

## CHAIRMAN'S STATEMENT

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

### **Financial results**

The Company continued its underlying profitable performance in the first half of 2021, when many businesses were forced to shut down operations due to the pandemic. This is a credit to both our local management and the management team as a whole. The combination of challenges, associated with our dealings with CV Investments LLC ("CVI" or "CV Investments") at Cobre and the general impact on development processes associated with the impact of the Covid-19 pandemic, has slowed our progress on projects and access to capital to drive these projects forward. However, the Company expects cash flow and profitability to improve dramatically as full-scale production commences at the Leigh Creek Copper Mine in 2022 subject to funding.

Unrestricted cash on hand at 30 June 2021 was US\$734,000.

Corporate overheads and amortisation of US\$775,000 were down significantly on the same period last year (H1 2020: US \$902,000), reflecting a general tightening of costs and minimal legal fees associated with CVI arbitration during this period.

### **Strategic Focus**

Despite a reduction in sales compared to last year, current sales levels at the Cobre operations continue to cover operating costs and allowed the Company some scope to continue its strategic investment focus on investments in metals such as Nickel, Copper and Tin/Tungsten which it expects are likely to see significant price improvements over the next three to five years driven by battery/electronic vehicle demand.

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

### **Cobre Operations**

During the first six months of 2021, the management at our Cobre operations continued their excellent adaption to the challenges associated with the disruption to world markets arising from the Covid-19 pandemic. As an essential service, they were permitted the opportunity to continue trading and modified arrangements to ensure that a contactless service, protecting both our clients and our personnel, was provided.

The first half of the year also saw the receiver for CV Investments, against which our subsidiary has a substantial claim, report on assets secured to date. While these assets are substantive, whether the Company will receive any funds from this claim will be subject to the final result of the receivership of CV Investments which is ongoing.

### **Leigh Creek Copper Mine ("Leigh Creek" or "LCCM")**

The significant work conducted at Leigh Creek throughout 2020 and the first 6 months of 2021, which resulted in a draft PEPR being submitted and a feasibility study being completed, has moved the project along to the point where it currently awaits the final sign off of the formal PEPR and the capital to commence operations. The strong performance of the copper price in recent times has improved the project's potential profitability and the Board feels confident that 2022 will see full scale production re-commence at Leigh Creek.

### **Redmoor Tin-Tungsten Project ("Redmoor")**

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

During the first 6 months of 2021, the Company has continued to work with NRG Capital and those parties that have expressed interest in the Redmoor project to achieve a way forward, which will see the market value the size and potential of the Redmoor resource and reflect this in the Company's share price.

**Safety**

The Company focuses on safety issues and continues to maintain a high level of performance when it comes to safety. SML and its subsidiaries have had no reportable environmental or personnel incidents recorded in the period.

The first half of 2021, was a challenging environment in which to operate and I would like to take this opportunity to thank my fellow Directors, our management and staff in New Mexico, South Australia and Cornwall, along with our advisers, for their support and hard work on our behalf during the period. Additionally, I would like to thank our clients, contractors, suppliers and partners for their continued backing. I look forward to further progressing our key strategic goals in 2021 and pushing onto a brighter 2022.

Alan Broome AM  
Non-Executive Chairman

30 September 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) \$'000	Year to 31 December 2020 (Audited) \$'000
<b>Continuing operations</b>			
Revenue	1,511	1,645	3,025
Other revenue	-	47	-
Cost of sales	(286)	(314)	(562)
<b>Gross profit</b>	<b>1,225</b>	<b>1,378</b>	<b>2,463</b>
Overhead expenses	(698)	(902)	(1,705)
Other Income	-	-	155
Amortisation	(77)	-	(152)
Depreciation	(6)	(6)	(15)
Share based payment	(48)	(149)	(176)
Impairment charge	-	(17)	-
Foreign exchange gain/(loss)	(2)	(43)	(46)
<b>Profit from operations</b>	<b>394</b>	<b>261</b>	<b>524</b>
Finance expense	(2)	-	(65)
Lease Interest	(4)	-	(9)
<b>Profit/ (loss) before taxation</b>	<b>388</b>	<b>261</b>	<b>450</b>
Income tax (expense)/credit	(181)	(184)	(236)
<b>Profit for the period</b>	<b>207</b>	<b>77</b>	<b>214</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	207	77	214
<b>Other comprehensive income</b>			
Exchange gains/(losses) arising on translation of foreign operations	(145)	(359)	876
<b>Total comprehensive (loss)/ Income</b>	<b>62</b>	<b>(282)</b>	<b>1,090</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the parent	62	(282)	1,090
<b>Profit/ (loss) per share attributable to the ordinary equity holders of the parent:</b>			
<b>Continuing activities – Basic</b>	<b>¢0.13</b>	<b>¢0.05</b>	<b>¢0.14</b>
<b>– Diluted</b>	<b>¢0.13</b>	<b>¢0.05</b>	<b>¢0.14</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) (restated, Note 2) \$'000	Year to 31 December 2020 (Audited) \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Asset	600	549	616
Deferred Exploration and evaluation costs	5,240	4,390	5,026
Other Receivables	151	137	155
Property, plant and equipment	7,363	6,453	7,351
Right of Use Assets	150	-	78
	<u>13,504</u>	<u>11,529</u>	<u>13,226</u>
<b>Current assets</b>			
Inventories	4	6	3
Trade and other receivables	335	477	330
Cash and cash equivalents	734	533	833
Prepayments	7	16	16
	<u>1,080</u>	<u>1,032</u>	<u>1,182</u>
<b>Total Assets</b>	<u><u>14,584</u></u>	<u><u>12,561</u></u>	<u><u>14,408</u></u>
<b>Equity and liabilities</b>			
Share capital	2,770	2,551	2,770
Share premium reserve	49,010	48,552	49,010
Share options reserve	88	692	272
Merger reserve	21,300	21,300	21,300
Warrant Reserve	153	-	153
Foreign exchange reserve	64	(1,026)	209
Other reserves	(23,023)	(23,023)	(23,023)
Accumulated loss	(36,700)	(37,723)	(37,139)
<b>Total Equity</b>	<u><u>13,662</u></u>	<u><u>11,323</u></u>	<u><u>13,552</u></u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provision for Mining Royalties	-	-	-
Lease Liabilities	19	-	22
Environmental Liability	429	387	439
	<u>448</u>	<u>387</u>	<u>461</u>
<b>Current liabilities</b>			
Income Tax Payable	17	492	21
Trade and other payables	335	359	316
Lease Liabilities	122	-	58
	<u>474</u>	<u>851</u>	<u>395</u>
<b>Total Liabilities</b>	<u><u>922</u></u>	<u><u>1,238</u></u>	<u><u>856</u></u>
<b>Total Equity and Liabilities</b>	<u><u>14,584</u></u>	<u><u>12,561</u></u>	<u><u>14,408</u></u>

## CONSOLIDATED STATEMENT OF CASH FLOW

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) \$'000	Year to 31 December 2020 (Audited) \$'000
<b>Cash flows from operating activities</b>			
Profit/ (loss) after tax	207	77	214
Adjustments for:			
Depreciation of property, plant, and equipment	6	6	15
Amortisation of Right of Use asset	77	-	152
Impairment of deferred exploration and expenditure	-	17	-
Finance expense	2	-	65
Income Tax expense	181	184	236
(Increase) / decrease in inventory	(1)	(3)	-
(Increase) / decrease in trade and other receivables	(125)	(256)	746
(Increase) / decrease in prepayments	9	18	116
Increase / (decrease) in trade and other payables	91	(92)	(171)
Increase / (decrease) in prepaid income tax	-	-	(98)
Income tax paid	(177)	-	(522)
Share based payment expense	48	149	176
<b>Net cash flows from operating activities</b>	<b>318</b>	<b>100</b>	<b>929</b>
<b>Investing activities</b>			
Increase in PPE Development Asset	(202)	(96)	(251)
Sale of tenements	-	80	-
Receipt of research and development incentive	-	595	41
Increase in deferred exploration and evaluation	(131)	(96)	(348)
<b>Net cash used in investing activities</b>	<b>(333)</b>	<b>483</b>	<b>(558)</b>
<b>Financing activities</b>			
Net proceeds from issue of equity share capital	-	1,485	2,256
Proceeds from borrowings	-	68	-
Finance expenses paid	-	(96)	-
Lease Payments	(88)	-	(176)
Repayment of borrowings	-	(2,026)	(2140)
<b>Net cash from financing activities</b>	<b>(88)</b>	<b>(569)</b>	<b>(60)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(103)</b>	<b>13</b>	<b>311</b>
Cash and cash equivalents at beginning of period	833	519	519
Release of restricted cash	-	-	-
Exchange gains / (losses) on cash and cash equivalents	4	1	4
<b>Cash and cash equivalents at end of period</b>	<b>734</b>	<b>533</b>	<b>833</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	Share premium reserve \$'000	Merger Reserve \$'000	Warrant Warrant Reserve \$'000	Share options reserve \$'000	Initial Re-structure Reserve \$'000	Foreign Exch. reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2020</b>	<b>2,203</b>	<b>47,415</b>	<b>21,300</b>	<b>-</b>	<b>543</b>	<b>(23,023)</b>	<b>(667)</b>	<b>(37,800)</b>	<b>9,971</b>
Profit for the year	-	-	-	-	-	-	-	214	214
Foreign exchange translation	-	-	-	-	-	-	876	-	876
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	876	214	1090
Share based payments	-	-	-	-	176	-	-	-	176
Transfer	-	-	-	-	(447)	-	-	447	-
Shares issued in the year	567	1,865	-	153	-	-	-	-	2,585
Share issue costs	-	(270)	-	-	-	-	-	-	(270)
<b>Balance at 31 December 2020</b>	<b>2,770</b>	<b>49,010</b>	<b>21,300</b>	<b>153</b>	<b>272</b>	<b>(23,023)</b>	<b>209</b>	<b>(37,139)</b>	<b>13,552</b>
Profit for the year	-	-	-	-	-	-	-	207	207
Foreign exchange translation	-	-	-	-	-	-	(145)	-	(145)
Total comprehensive income for the year	-	-	-	-	-	-	(145)	207	62
Share based payments	-	-	-	-	48	-	-	-	48
Transfer	-	-	-	-	(232)	-	-	232	-
Shares issued in the year	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>2,770</b>	<b>49,010</b>	<b>21,300</b>	<b>153</b>	<b>88</b>	<b>(23,023)</b>	<b>64</b>	<b>(36,700)</b>	<b>13,662</b>

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

## NOTES FORMING PART OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. General Information

Strategic Minerals Plc (“the Company”) is a public company incorporated in England and Wales. The consolidated interim financial statements of the Company for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “Group”).

### 2. Accounting policies

#### Basis of preparation

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

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

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

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

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

#### Going concern basis

The Directors have considered the Group and Parent Company’s (together “the Group”) ability to continue as a going concern through review of cash flow forecasts prepared by management for the period to 30 September 2022, and a review of the key assumptions and sensitivity analysis on which these are based.

The Group has continued to monitor costs during 2021 to reduce its overhead expenditure and is maintaining vigilance in preserving cash in response to depressed market conditions due to Covid-19 and its associated impact on commodity prices and capital markets. As at 30 June 2021, the Group had US\$0.73m of cash on hand.

The forecasts show that through the Group’s operations at Cobre, there are sufficient funds until the end of our forecast period, 30 September 2022, to meet all operational costs. However, additional funds will be required to progress the development of the Leigh Creek Copper Mine and Redmoor projects. Management is actively pursuing such funding and envisage that this will be sourced at the asset level.

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

In the event the Cobre offtake permit rollover is not received or there is a significant reduction in forecast sales, there is potential for a material uncertainty to arise which may cast significant doubt as to the Group and parent Company’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

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

#### **Change in accounting policy**

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

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

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

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

The impact of this change in accounting policy is to reduce 2019 non-current liabilities and non-current assets by \$424,000. There is no income statement impact. The June 2020 accounts have been restated to reflect this change.

#### **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.

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

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

### 3. Critical accounting estimates and judgements

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

#### Estimates

(a) Carrying value of intangible assets

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

- i) The Redmoor projects are early-stage exploration projects and therefore Management have applied judgement in the period as to whether the results from exploration activity provide sufficient evidence to continue to move the asset forward to development. There are no indicators of impairment for the Redmoor project in the period to 30 June 2021.

(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.

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

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

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

(d) Carrying Value of Development Assets

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

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

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

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

(e) Determination of incremental borrowing rate for leases

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

### Judgements

(a) Investments in subsidiaries

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

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

(b) Contingent consideration as part of Asset acquisition

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

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

#### 4. Segment information

The Group has five main segments during the period:

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

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

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

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

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

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with International Accounting Standards.

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

6 Months to 30 June 2021 (Unaudited)	SMG \$'000	Head Office \$'000	Australia \$'000	United Kingdom \$'000	Development Asset \$'000	Intra Segment Elimination \$'000	Total \$'000
Revenues	1,511	-	-	-	-	-	1,511
Cost of sales	(286)	-	-	-	-	-	(286)
Gross profit	1,225	-	-	-	-	-	1,225
Overhead expenses	(311)	(247)	(136)	(4)	-	-	(698)
Management fee income/(expense)	(200)	201	-	-	-	(1)	-
Share based payments	-	(48)	-	-	-	-	(48)
Amortisation	(77)	-	-	-	-	-	(77)
Depreciation	(6)	-	-	-	-	-	(6)
Lease Interest	(4)	-	-	-	-	-	(4)
Foreign exchange gain/(loss)	-	(201)	(105)	-	-	304	(2)
Segment profit /(loss) from operations	627	(295)	(241)	(4)	-	303	390
Finance Expense	-	-	-	-	(2)	-	(2)
Segment profit /(loss) before taxation	627	(295)	(241)	(4)	(2)	303	388

6 Months to 30 June 2020 (Unaudited)	SMG \$'000	Head Office \$'000	Australia \$'000	Development Asset \$'000	Inter Segment Elimination \$'000	Total \$'000
Revenues	1,645	-	-	-	-	1,645
Other Revenue	47	-	-	-	-	47
Cost of sales	(314)	-	-	-	-	(314)
Gross profit	1,378	-	-	-	-	1,378
Overhead expenses	(516)	(237)	(135)	(14)	-	(902)
Management fee income/(expense)	(450)	441	-	-	9	-
Share based payments	-	(149)	-	-	-	(149)
Depreciation	(6)	-	-	-	-	(6)
Impairment of DEE	-	-	(17)	-	-	(17)
Foreign exchange gain/(loss)	-	145	(23)	-	(165)	(43)
Segment profit /(loss) from operations	406	200	(175)	(14)	(156)	261
Segment profit /(loss) before taxation	406	200	(175)	(14)	(156)	261

Year to 31 December 2020 (Audited)	SMG \$'000	Head Office \$'000	Australia \$'000	United Kingdom \$'000	Development Asset \$'000	Intra Segment Elimination \$'000	Total \$'000
<b>Revenues</b>	3,025	-	-	-	-	-	3,025
Cost of sales	(562)	-	-	-	-	-	(562)
<b>Gross profit</b>	2,463	-	-	-	-	-	2,463
Other Income	-	-	-	155	-	-	155
Overhead expenses	(821)	(614)	(233)	(37)	-	-	(1,705)
Management fee income/(expense)	(630)	631	-	-	-	(1)	-
Share based payments	-	(176)	-	-	-	-	(176)
Amortisation- right of use asset	(152)	-	-	-	-	-	(152)
Depreciation	(15)	-	-	-	-	-	(15)
Lease Interest	(7)	-	-	(2)	-	-	(9)
(Loss)/ gain on intercompany loans	-	(485)	-	-	-	485	-
Foreign exchange gain/(loss)	-	156	360	-	-	(562)	(46)
<b>Segment profit /(loss) from operations</b>	838	(488)	127	116	-	(78)	515
<b>Finance Expense</b>	-	(33)	(28)	-	(4)	-	(65)
<b>Segment profit /(loss) before taxation</b>	838	(521)	99	116	(4)	(78)	450

As at 30 June 2021 (Unaudited)	SMG \$'000	Head Office \$'000	Australia \$'000	United Kingdom \$'000	Development Asset \$'000	Total \$'000
Additions to non-current assets	-	-	-	131	202	333
Reportable segment assets	1,166	57	86	5,298	7,977	14,584
Reportable segment liabilities	227	78	68	37	512	922

As at 30 June 2020 (Unaudited)	SMG \$'000	Head Office \$'000	Australia \$'000	United Kingdom \$'000	Development Asset \$'000	Total \$'000
Additions to non-current assets	-	-	16	80	96	192
Reportable segment assets	1,066	95	15	4,414	6,971	12,561
Reportable segment liabilities	591	121	93	14	419	1,238

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

	External revenue by location of customers		Non-current assets by location of assets	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
United States	1,511	1,645	275	171
United Kingdom	-	-	5,305	4,391
Australia	-	-	7,924	6,967
	1,511	1,645	13,504	11,529

Revenues from Customer A totalled \$244,683 (2020: \$281,805), which represented 15% (2020: 17%) of total domestic sales in the United States, Customer B totalled \$673,560 (2020: \$795,125) which represented 43% (2020: 48%). Customer C totalled \$523,027 (2020: \$471,371) which represented 33% (2020: 27%).

## 5. Operating Loss

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) \$'000	Year to 31 December 2020 (Audited) \$'000
<b>Operating gain/loss is stated after charging/(crediting):</b>			
Other Income	-	-	(155)
Directors' fees and emoluments	222	146	307
Depreciation	6	6	15
Equipment rental	63	131	134
Amortisation of Right of use assets	77	-	152
Equipment maintenance	34	21	36
Auditors' remuneration	-	-	74
Salaries, wages, and other staff related costs	211	260	495
Legal, professional and consultancy fees	85	273	396
Impairment charge	-	17	-
Lease Interest	4	-	9
Finance Fee	2	-	65
Foreign exchange	2	43	46
Share based payments	48	149	176
Other expenses	83	71	263

## 6. Intangible assets – exploration and evaluation costs

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) \$'000	Year to 31 December 2020 (Audited) \$'000
<b>Cost</b>			
Opening balance for the period	5,026	4,567	4,567
Additions for the period	131	129	285
Interest and Borrowing Costs	-	-	-
Research and development incentive	-	-	(41)
Sale of mineral rights	-	(80)	-
Sale of mineral rights (reclassified to income)	-	-	80
Foreign exchange difference	83	(209)	152
Impairment Charge	-	(17)	-
Impairment Charge (reclassified to expense) (i)	-	-	(17)
<b>Closing balance for period</b>	<b>5,240</b>	<b>4,390</b>	<b>5,026</b>

- i) The Company has recognised an impairment charge in relation to the CARE in 2019. Expenses incurred in 2020 and 2021 have been expensed.

## 7. Property, plant and equipment

	Development Asset \$'000	Plant and Machinery \$'000	Total \$'000
<b>Group Cost</b>			
At 1 January 2020 (audited)(i)			
	5967	735	6,702
Additions	96	-	96
Foreign exchange difference	(105)	(6)	(111)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2020 (unaudited)</b>	5,958	729	6,687
Additions for period	155	-	155
Foreign exchange difference	715	33	748
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020 (audited)</b>	6,828	762	7,590
Additions	202	-	202
Foreign exchange difference	(176)	(9)	(185)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2021 (Unaudited)</b>	6,854	753	7,607
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2020 (audited)	-	(228)	(228)
Charge for the period	-	(6)	(6)
Foreign exchange difference	-	-	-
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2020 (unaudited)</b>	-	(234)	(234)
Charge for the period	-	(9)	(9)
Foreign exchange difference	-	4	4
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2020 (audited)</b>	-	(239)	(239)
Charge for the period	-	(6)	(6)
Foreign exchange difference	-	1	1
	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2021 (unaudited)</b>	-	(244)	(244)
	<hr/>	<hr/>	<hr/>
<b>Carrying Value</b>			
<b>As at 30 June 2020 (unaudited)</b>	5,958	495	6,453
	<hr/>	<hr/>	<hr/>
<b>As at 31 December 2020(audited)</b>	6,828	523	7,351
	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2021 (unaudited)</b>	6,854	509	7,363
	<hr/>	<hr/>	<hr/>



- i) During 2020 the Group has opted to retrospectively change the accounting policy so that the royalties are not presented separately as liabilities, but the fair value of the asset on initial recognition is adjusted to factor potential cash outflows from the royalties. This is on the basis that the new policy provides users of the financial statements more relevant and reliable information in which to assess the value of the LCCM asset. The impact of this change in accounting policy is to reduce 2019 non-current liabilities and non-current assets by \$424,000. There is no income statement impact.

## 8. Loans and borrowings

	Loan R&D Tax Incentive \$'000	Loan CRL Acquisition \$'000	Total \$'000
<b>Cost</b>	\$'000	\$'000	\$'000
<b>As at 1 January 2020 (audited)</b>	<b>419</b>	<b>1,692</b>	<b>2,111</b>
Loan Advance	68	-	68
Loan repayments	(447)	(1579)	(2,026)
Interest accrued	27	33	60
Interest paid	(43)	(53)	(96)
Foreign exchange difference	(24)	(93)	(117)
	=====	=====	=====
<b>As at 30 June 2020 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	=====	=====	=====
<b>As at 31 December 2021 (audited)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	=====	=====	=====
<b>As at 30 June 2021 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	=====	=====	=====

### *Loan CRL Acquisition*

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

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

### *Loan R&D tax incentive*

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

## 9. Dividends

No dividend is proposed for the period.

## 10. Earnings per share

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

	6 months to 30 June 2021 (Unaudited) \$'000	6 months to 30 June 2020 (Unaudited) \$'000	Year to 31 December 2020 (Audited) \$'000
Weighted average number of shares - Basic	1,573,956,203	1,485,627,639	1,573,956,203
Weighted average number of shares – Diluted	1,573,956,203	1,557,127,639	1,573,956,203
Earnings for the period	\$207,000	\$77,000	\$214,000
Earnings per share in the period - Basic	¢0.13	¢0.05	¢0.14
Earnings per share in the period - Diluted	¢0.13	¢0.05	¢0.14

## 11. Share capital and premium

	30 June 2021 No	30 June 2021 \$'000	30 June 2020 No	30 June 2020 \$'000
Allotted, called up and fully paid Ordinary shares	1,909,297,949	51,780	1,734,297,948	51,103

### Share options and warrants

The number of options as at 30 June 2021 and a reconciliation of the movements during the half year are as follows:

Date of Grant	Granted as at 31 December 2020	Expired	Granted as at 30 June 2021	Exercise price	Date of vesting	Date of expiry
15.02.18	38,500,000	(38,500,000)	-	3.75p	01.01.21	30.06.21
15.02.18	17,500,000	-	17,500,000	5.00p	01.01.22	30.06.22
09.08.18	-	-	-	2.75p	01.04.20	30.06.20
09.08.18	10,750,000	(10,750,000)	-	3.75p	01.01.21	30.06.21
09.08.18	4,750,000	-	4,750,000	5.00p	01.01.22	30.06.22
	<u>71,500,000</u>	<u>(49,250,000)</u>	<u>22,250,000</u>			

### Warrants

The number of warrants as at 30 June 2021 and a reconciliation of the movements during the half year are as follows:

	Granted as at 31 December 2020	Expired	Granted as at 30 June 2021	Exercise price	Date of vesting	Date of expiry
03.12.20	175,000,000	-	175,000,000	1.00p	03.12.20	30.12.22

## 12. Post balance date events

In July 2021 LCCM was granted a conditional approval from the Department of Energy and Mining of South Australia ("DEM") for its Programme for Environmental Protection and Rehabilitation ("PEPR") on the Paltridge North deposit.

DEM approved the PEPR application subject to reviewing:

- LCCM's final plans for identifying and managing Potentially Acid Forming ("PAF") material.
- The cover design for Paltridge North Waste Rock Dump ("WRD") and heap leach pads.
- Visual amenity associated with the Paltridge North WRD.
- Plans for post completion of surface water management structures.
- Continued liaison with Traditional Owners of the land.
- The groundwater monitoring programme which is to be submitted to and approved by the Minister of Water Resources.

As part of the approval, the DEM requires:

- An environmental security deposit of AUD\$3.7m and a Native Vegetation Fund contribution of AUD\$81k.

To a large extent, the conditions associated with the approval were as expected and reflected the comprehensive nature of LCCM's PEPR application. Whilst the bond requirement is larger than catered for in the Company's financial modelling of the project, the Company is comfortable with this level given the current overall amount of funding being sought to fund the project.

Copies of this interim report will be made available on the Company's website, [www.strategicminerals.net](http://www.strategicminerals.net).