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25 April 2023

## Strategic Minerals plc

("Strategic Minerals" or the "Company")

### March Quarter 2023 Magnetite Sales, Cash Balances and Directorate Change

Strategic Minerals plc (AIM: SML; USOTC: SMCDY), profitable producing mineral company, is pleased to provide the following update on the Company's cash position and ore sales at the Cobre magnetite operation in New Mexico, USA ("Cobre") for the quarter ended 31 March 2023.

#### Highlights

- March quarter revenue of US\$0.415m (2022: US\$0.663m) reflected the anticipated reduced demand from some customers, associated with the dip in US economic activity.
- Group cash balance was US\$0.281m as at 31 March 2023 (US\$0.341m as at 31 December 2022).
- Jeffreys Henry vacated its newly appointed auditor role and was replaced by Shipleys.
- Increased mining costs and negative market sentiment has impacted proposed debt-based funding for restart of production at the Leigh Creek Copper Mine ("LCCM"), previously reported, and has required a re-examination of blended debt and LCCM equity funding.
- The assessment of the grant application lodged by Cornwall Resources Limited ("CRL") in December has been delayed by the assessing body.
- Jeff Harrison, Non-Executive Board member, provided notification of his intention to retire as a Board member at the end of April.

#### Sales update: Cobre magnetite tailings operations

Slower US economic growth continues to impact demand for the magnetite product provided at Cobre in New Mexico, USA. While sales to the Company's "fertilizer" customers appear somewhat unaffected, sales to "cement" customers have been notably impacted with the Company's largest client continuing to suspend purchases whilst it runs down its existing stockpile.

The reduction in demand has been partially offset by the 20% price increase in July 2022.

Sales comparisons on quarterly and annual periods to 31 March 2023, along with associated volume details, are shown in the table below:

Year	Tonnage		Sales (US\$'000)	
	3 months to Mar	12 months to Mar	3 months to Mar	12 months to Mar
2023	4,734	30,405	415	2,198
2022	10,609	40,244	663	2,502
2021	13,002	51,567	771	3,032

During the quarter, there has been no formal update on distributions from the CV Investments LLC ("CVI") receivership. Accordingly, the Company has not included any potential receipt of funds from the Receiver in its cash flow projections.

#### Financials and Operations

As at 31 March 2023, the Company's cash balance was US\$0.281m (30 September 2022: US\$0.341m). The marginal reduction is consistent with Cobre operations in the March quarter and reflects continuing activity at both the Leigh Creek and Redmoor projects. In light of the reduced income from Cobre, management and Directors' cash remunerations have been adjusted to ensure maintenance of healthy cash balances.

During the quarter, the new auditor, Jeffreys Henry informed the Company that, due to staffing losses, they would be unable to undertake the Company's 2022 audit as well as a number of its other existing clients. Accordingly, the Company has now appointed Shipleys as its new auditor. The Company and Shipleys believe that, despite the late notice from Jeffreys Henry, the audit can be completed and audited statements signed off prior to 30 June 2023. However, this is likely to potentially postpone this year's AGM into the latter part of July 2023.

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

Prior to Christmas, the Company executed an exclusive, non-binding Heads of Agreement ("HoA") for funding the re-commencement of operations at the LCCM project. The proposed debt facility was with a specialist resource focused investor, subject to technical due diligence and appropriate legal documentation. While the project passed technical due diligence, the Company also undertook to refresh anticipated costs and obtain quotes from contractors to commence

mining and processing operations.

Whilst the Company was aware of the impact of cost rises in the industry and was factoring an element of that into forecasts, the refreshed firm cost/quote enquiries indicated further material increases in mining costs. Despite copper prices and exchange rates continuing to favour the LCCM project, the level of profitability has been reduced and, while it remains attractive, the level of profitability no longer supports the lending ratios associated with a pure debt facility. This, combined with the particularly negative sentiment in investment markets, saw the HoA no longer apply and the Company entering into discussions with the investor on the possibility of a mixed debt/equity approach. As the Company is no longer bound by exclusivity constraints, the Company has also begun revisiting parties that have previously shown an equity interest in LCCM.

Part of the reduction in the Company's cash balance, during the March quarter, reflects the circa US \$30,000 spent as part of this due diligence process.

As yet, there has been no correspondence from the South Australia's Department of Energy and Mining (DEM) in relation to the Programme for Environmental Protection and Rehabilitation (PEPR) lodged in December 2022. The Company's staff remain in contact with DEM concerning this lodgement and expect that this is likely to be cleared sometime in the second quarter. It should be noted that, at present, this is not time critical.

#### **Cornwall Resources Limited ("CRL")**

During the March quarter, as part of its involvement in the Deep Digital Cornwall ("DDC") project, CRL was involved in:

- An aerial survey over the Redmoor Tungsten and Tin Project ("Redmoor" or the "Project") which collected electromagnetic and magnetic data. Initial processed data from the aerial survey is expected to be available to project partners during the June quarter.
- Continued DDC soil sampling across its license area, with 500 soil samples shipped to testing laboratories in Ireland. A final set of soil samples are expected to be shipped in the June quarter.
- Accessed equipment used to scan over 400m of existing drill core from a previously reported borehole, CRD032. Initial analysis highlights areas of interest within the borehole section, outside of the existing resource, for follow up and further investigation. This has the potential to expand the inferred resource without additional drilling.

As previously noted, in December, CRL submitted an application to Cornwall and Isles of Scilly Council ("CioS") for grant funds from CioS's Shared Prosperity Fund to undertake the planned development of Redmoor. The Company considers that, whether it is successful with this application or not, at some stage the Project is likely to benefit from Governmental funding given it:

- Falls within the UK Government's Critical Minerals Strategy;
- Is anticipated to result in many well-paid jobs for decades in East Cornwall; and
- East Cornwall being an area likely to benefit from the UK Government's "Levelling Up" policy.

The Company had expected to receive feedback on the application during the March quarter. However, the assessment body is continuing to review applications and the final review meeting is now expected in late June. CRL has supplied additional information which was recently requested and continues to respond to any further queries. Currently, the Company considers it will be informed of whether it is successful in receiving grant funding in the September quarter.

While there can be no certainty on the allocation of a grant, the Directors believe that the strategic nature of the Project within East Cornwall provides reason to be confident that some grant funding will be forthcoming.

#### **Commenting, Jeffrey Harrison, Non-Executive Director of Strategic Minerals, said:**

*"After seven years involvement with Strategic Minerals, five as a Non-Executive Director, I am retiring as a director for personal reasons.*

*"I will continue to support the Cornwall Resources Project, as a consultant, as I remain passionate about the return of mining to Cornwall and believe the Redmoor Tungsten and Tin project is a key element of this revival.*

*"My thanks and greatest respect to my fellow Directors for their considerable efforts over the years and I remain confident in their ability to successfully carry forward SML's projects in the future."*

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

*"The Company has responded to the impact on Cobre sales from the dip in US economic growth and reorganised overheads in line with the still substantial revenues expected from Cobre in 2023.*

*"It has been disappointing to have come so far with a potential debt funding of Leigh Creek only to have circumstances changed. We continue to seek funding for Leigh Creek and feel that commodity prices may yet enhance the project's profitability further.*

*"The Company now awaits the outcome of its grant application to assess the scope of its operations at Redmoor in 2023.*

*"On behalf of the Board and Management at Strategic Minerals, we would like to acknowledge the key role Jeff Harrison has played in the development of the Redmoor Tungsten and Tin project in Cornwall, along with his substantial contribution to the safety culture within the Company and his operational advice in respect of LCCM. Undoubtedly, Jeff has played a key role in the revival of mining in Cornwall and we hope to still call upon his vast expertise, in a consulting capacity, in the future. We wish Jeff all the very best in finally retiring."*

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**Notes to Editors**

Strategic Minerals plc is an AIM-quoted, profitable operating minerals company actively developing projects tailored to materials expected to benefit from strong demand in the future. It has an operation in the United States of America along with development projects in the UK and Australia. The Company is focused on utilising its operating cash flows, along with capital raisings, to develop high quality projects aimed at supplying the metals and minerals likely to be highly demanded in the future.

In September 2011, Strategic Minerals acquired the distribution rights to the Cobre magnetite tailings dam project in New Mexico, USA, a cash-generating asset, which it brought into production in 2012 and which continues to provide a revenue stream for the Company. This operating revenue stream is utilised to cover company overheads and invest in development projects aimed at supplying the metals and minerals likely to be highly demanded in the future.

In May 2016, the Company entered into an agreement with New Age Exploration Limited and, in February 2017, acquired 50% of the Redmoor Tin/Tungsten project in Cornwall, UK. The bulk of the funds from the Company's investment were utilised to complete a drilling programme that year. The drilling programme resulted in a significant upgrade of the resource. This was followed in 2018 with a 12-hole 2018 drilling programme has now been completed and the resource update that resulted was announced in February 2019. In March 2019, the Company entered into arrangements to acquire the balance of the Redmoor Tin/Tungsten project which was settled on 24 July 2019 by way of a vendor loan which was fully repaid on 26 September 2020.

In March 2018, the Company completed the acquisition of the Leigh Creek Copper Mine situated in the copper rich belt of South Australia and brought the project temporarily into production in April 2019. In July 2021, the project was granted a conditional approval by the South Australian Government for a Program for Environmental Protection and Rehabilitation (PEPR) in relation to mining of its Paltridge North deposit and processing at the Mountain of Light installation. In late September 2022, an updated PEPR, addressing the conditions associated with the July 2021 approval, was approved. In December 2022, the Company signed a Term Sheet for funding of operations at Leigh Creek and is progressing documentation.

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