

26 August 2016

Strategic Minerals plc
("Strategic Minerals" or the "Company")

Update for the quarter to 30 June 2016

Strategic Minerals plc (AIM: SML; USOTC: SMCDY), the diversified mineral development and production company, is pleased to provide the following update on the Company's operations for the three months to 30 June 2016.

Highlights:

- **Potential to significantly increase Cobre sales volumes**

Underlying sales are on the rise in Cobre with a new large client commencing shipments in August. Base sales in the June quarter were strong, bouncing back from a subdued 2015, and reflect increasing demand for the magnetite held at Cobre. During the quarter, discussions continued with two parties concerning the potential to undertake larger more regular purchases with one of them commencing purchases in August. Should other sales remain unaffected, and the new client maintains their expected demand, sales volumes could significantly increase in the coming year;

- **Nickel sulphide intersected**

Successful completion of drilling at Central Australian Rare Earth Pty Ltd ("CARE") Hanns Camp tenements and the associated subscription of 50% of the equity in CARE. Nickel sulphide intercepted and further analysis being undertaken to ascertain future development plans;

- **Investment in Cornwall tin/tungsten project**

Acquisition of shares in the "brownfields" Redmoor Tin/Tungsten project in Cornwall, England. During the quarter, the Company issued capital to New Age Explorations Limited ("NAE") and invested the proceeds of the issue into acquiring a minority stake in NAE's subsidiary which is undertaking a tin/tungsten project in Cornwall. At the same time, the Company acquired the option, until 31 December 2016, to subscribe for additional equity in the subsidiary which would take the Company's shareholding up to 50% of the equity in the subsidiary. This is to be a cash subscription, with proceeds from this subscription being applied to a drilling program to further confirm the resource;

- **Equity raising**

An equity raising of £429,000 was conducted in June in preparation for completing the acquisition of a 50% interest in the Redmoor Tin/Tungsten project and for potential CARE tenement related exploration;

- **Rail dispute**

During the quarter, negotiations were held with the rail provider at the Cobre mine concerning a claim made in relation to previous works undertaken. In July, an agreement to settle this was reached and reported to the market; and

- **Cash**

The Company had cash of US\$0.837m as at 30 June 2016.

Commenting, John Peters, Managing Director of Strategic Minerals, said:

"The Directors are encouraged by the performance of the Company over the quarter. This, combined with the Company's recent rail settlement, has provided the Board with a positive outlook for the Company's financial performance in 2016. It continues to be in a fortunate position with cash flow from Cobre underpinning operations and recent activity suggesting significant sales volume growth.

Capital raisings have been undertaken and targeted to fund exploration.

Over the next quarter, Management and the Board intend to focus on securing additional sales in Cobre, looking to extend, if possible, the formal access period to the Cobre magnetite stockpile, work on securing funding of the Redmoor option and develop plans for exploration of the CARE tenements."

Cobre magnetite tailings operations

In the June quarter of 2016, sales significantly improved on the previous year's performance. On an annual basis, domestic sales are now starting to outperform our best previous levels. Comparative sales data is shown in the following table outlining sales and volume data:

Year	Tonnage		Sales (US\$'000)	
	3 mths to June	12 mths to June	3 mths to June	12 mths to June
2016	4,839	19,474	\$327	\$1,318
2015	2,540	13,101	\$170	\$ 887
2014	5,722	19,021	\$381	\$1,276

As previously advised, sales prices have stabilised around the \$66 per ton level despite falls in global iron ore prices.

Throughout the quarter, the Company's subsidiary, Southern Minerals Group ("SMG"), continued its negotiations with two client's looking to undertake large volume purchases from the stockpile at discounted rates. In August, one of these clients began purchasing material. As sales at Cobre are on an "on demand" basis, there is the potential for considerable variability in sales volumes period to period. However, should all other sales perform as they have to date and the new client undertake demand as outlined in discussions and confirmed in their first week of shipments, sales volumes are likely to significantly increase in the coming year. Sales of this magnitude will also attract a volume discount which is likely to bring down the average sales price, increase costs but significantly increase profitability.

SMG continues to work with the other client, with a view to potentially add them also as a "bulk" client and believes existing infrastructure can support such arrangements for the foreseeable future. Additionally, SMG continues to work with the mine owners to secure longer term access to the Cobre magnetite stock pile and feels confident that such a mutually beneficial arrangement can be reached in 2016.

Central Australian Rare Earth ("CARE") Exploration

In the June quarter, the Company worked with CARE on the implementation and monitoring of CARE's drilling plans at Hanns Camp. The programme, built around results from previous electromagnetic surveys of the area, consisted of drilling three holes to a depth of approximately 1,050 metres in total. Hand held XRF analysis indicated that nickel sulphide was present. Subsequent lab assays confirmed the presence of nickel sulphide in the samples although these were not to the same concentration as evident in the hand held XRF analysis.

As the mineral occurrence of such deposits are thin, location is difficult and the positive indications received to date are encouraging. However, additional analysis is required before plans can be formulated to further delineate the potential resource. The Company and Rarus, its joint venture partner in CARE, are working together on such plans and hope to have agreed arrangements in the second half of 2016.

As part of the assay review, it was identified that the tenements also held traces of platinum and palladium and that this should be further examined.

In funding the drill programme, the Company took up 50% ownership of CARE and its rights it holds to the 23 exploration tenements. Apart from the four tenements making up the Hanns Camp area, which has now been initially drilled, there are a number of other tenements of interest and CARE is currently formulating a potential drilling plan in relation to the tenement at Mount Weld adjoining Lynas Corporation's Mount Weld REE Mine, which is thought to be prospective for both rare earths and gold.

Investment in Redmoor Tin/Tungsten mine

During the June quarter, the Company subscribed £104,998.47 in shares in NAE Resources (UK) Limited ("Redmoor") to acquire approximately 9% of the company and received an option, until 31 December 2016, to subscribe an additional £945,348.96, which would result in the Company holding a 50% interest in Redmoor's enlarged share capital.

The initial Redmoor subscription was funded by Redmoor's parent New Age Exploration Limited ("NAE") subscribing for 35,000,000 shares in Strategic Minerals plc at £0.003.

Should the Company not exercise the option, NAE has the right, after 31 December 2016, to purchase the Company's shares in Redmoor for £1.

Redmoor, through an exploration licence and mining lease option arrangement undertaken in October 2012, acquired effective ownership over a 23km² area surrounding the Redmoor deposit in the Cornish tin-tungsten-copper mining district in the UK. The exploration licence provides the rights to explore over the entire licence area for a period of 15 years and the mining lease option provides the right for Redmoor to enter into a 25-year mining lease (renewable for a further 25 years) over any part of the licence area.

The licence area had previously supported a number of historic tin-tungsten-copper mines and there is a number of operating mines (china clay and tungsten) located in the region. As well, there is excellent local infrastructure for roads and ports and it is less than 40km by road to the Wolf's recently commissioned Drakelands tungsten mine and processing plant.

As a "brownfields" site, there already exists data on the likely resource which indicate the:

- 1) Mineral Resource, as defined by the JORC code, of 13.3Mt @ 0.37% tungsten equivalent (WO₃Eq) (0.56% tin equivalent (SnEq)).
- 2) Identification of a number of high grade lodes at Redmoor and definition of a high grade sub-set of the above Inferred Mineral Resource of 2.3Mt @ 0.80% WO₃Eq (1.19% SnEq).
- 3) Identification of an additional high grade Exploration Target, also defined by the JORC code, of 4Mt to 6Mt with an estimated grade of between 0.6% and 1.0% WO₃Eq (0.9% to 1.5% SnEq) - two to three times the size of the above High Grade Resource noted in 2) above (at a similar expected grade).

It should be noted that the above Exploration Target is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

In March 2016, NAE also completed a preliminary mineral processing review, which showed that Redmoor is a coarse grained, simple to process ore with expected high recoveries and low processing costs.

An evaluation of the Redmoor project has recently been undertaken by NAE based on the results of the mining and processing studies. The results of both stand-alone Redmoor development and toll processing options have been encouraging.

An initial drilling programme has been planned, aiming primarily at converting the significant Exploration Target to an Inferred Resource and also at upgrading a portion of the resource from Inferred to Indicated Mineral Resource status. Funds from the Company exercising its option to take its ownership up to 50% of Redmoor are primarily earmarked to fund the initial drilling plan. This plan is currently being reviewed by both NAE and the Company to ensure that the maximum benefit can be obtained for Redmoor.

Current plans for Redmoor are consistent with the Company being in a position to exercise its option and CARE being in a position to undertake drilling in the first half of 2017. The Company will keep the market updated on this as events transpire.

Financials

Over the period, the Company continued to maintain a tight control on overheads in line with its corporate strategy to maintain this within the operating profits from its US operations.

In preparation of exercising its option in the Redmoor project, and for potential additional CARE drilling, the Company raised £429,000 in June. This funding, when combined with the expected proceeds from the rail dispute settlement, places the Company in a good position to exercise its option over 50% of the Redmoor project.

At the end of the June 2016 quarter, the Company had US\$837,814 in cash compared to US\$1,048,058 as at the end of March 2016.

The Directors believe that cash flows from Cobre's operations and the reduction in corporate overheads should ensure that adequate reserves exist to progress existing operations.

Near term objectives

Over the near term, the Directors of Strategic Minerals plan to:

- Progress sales opportunities and tenure at the Cobre mine;
- Formulate drilling and testing plans for CARE;
- Secure funding to exercise the Company's option to take up a 50% interest in the Redmoor Tin/Tungsten project; and
- Monitor and control corporate overheads in line with operating profits.

The Company looks forward to providing further updates in due course.

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