \$'000</b>
Current tax expense	460	648
	<hr/>	<hr/>
	460	648
	<hr/>	<hr/>
<b>Reconciliation of effective tax rates</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	1,933	2,234
Tax using UK domestic rates of corporation tax of 19% (2017 - 19%)	367	424
<b>Effect of:</b>		
Income not assessable for tax purposes	(559)	-
Expenses not deductible for tax purposes	65	41
(Over)/under provisions in respect of previous years	44	-
Previously unrecognised Tax losses utilised	-	136
Losses carried forward/ (utilised)	407	(274)
Difference in overseas tax rates	136	321
	<hr/>	<hr/>
	460	648
	<hr/>	<hr/>

The Group has excess management expenses of \$ nil (2017: nil) and unused losses to carry forward of \$18,000,606 (2017: \$16,516,000). No deferred tax asset has been recognised for losses as their full recovery is not probable in the foreseeable future.

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 basic 1,366,949,045 (2017: 1,040,199,989). Fully diluted earnings are based on 1,384,449,045 (2017: 1,080,199,989) shares and the profit for the financial period was \$1,473,000 (2017: \$1,586,000 ).

**10 Intangible Assets**

<b>Group</b>	<b>Exploration/ evaluation costs \$'000</b>	<b>Other intangible asset \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>			
At 1 January 2017 (iii)	-	25,772	25,772
Additions on Acquisition of Central Australian Rare Earths Pty Limited (i)	1,056	-	1,056
Additions in the year	186	-	186
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	1,242	25,772	27,014
At 1 January 2018	1,242	25,772	27,014
Acquired through business combination of Leigh Creek Copper Mine Pty Limited (iv)	-	625	625
Disposals (ii)	(347)	-	(347)
Additions in the year	237	-	237
Foreign exchange difference	(95)	(61)	(156)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	1,037	26,336	27,373
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
At 1 January 2017	-	(25,772)	(25,772)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2017</b>	-	(25,772)	(25,772)
At 1 January 2018	-	(25,772)	(25,772)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	-	(25,772)	(25,772)
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2017	1,242	-	1,242
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	1,037	564	1,601
	<hr/>	<hr/>	<hr/>

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Intangible Assets *(continued)*

#### *Mining tenements and exploration and evaluation costs*

- (i) Exploration and evaluation ("E&E") costs as at 31 December 2018 are the costs associated with the exploration tenements in Western Australia held by Central Australian Rare Earths Pty Ltd ('CARE'). During the year ended 31 December 2017 the Group acquired a 50% interest in Central Australia Rare Earths Pty Ltd for £202,738 (\$278,000) and this was accounted as an investment in associate, as the Group determined that significant influence was present (see note 11). On 5 May 2017, the Group acquired the remaining 50% equity of CARE held by Rarus Limited for £522,500 (\$672,000). Management have deemed the acquisition of CARE to fall outside the scope of IFRS 3 Business combinations as the company does not meet the definition of business. The additions to Exploration and Evaluation assets in the period represents the carrying value of the E&E asset at cost. Transaction details regarding the CARE acquisition detailed below:

	<b>\$000</b>
Intangible assets	800
Less:	
Current assets less current liabilities	(106)
Excess consideration provided over net assets acquired	256*
Consideration transferred	<u>950</u>

\*As the CARE 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 CARE asset.

- (ii) In September 2018 the Group sold four tenements owned by its 100% owned subsidiary Central Australian Rare Earths Pty Ltd for US\$102,000 (A\$145,000). The tenements had a cost base of US\$347,000 at the time of sale which resulted in a loss on sale of US\$245,000.

#### *Other intangible assets*

- (iii) 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.
- (iv) The other intangible asset arises from the acquisition of Leigh Creek Copper Mine Pty Ltd and is the fair value of the offtake agreement that was in place at acquisition date.

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Investments

Investment in associates, joint ventures and subsidiaries

The group had investments in Central Australian Rare Earths Pty Ltd ("CARE") which holds tenements in Western Australia and in Cornwall Resources Ltd ("CRL") a joint venture that holds the Redmoor Tin Project in the United Kingdom. During the 2017 period the Company purchased the remaining interest in CARE resulting in an increase in ownership from 50% to 100%. Hence, the CARE investment has been consolidated in the year ended 2017 (see note 10 for details). The Company maintained its 50% (2017: 50%) interest in its investment in Cornwall Resources Ltd during the period by making equal contributions with its joint venture partner.

Group	Investment in joint ventures	Investment in associates	Total
Cost	\$'000	\$'000	\$'000
At 1 January 2017	285	278	563
Additions	1,328	672	2,000
Share of equity loss in joint ventures	(63)	-	(63)
Investment in associates (CARE) consolidated (see note 10)	-	(950)	(950)
Foreign exchange difference	61	-	61
At 31 December 2017	1,611	-	1,611
At 1 January 2018	1,611	-	1,611
Additions	705	-	705
Share of equity loss in joint ventures	(27)	-	(27)
Foreign exchange difference	(41)	-	(41)
At 31 December 2018	2,248	-	2,248

Company	Investment in associates and joint ventures	Loans to subsidiary undertakings	Shares in subsidiary undertakings	Total
Cost	\$'000	\$'000	\$'000	\$'000
At 1 January 2017	563	5,946	45,752	52,261
Movement in the year	-	(1,306)	-	(1,306)
Acquisition of joint venture interests	1,328	-	-	1,328
Acquisition of associated interest	672	-	-	672
Reclassification	(950)	-	950	-
Share of equity loss in joint ventures	(63)	-	-	(63)
Foreign exchange difference	61	(905)	-	(844)
At 31 December 2017	1,611	3,735	46,702	52,048
At 1 January 2018	1,611	3,735	46,702	52,048
Movement in the year	-	997	-	997
Acquisition of joint venture interests	705	-	-	705
Share of equity loss in joint ventures	(27)	-	-	(27)
Foreign exchange difference	(41)	(222)	-	(263)
At 31 December 2018	2,248	4,510	46,702	53,460

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11 Investments (continued)**

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

Company	Investment in associates and joint ventures	Loans to subsidiary undertaking s	Shares in subsidiary undertakings	Total
Cost		\$'000	\$'000	\$'000
<b>Impairment</b>				
At 1 January 2017	-	(4,586)	(45,752)	(50,338)
Write back/(charge) for the year	-	776	-	776
Foreign exchange difference	-	531	-	531
<b>At 31 December 2017</b>	-	(3,279)	(45,752)	(49,031)
At 1 January 2018	-	(3,279)	(45,752)	(49,031)
Write back/(charge) for the year		2,199	(300)	1,899
Foreign exchange difference		(988)	388	600
<b>At 31 December 2018</b>		(2,068)	(45,664)	(47,732)
<b>Carrying Value</b>				
At 31 December 2017	1,611	456	950	3,017
<b>At 31 December 2018</b>	2,248	2,442	1,038	5,728

Investment in joint ventures and subsidiaries

Company	2018 \$'000	2017 \$'000
Investments in subsidiary undertakings - CARE	826	950
Investments in subsidiary undertakings – IGH	212	-
Investments in joint ventures - CRL	2,248	1,611
	<b>3,286</b>	<b>2,561</b>

In 2017, following a revised valuation of the underlying project assets, the provision for impairment of loans in subsidiary undertakings was written back and the gain was taken to the Statement of Comprehensive Income. In 2018, upon adoption of IFRS9, provisions for impairment of loans in subsidiary undertakings is based on an expected credit loss assessment (refer note 1 for further detail). The writeback in 2018 reflects the improved loan recovery scenario as a consequence of the acquisition of LCCM. As the recovery of loan balances now being further supported by a near term producing asset.

**Central Australian Rare Earths Pty Ltd**

The Company purchased a 50% interest in Central Australia Rare Earths Pty Ltd ("CARE") in the year ended 31 December 2016 for £202,700 (\$277,000) and hence it was treated as an associate in that year. The 50% remaining balance of CARE was purchased by the Company on 1 June 2017 for £522,500 (\$672,000) at which point CARE became a 100% owned subsidiary of the Company and hence was consolidated from the date control was obtained.

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Investments (continued)

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

#### Cornwall Resources Limited

During the period, both the Company and New Age Exploration ("NAE") each subscribed for further shares in CRL of \$705,431 (£535,504) which maintained a 50% interest held by each party.

Under the shareholders agreement with NAE, CRL is operated as a 50:50 joint venture with each party being entitled to appoint one Director. Based on this, the Group considers that they have joint control over the arrangement. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The table below includes information from the financial statements of CRL.

	2018 \$'000	2017 \$'000
<b>As at 31 December</b>		
Current assets	427	210
Non-current assets	3,179	1,829
Current liabilities	23	45
Non-current liabilities	-	-
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	108	139
Current financial liabilities (excluding trade payables)	-	12
Non-current financial liabilities (excluding trade payables)	-	-
<b>Net Assets (100%)</b>	<b>3,583</b>	<b>1,994</b>
<b>Strategic Minerals PLC share of net assets 50% (2017: 50%)</b>	<b>1,792</b>	<b>997</b>
Goodwill relating to joint venture	456	614
<b>Carrying amount of investment in consolidated financial statements</b>	<b>2,248</b>	<b>1,611</b>
<b>Period ended 31 December</b>		
Revenues	12	-
Profit/(loss) from continuing operations	(68)	(136)
Other comprehensive income	-	-
<b>Total comprehensive income (100%)</b>	<b>(56)</b>	<b>(136)</b>
<b>Group share of total comprehensive income 50% (2017: 50%)</b>	<b>(27)</b>	<b>(63)</b>

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Investments *(continued)*

#### 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)	Holding Company	Ordinary	100%
Iron Glen Holdings Pty Limited	Australia (ii)	Holding Company	Ordinary	100%
Southern Minerals Group LLC (ii)	USA (i) (iii)	Sale of magnetite	Ordinary	100%
Ebony Iron Pty Limited	Australia (ii)	Holding Company	Ordinary	100%
Leigh Creek Copper Mine Pty Ltd (ii) (v)	Australia (ii)	Exploration and development	Ordinary	100%
Iron Glen Pty Ltd (i)	Australia (ii)	Dormant Company	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

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 12 Business Combination

In April 2018, the company acquired a 100% interest in Leigh Creek Copper Mine Pty Ltd ("LCCM") which owns mining rights and associated copper processing assets in South Australia. The purchase adds copper exposure to company's portfolio of strategic projects. The company believes that demand and supply factors for copper over the next five years will lead to price increases going forward, which in turn will add substantial shareholder value.

The fair values of the identifiable assets acquired and liabilities assumed are provisional.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

##### (a) Purchase consideration

	\$'000
Cash	1,175
Loan conversion (cash advanced during period)	39
Equity Instruments (38,700,900 ordinary shares) (i)	1,046
Deferred equity instruments (2,866,730 ordinary shares) (ii)	78
	<hr/>
Total purchase consideration	2,338
	<hr/>

- i. The fair value of the ordinary shares issued was based on the share price of GBP 0.01907. Of the 38,700,900 shares being issued, voluntary escrow arrangements ensure that one third is escrowed for three months after issue and another one third is escrowed for six months after issue. At 31 December 2018 there were no shares subject to any lock-in arrangements.
- ii. The group has agreed to issue additional 2,866,730 ordinary shares, subject to no warranty claims being by the Group against the vendor, within a 12 month period from acquisition date hence the shares were issued to the vendor on 4 March 2019. The fair value of the shares for the additional consideration is GBP 0.01907 based on acquisition date price.

##### (b) Acquisition related costs

The group incurred acquisition related costs of \$84,000 on legal fees and due diligence. The costs have been included in 'administrative expenses'.

##### (c) Identifiable assets acquired and liabilities at fair value.

	\$'000
Development Asset :Mining information/ tenement	4,559
Intangible Asset : Offtake agreement	625
Property Plant and Equipment	78
Non-current trade and other receivables	117
Other receivables	4
Environmental liability	(401)
Provision for mining royalty	(482)
	<hr/>
Fair value of net assets acquired	4,500
	<hr/>

The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

Asset Acquired	Valuation technique
Property plant and equipment	Depreciated replacement cost: Depreciated replacement cost reflects adjustment for physical deterioration as well as functional and economic obsolescence.
Development Asset	Discounted Cash Flow
Intangible Asset	Discounted Cash Flow
Environmental provision	Refer note 19
Provision for mining royalty	Refer note 19

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12 Business Combination (continued)**

(d) *Gain from bargain purchase.*

Gain from bargain purchase arising from the acquisition has been included in "Other income" in the profit and loss with the amount calculated as follows:

	<b>\$'000</b>
Purchase Consideration	(2,338)
Fair Value of net assets acquired	4,500
	<hr/>
Gain on bargain purchase	2,162
	<hr/>

A gain of \$2.16 million has been recognised. LCCM had been placed under care and maintenance by its previous owners Resilience Mining Australia Pty Ltd ("RMA") due to multiple factors including high operating cost, poor contractor management, poor leach pad design and processing recovery issues. Strategic minerals purchased LCCM from RMA as the Project represents a near-term low-capex copper production opportunity with early cashflow generation potential.

**13 Property, plant and equipment**

	<b>Railway infrastructure \$'000</b>	<b>Development Asset \$'000</b>	<b>Plant and Machinery \$'000</b>	<b>Total \$'000</b>
<b>Group Cost</b>				
At 1 January 2017	3,498	-	199	3,697
Additions in the year	-	-	190	190
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	3,498	-	389	3,887
Acquired in business combination*	-	4,559	78	4,637
Additions	-	797	-	797
Disposals	(3,498)	-	-	(3,498)
Foreign exchange difference	-	(449)	(6)	(455)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	4,907	461	4,368
<b>Depreciation</b>				
At 1 January 2017	(3,498)	-	(58)	(3,556)
Charge in the year	-	-	(74)	(74)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	(3,498)	-	(132)	(3,630)
Charge in the year	-	-	(64)	(64)
Disposals	3,498	-	-	3,498
Foreign exchange difference	-	-	(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	-	(198)	(198)
<b>Carrying value</b>				
At 31 December 2017	-	-	257	257
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2018</b>	-	4,907	263	5,170
	<hr/>	<hr/>	<hr/>	<hr/>

\*In April 2018, the company acquired a 100% interest in Leigh Creek Copper Mine Pty Ltd ("LCCM") which owns mining rights and associated copper processing assets in South Australia. See note 12 for further details.

**STRATEGIC MINERALS PLC**

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**14 Inventories**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Finished goods held for sale	4	7
Less stock provision	-	-
	<u>4</u>	<u>7</u>

There are no finished goods included at their fair value less cost to sell in 2018 (2017: Nil).

No inventories have been written off to profit or loss in the year (2017: Nil).

**15 Trade, other receivables and prepayments**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Group</b>		
<b>Current</b>		
Trade receivables	232	997
Less: provision for impairment of trade receivables	-	-
	<u>232</u>	<u>997</u>
Prepayments	32	12
Other receivables	-	46
VAT/GST Receivable	53	26
	<u>317</u>	<u>1,081</u>
<b>Non Current</b>		
Rehabilitation bond	141	-
	<u>141</u>	<u>-</u>
<b>Financial assets held at fair value through profit and loss</b>		
Investments in quoted equity securities	20	-
	<u>20</u>	<u>-</u>
<b>Company</b>		
<b>Current</b>		
Trade receivables	-	100
Prepayments	14	12
Other receivables	-	46
VAT/GST Receivable	11	12
	<u>25</u>	<u>170</u>

The Group's trade receivables are derived from magnetite customers at Cobre, who's credit quality is assessed by considering the customers financial position, past 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 2018. The Group did not recognise any impairment and believes that credit risk is limited as customers pay within a short period of time.

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 2018**

**16 Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>
Bank current accounts - unrestricted	1,840	3,706
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	1,840	3,706
	<hr/>	<hr/>

**16 Cash and cash equivalents (continued)**

	<b>2018</b>	<b>2017</b>
<b>Company</b>	<b>\$'000</b>	<b>\$'000</b>
Bank current accounts - unrestricted	304	1,651
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	304	1,651
	<hr/>	<hr/>

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

**17 Restricted cash**

	<b>2018</b>	<b>2017</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>
Bank – restricted	100	100
	<hr/>	<hr/>

The restricted cash related to a cash deposit held for a Standby Letter of Credit as security for a supplier.

**18 Trade and other payables**

	<b>2018</b>	<b>2017</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	266	277
Other payables	22	94
Accruals	66	76
	<hr/>	<hr/>
	354	447
	<hr/>	<hr/>
<b>Company</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	43	34
Other payables	22	91
Intercompany loans from Shareholder	77	70
Accruals	64	74
	<hr/>	<hr/>
	206	269
	<hr/>	<hr/>

Book values approximate to fair value at 31 December 2018 and 2017.

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 19 Non Current Liabilities

Group	Provision for environmental liability \$'000	Provision for mining royalty \$'000	Total \$'000
1 January 2017	-	-	-
Acquired in business combination	401 <sup>1</sup>	482 <sup>2</sup>	883
Foreign exchange difference	(40)	(47)	(97)
	<u>361</u>	<u>435</u>	<u>796</u>

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

<sup>2</sup> Under the terms of the various agreements in relation to the LCCM, the Company would have the following contingent liabilities:

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

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

### 20 Deferred revenue

Group	2018 \$'000	2017 \$'000
Deferred revenue	900	-
	<u>900</u>	<u>-</u>

The Group currently recognises revenue when the control of product is transferred. Control of goods is transferred at the point of time, when product is passed to the buyer at the gate.

Deferred revenue represents advance payments received for future product deliveries. Revenue will be recognised in the profit and loss statement when the product is passed to the buyer at the gate.

### 21 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 and liability as at 31 December 2018 was nil (2017: nil) as the tax losses were not expected to be recovered in the foreseeable future (see note 8 for details).

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 22 Share Capital and Premium

	Number	Issue Price	Share Capital \$,000	Share Premium \$,000	Total \$,000
At 1 January 2017	1,218,492,227		1,873	43,865	45,738
Exercise of options on 3 March 2017	8,333,333	0.60p	10	51	61
Placement on 1 June 2017	19,000,000	2.75p	24	648	672
Exercise of options on 21 September 2017	10,000,000	1.00p	14	121	135
Exercise of options on 30 October 2017	36,000,000	1.00p	48	426	473
Placement on 30 October 2017	30,666,667	2.25p	40	867	907
Issue Costs on placements				(43)	(43)
At 31 December 2017 Ordinary shares (par value of 0.1 pence each)	1,322,492,227		2,009	45,935	47,944
Exercise of options on 30 January 2018	2,000,000	1.00p	3	26	29
Exercise of options on 30 January 2018	3,000,000	1.00p	4	38	42
Exercise of options on 30 January 2018	10,000,000	1.00p	14	128	142
*Placement on 12 April 2018	38,700,900	1.91p	55	992	1,047
Exercise of options on 9 August 2018	3,000,000	1.00p	4	35	39
Exercise of options on 9 August 2018	2,000,000	1.00p	3	23	26
Exercise of options on 9 August 2018	1,500,000	1.00p	2	17	19
Exercise of options on 19 December 2018	1,000,000	1.00p	1	12	13
At 31 December 2018 Ordinary shares of 0.1 pence each	1,383,693,127		2,095	47,205	49,300

\*During the financial year, the Company issued 38,700,900 shares at 1.91 pence being \$1,047,000 (£739,187) to purchase 100% of Leigh Creek Copper Mine Pty Ltd. 22,500,000 options were exercised at an issue price of 1.00 pence being \$309,000 (£225,000) during the year.

### 23 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 178,750,000 (2017: 32,000,000) options issued to directors and senior executives during the year and 22,500,00 (2017: 53,333,333) options were exercised during the year.

The Group historically issued options and/or warrants to third parties in settlement of liabilities to strategic suppliers. Each share option or warrant converts into one ordinary share of Strategic Minerals Plc upon exercise. No amounts are paid or payable by the recipient of the options or warrants. 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 2018

### 23 Share based payments (continued)

#### Warrants and Options

Number of outstanding warrants and options at 31 December 2018 and a reconciliation of their movements during the year were:

Date of grant	Granted at 31.12.17	Issued	Lapsed/ Cancelled/ Exercised	Granted at 31.12.18	Exercise price	Exercise Period From	To
10.04.15	2,000,000	-	(2,000,000)	-	1.00p	10.04.15	30.06.18
10.04.15	12,000,000	-	(4,000,000)	8,000,000 (i)	1.00p	10.04.15	30.06.19
06.01.17	13,000,000	-	(13,000,000)	-	1.00p	06.01.17	30.06.18
06.01.17	13,000,000	-	(3,500,000)	9,500,000 (i)	1.00p	06.01.17	30.06.19
15.02.18	-	72,000,000	-	72,000,000 (ii)	2.75p	15.02.18	30.06.20
15.02.18	-	38,500,000	-	38,500,000 (iii)	3.75p	15.02.18	30.06.21
15.02.18	-	17,500,000	-	17,500,000 (iv)	5.00p	15.02.18	30.06.22
09.08.18	-	35,250,000	-	35,250,000 (ii)	2.75p	09.08.18	30.06.20
09.08.18	-	10,750,000	-	10,750,000 (iii)	3.75p	09.08.18	30.06.21
09.08.18	-	4,750,000	-	4,750,000 (iv)	5.00p	09.08.18	30.06.22
	40,000,000	178,750,000	(22,500,000)	196,250,000			

- (i) Market based vesting condition of 3.0p volume weighted average share price over 5 consecutive days and which vested in May 2018.
- (ii) Market based vesting condition of 5.5p volume weighted average share price over 5 consecutive days.
- (iii) Market based vesting condition of 7.5p volume weighted average share price over 5 consecutive days.
- (iv) Market based vesting condition of 10.0p volume weighted average share price over 5 consecutive.

The warrants and options outstanding at 31 December 2018 had an exercise price of between 1.00p and 5.00p, a weighted average exercise price of 3.10p (2017: 1.00p) and a remaining weighted average contractual life of 689 days (2017: 409 days). The weighted average exercise price of warrants and option lapsed, cancelled or exercised during the year was 1.00p (2017: 0.94p).

Of the total number of warrants and options outstanding at 31 December 2018, 17,500,000 (2017: 40,000,000) had vested and were exercisable.

The following information is relevant in the determination of the fair value of options granted during the year.

	15.02.18 options	15.02.18 options	15.02.18 options	09.08.18 options	09.08.18 options	09.08.18 options
Share price at date of grant	2.00p	2.00p	2.00p	1.27p	1.27p	1.27p
Exercise price	2.75p	3.75p	5.00p	2.75p	3.75p	5.00p
Market vesting condition	5.50p	7.50p	10.00p	5.50p	7.50p	10.00p
Expected volatility	60%	60%	60%	60%	60%	60%
Expected dividend	Nil	Nil	Nil	Nil	Nil	Nil
Contractual life	2.4 years	3.4 years	4.4 years	1.9 years	2.9 years	3.9 years
Risk free rate	0.79%	0.79%	0.79%	0.79%	0.79%	0.79%
Estimated fair value of each option	0.39p	0.40p	0.41p	0.11p	0.13p	0.15p

Expected volatility was determined based on the advice of an independent expert and recent historic volatility of the Company's shares. Had a longer term historical volatility of 100% been used the value of the options would have been 0.87p, 0.97p, 1.05p, 0.41p, 0.49p and 0.56p respectively based on the above table. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

# STRATEGIC MINERALS PLC

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 24 Commitments

#### (a) Operating lease commitments

At 31 December 2018, there were no non-cancellable operating leases (2017: Nil).

#### (b) Capital expenditure commitments

At 31 December 2018, no capital commitments existed (2017: Nil).

#### (c) Exploration commitments

So as to maintain current rights to tenure of exploration tenements, the group will be required to outlay amounts in respect of tenement rent to the relevant governing authorities and to meet certain annual exploration expenditure commitments. These expected outlays (exploration expenditure and rent), which arise in relation to granted tenements are as follows:

Group	2018 \$'000	2017 \$'000
due within one year	195	353
due after one year and within five years	779	410
due after five years	-	66
	<hr/>	<hr/>
	974	829
	<hr/>	<hr/>

### 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.

The Group has a 50% holding in Cornwall Resources Ltd as disclosed in Note 11. P. Wale is both a director of the group and chairman of Cornwall Resources Ltd ( 'CRL'). Fees paid by CRL for services provided by P.Wale to the Group were \$3,000 ( 2017: \$3,000). There were no other relevant transactions with Directors or other related parties.

### 27 Events after the reporting period

#### Issuance of final shares for Leigh Creek Copper Mine acquisition

In March 2019, the Company issued the remaining 2,866,730 shares due to Resilience Mining Australia Limited ("RMA"), in respect of the acquisition of Leigh Creek Copper Mine Pty Ltd ("LCCM"). The Company had entered into a Share Purchase Agreement ("SPA") with RMA for the purchase of LCCM in March 2018. As part of the SPA the Company delayed the issue of 2,866,730 shares in the Company, from RMA, for a 12 month period with these shares to be issued upon the Company being satisfied that there was no breach of the SPA warranties in that period. This occurred in March 2019.

## STRATEGIC MINERALS PLC

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 27 Events after the reporting period (*continued*)

##### **Acquisition of remaining 50% of Cornwall Resources Limited**

In April 2019, the Company announced it had entered into arrangements with New Age Exploration Limited ("NAE") to acquire its entire 50% shareholding in Cornwall Resources Limited ("CRL"), the joint venture vehicle developing the Redmoor Tin/Tungsten project in Cornwall ("Redmoor"), for a total capped purchase price of AUD \$5.0m (estimated at US\$3.563m) (the "Acquisition"). The purchase price for the 50% of CRL is:

- a) AUD \$2.0m (estimated at US\$1.425m) in cash on settlement
- b) AUD \$1.0m (estimated at US\$0.713m) promissory note payable 180 days after settlement by the Company, and
- c) a deferred payment royalty stream of AUD \$2.0m (estimated at US\$1.425m) with half payable on a AUD \$50m of Net Smelter Revenue from Redmoor production being received and the balance payable on a AUD \$100m of Net Smelter Revenue.

The parties have agreed to settle the transaction on 30 May 2019 and upon completion of the acquisition the Company will own 100% of CRL and consequently the Redmoor Project.

---

#### **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 dated June 2009. 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 dated June 2009. Mr. Purcell has over 20 years' Australia and international experience in exploration for precious and base metals.

# CORPORATE DIRECTORY

## DIRECTORS

Alan Broome AM – Non-Executive Chairman  
John Peters – Managing Director  
Peter Wale – Executive Director  
Jeffrey Harrison – Non-Executive Director

## REGISTRAR

Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surrey GU9 7DR  
United Kingdom

## REGISTERED OFFICE

Strategic Minerals PLC  
27/28 Eastcastle Street  
London W1W 8DH  
United Kingdom

## AUDITORS

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

## COMPANY NUMBER

07440902

## LAWYERS

Gowling WLG (UK) LLP  
4 More London Riverside  
London SE1 2AU  
United Kingdom

## NOMINATED ADVISER AND BROKER

SP Angel Corporate Finance LLP  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP  
United Kingdom



STRATEGIC  
MINERALS

