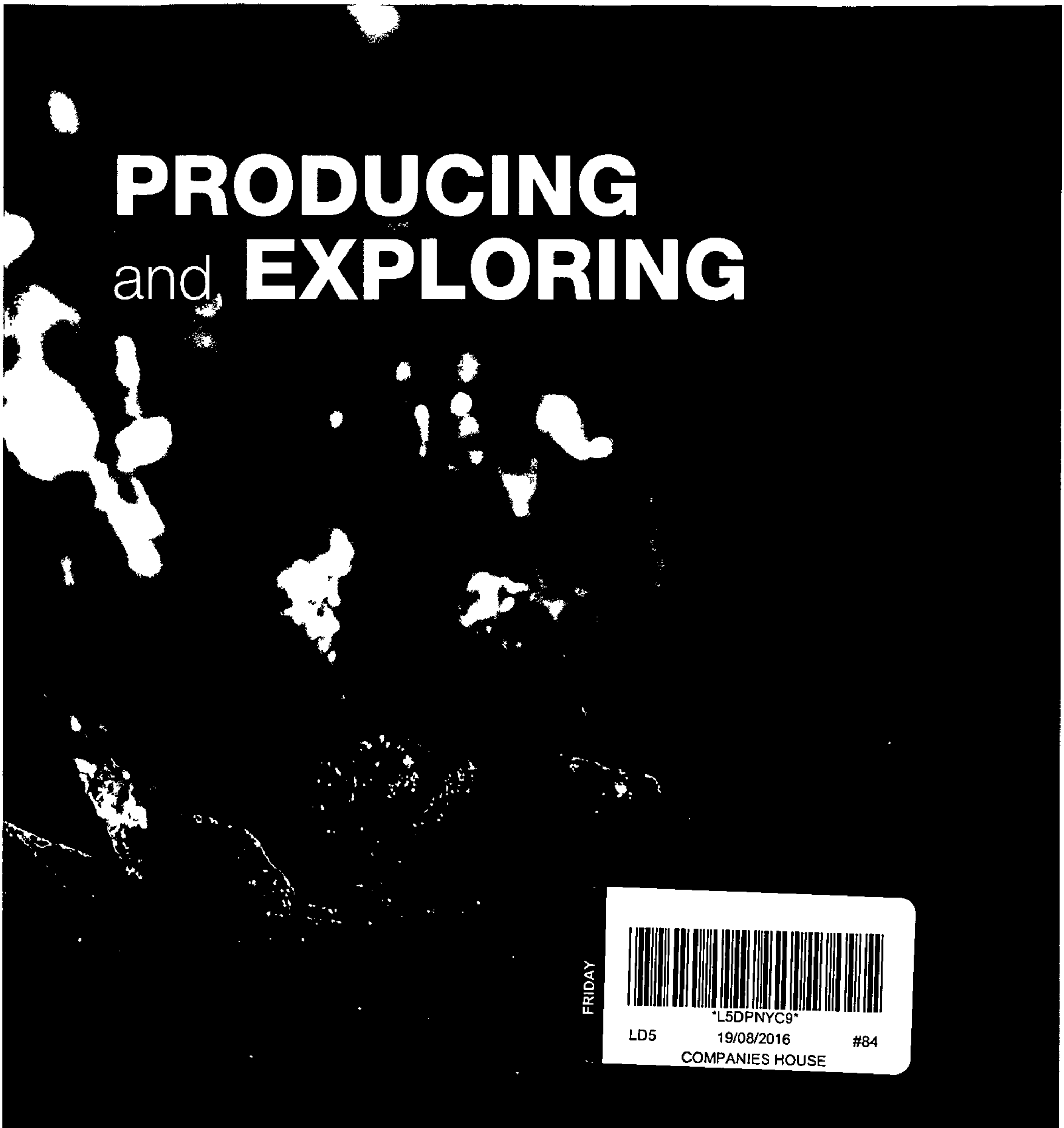

PRODUCING and EXPLORING

Strategic Minerals

STRATEGIC MINERALS PLC
Report and Financial Statements
Year Ended **31 December 2015**

CONTENTS

FORWARD-LOOKING STATEMENT

This 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

HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Financial Highlights

- Cash position of the Group as at 31 December 2015 was $1,049,000

Operational Highlights

- Early agreement was secured to extend the Cobre mining rights to March 2017
- Negotiations completed in January 2016 to acquire up to 50% of Central Australian Rare Earth Pty Ltd ("CARE")
- The Company ceased its activity on the Tatu Project and SML ended its involvement in February 2016
- Withdrew from the discussions on the Wanbao Coal Mine in China due to the difficulties in attracting funding
- The Company maintained a tight control on overheads with these falling approximately 26% despite increased activity in the year
- The Group's strategy has been reviewed and the Board has undertaken an operating strategy seeking to maintain overheads within the profitability and adopting a three-pronged investment strategy across minerals addressing Coal and Bulk Minerals, Advanced Materials, and Metals

STRATEGIC MINERALS PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

I am pleased to present the Strategic Minerals Plc's Annual Report for the year ended 31 December 2015 It was a year where tough decisions were made in light of turbulent market conditions, however the Company is well positioned for 2016 with a solid cash flow foundation, a proposed self-funded drilling program and the outlook is more encouraging with the Group examining a number of potential projects

The Group made a comprehensive loss of $1,016,000 as compared to a comprehensive loss in 2014 of $5,712,000 This year's loss reflected operating costs and costs associated with the Tatu project ($540,000), which commenced in March 2015 and then was halted in early 2016 The substantial turn around in gross profit ($1,006,000) from a gross loss in 2014 ($629,000) reflects the cessation of international magnetite sales and a focus on domestic sales The Group had cash of US$1 049m as at 31 December 2015

The year has proven to be a challenging one for the international minerals sector and this has impacted upon the plans and arrangements made during earlier periods Previous plans had to be reviewed, in the light of the deteriorating market conditions, and tough decisions have had to be made

Our re-focused Cobre operations are now cash generative and sales ended the year on a strong note with the pipeline for 2016 looking promising Early agreement was secured to extend the Cobre mining rights to March 2017

Conditions relating to the Tatu project deteriorated and the Board took the decision to cease the Company's involvement in this project, preferring to safeguard funds for other projects more likely to produce better results

The Company also withdrew from the discussions on the Wanbao Coal Mine in China due to the difficulties in attracting funding

The Company negotiated and conducted due diligence on the rights to acquire, from Rarus Limited ("Rarus"), up to 50% of Central Australian Rare Earth ("CARE") which focuses on nickel sulphide, rare earths and gold exploration

The strategic focus on near term cash flow projects, enacted throughout 2015, resulted in the Company having a bulk commodities bias As the year progressed and these types of projects became more marginal, the market indicated that it was not enamoured by such projects and that further equity to complete these projects would be difficult to raise

In light of these developments, the Board refocused its strategy with an aim to keep overheads within operating cash flows from the Cobre mine in New Mexico, USA and has adopted a three pronged approach to investments centred around,

a) Projects with off take arrangements for Bulk Material Minerals,

b) Advanced Materials (rare Earths, Lithium and Graphite etc) with demand upside, and

c) Metals expecting significant price improvement over three to five years (nickel, gold, tin etc)

The Company is confident that it is in a stronger position moving into 2016 It has lower overheads, and, at a time when many of the minnow mining companies are being forced to close their doors, we continue to be one of the few that has an underlying cash flow Additionally, there is the potential upside from a drilling program at the Company's Laverton project in Western Australia

The 2016 financial year is expected to see a number of valuable assets become available and we anticipate that we will be in a position to secure access to these assets with minimal cash commitments

Already, we have seen a number of potential opportunities and we look forward to securing additional projects during the year, as well as executing upon the drilling programme in Central Australian Rare Earths Pty Ltd

The Company now has a good balance of minerals experience and financial acumen within its Board and management which provide it a sound basis for the coming years

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

I look forward to working with my fellow Directors and the staff of the Company to ensure that the 2016 financial year is one of operating consolidation 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 2016 and beyond

Alan Broome AM

Chairman
23 May 2016

STRATEGIC REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors of the Company and its subsidiary undertaking (which together comprise the Group) present their Strategic Report on the Group for the year ended 31 December 2015

Financial Performance

The Company and Group's reporting currency is US dollars as the Group's revenues, expenses, assets and liabilities are predominately in US currency

The Group made a loss before tax for the financial year of $0 9M (2014 $6 1M) The loss was mainly attributable to operating costs and project investments not carried on The total after tax loss for the year is $0 9M (2014 $5 7M)

During the year, decisions were undertaken not to proceed with a number of projects and, while all the Australian assets relinquished had already been fully impaired, there continued to be a need to provide for the cessation of the Tatu project Accordingly, a net $540,000 relating to expenditure on this project was expensed in the 2015 financial year reflecting, effectively, our total cost associated with the project A further $70,000 non-cash allowance was made in the period for the allocation of options to the Board and management during this period

The Board and management continued to keep a tight rein on overheads and administration costs decreased again in 2015 by approximately 26% falling to $1 3m compared to $1 7M in 2014

In line with the Company's adoption of the virtual certainty rule in valuing deferred tax credits and liabilities, no adjustment for taxation has been made in this financial year and the taxation credit shown in the 2014 financial year arises from the release of a deferred tax liability related to the intangible asset of the Cobre asset No tax liability existed at 31 December 2015 and the Company has substantial tax losses carried forward

PROJECT REVIEW AND ACTIVITIES

Cobre Performance

The 2015 year proved an uneven one for operations at the Cobre mine While it began in line with general expectations, there was a significant lull in demand through May to July However, in line with the nature of sales at this location, the later part of 2015 saw demand recover and the year end on par with 2014 This is a pleasing result considering the fall in iron ore prices during 2015 reflecting falling global demand

During the year, 18,454 short wet tons of magnetite was sold for $1,252,000 compared to the 2014 year when 18,780 short wet tons were sold for $1,266,000 Operations at the mine continue to be closely managed while still ensuring adequate service to customers and safe operating conditions

From the middle of 2015, the Company's operating subsidiary at Cobre, Southern Minerals Group LLC ("SMG"), has been applying cash flow to the repayment of debts accumulated when it was exporting product overseas and to acquire machinery for operations These payments should complete in the May of 2016 and cash flows from Cobre's operations will then become fully available to the Company

The Company continues to monitor the potential to produce a heavy dense media ("HDM") product suitable for use in flotations circuits in the coal and potash industries A HDM project at Cobre will be dependent on obtaining long term supply of the magnetite at Cobre, demand for the HDM product being identified at economically justifiable prices and a plausible investment case established Until then, the HDM project will be placed on hold

In December 2015, the Company announced a renewed agreement with Freeport, extending its rights at Cobre until March 2017 The Company continues an on-going dialogue with Freeport and hopes to secure a more permanent, mutually beneficial arrangement for future operations at Cobre

During 2015 and into 2016, SMG has been in discussions with the rail provider to the Cobre mine, South Western Rail Road ("SWRR"), concerning rail facilities provided under previous contracts and concerns we have had that these may have not been completed in line with the contractual requirements It is anticipated that SMG will take appropriate action to ensure that its entitlements under these contracts have been adequately made or that compensation is provided

Tatu Project

In March 2015, the Company secured a contract to purchase 100% of the Tatu coal project by acquiring King Country Mine Limited ("KCM") in New Zealand for NZ$255,000 in cash, and a royalty of up to US$2 per tonne of product sold The Company subsequently completed the purchase of 51% of KCM for a total of NZ$132,500 (including a NZ$5,000 signing fee) Subsequently, regulatory approval was received by the New Zealand authorities for change of control of the mining permits held by KCM

The Company then appointed a mine manager and undertook a bulk sample to prepare for direct marketing of the planned mine output as well as conducting preparatory work Whilst the bulk sample produced results largely consistent with previous assessments, it required additional testing to confirm that the deposits situated further from the mine's entrance had lower levels of sulphur Before committing to this additional expenditure, and in light of the deterioration of the global and domestic coal markets, the Board and management considered it prudent to seek an extension of the deadline to acquire the balance of the equity in KCM, to check on commercial funding for part of the project and re-assess local demand

As a result of its enquiries the Company found

a) it was unable to reach agreement on an extension to the option exercise deadline,

b) debt funding was unlikely to be available for a substantial portion of the capital expenditure, and

c) the combination of deteriorating business conditions in New Zealand and the run down in Genesis Energy's coal stockpile, were likely to depress prices for two to three years and result in customers being reluctant to commit to future orders

These factors worked in tandem to result in the Company withdrawing from any further involvement with the Tatu project

Wanbao Project

In March 2015, the Company entered into a Memorandum of Understanding with the owners of the Wanbao Metallurgical Coal Mine based in China The Memorandum of Understanding provided Strategic Minerals the opportunity, over six months, to assess the underlying resource, its market logistics and to then negotiate a mutually agreeable acquisition of up to 49% of the mine The Company would approach an investment in China cautiously and hence would undertake an extensive due diligence process to ensure that any investment is de-risked and appropriately managed

Despite attempts to raise private equity style funding for the project, the Company was unable to secure a transaction that would be possible to be funded without a degree of uncertainty and it withdrew from further involvement

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

In the fourth quarter of 2015 and into January of 2016, the Company negotiated and conducted due diligence on the potential acquisition of 50% of CARE from its owner Rarus Limited On 1 February 2016, the Company took an initial subscription of 25 5% of CARE for AUD $130,000 and has the right, over a twelve month period, to undertake a second subscription for a further AUD $250,000 which will take the Company's stake in CARE up to 50%

CARE has ownership rights on twenty four tenements Four of these tenements, known as the Laverton Project, are subject to a farm-in joint venture with ASX-listed Focus Minerals Limited ("Focus") that grants CARE the right to explore Focus' tenements near the Western Australian Goldfields town of Laverton for 90% ownership of, nickel and other commodities discovered in the tenements excluding gold, copper (where it is the dominant commodity present) and silver to which Focus maintains 100% ownership rights

The AUD $250,000 from the second subscription will be used to fund a nickel sulphide exploration drilling programme at the highly prospective Harris Camp Prospect located within CARE's Laverton Project Further details on the geology of the site can be found on the Company's website

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

In addition to the Laverton Project, CARE holds 100% of a number of tenements in Western Australia that are prospective for rare earths including properties adjoining Lynas Corporation's Mount Weld REE Mine, some of which may also be prospective for gold

Rarus has over the past three years secured and developed plans to explore the tenements held in CARE and has expended over USD $1 million to date in the process A proposal to drill-test the targets at Hanns Camp has been prepared and both Rarus and Strategic Minerals have reviewed and approved the programme with a view to drilling commencing in May 2016

Safety

The Company is pleased to report that, during 2015, across its operations in United States and Australia that the Company had zero safety incidents and incurred no environmental, regulatory, or operation violations The Company was quick to implement basic safety procedures in New Zealand at its Tatu Project following the initial acquisition of 51% of the project

Board and Management Changes

In January 2015, to ensure the Company had the appropriate resources to complete its growth strategy the Company appointed Mr John Peters as Managing Director and Mr Michael Wong Non-executive Director to the Board At that time Mr Julien McInally stepped down from the Board and remains a key part of management team as Chief Financial Officer Mr Lyle Hobbs moved to a Non-executive Director's role at the same time

In June 2015, Mr Michael Wong stood down as Director, due to other commitments, and the Company appointed Mr Alan Broome OAM as Chairman Mr Broome's considerable experience across a number of mineral projects was considered a further balancing of resources available to the company at a Board and Management level

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 attractive mining properties 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

Mineral reserve and resource 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

Commodity prices and currency risk

Although the Group's strategy is 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 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

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

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 throughout 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 requirements and the cash flow generated from its Cobre operation to ensure the Group can meet financial obligations as and when they fall 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

Key Performance Indicators

The Board monitors the activities and performance of the Group on a regular basis The principal KPI's monitored by the Company are domestic sales of product from Cobre, the cash position of the Group and the health, safety and environmental incidents of the Group The cash position of the group as at 31 December 2015 was $1,049,000 and there were no health, safety and environmental incidents reported in the year

Strategy

The near term cash flow strategy adopted by the Company in early 2015 resulted in a bias towards bulk commodities which have been hard hit, in both demand and pricing, during the year In early 2016, the Company moved away from this strategy and refocused emphasising both an operating and investment strategy

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 which features bulk commodities with offtake arrangements, advanced materials with expected improvement in demand (Rare Earths, Lithium, Graphite etc) and metals with expected pricing improvements over the next three to five years (Nickel, Gold, Lithium etc)

The Company is well positioned with a sound cash flow foundation, a proposed self-funded drilling program and is examining a number of potential projects

Outlook and Prospects

The Company continues to maintain controls on its overheads, whilst other developments have been undertaken including a focus at Cobre on profitable domestic sales, the drilling of the CARE tenements and continued examination of potential projects

The Board and Management have observed a growing trend of minnow mining companies facing major liquidity problems and it feels that, by keeping our house in order, the Company will be well placed to take advantage of opportunities that arise from these liquidity crunches to acquire value adding assets

The Board is confident that the outlook for the Company is encouraging as it now has lower overheads, an existing cash flow stream from Cobre and the potential upside from a drilling programme at the Company's Laverton project in Western Australia

John Peters
Managing Director

23 May 2015

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015

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 loss after taxation for the year of $880,000 (2014 - $5,732,000)

The Directors do not propose to recommend any distribution by way of dividend for the period ended 31 December 2015

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)
Lyle Hobbs	(appointed 7 May 2014)

Previous Directors

Michael Wong	(appointed 21 January 2015, resigned 30 June 2015)
Julien McInally	(appointed 7 May 2014, resigned 21 January 2015)

DIRECTORS' INTEREST IN SHARES

The persons who held office at the year-end had the following interests in the issued share capital of the Company (ordinary shares of 0 1p nominal value)

John Peters	8,700,000
Lyle Hobbs	2,637,500

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 6

SUBSTANTIAL SHAREHOLDERS

As at 30 April 2015, 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
Lenark Pty Ltd as trustee for Lenark Investment Trust and related parties	44,834,954	5 03
Mr Peter Wale	40,415,469	4 54
Aviva plc & its subsidiaries	32,350,857	3 63

POLITICAL CONTRIBUTIONS

There were no political contributions made by the Group during the year ended 31 December 2015 (2014 - $Nil)

INFORMATION TO SHAREHOLDERS - WEB SITE

The Company has its own web-site 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 2017 being the period for which projections have been prepared and the minimum period the Directors are required to consider

The projections include future sales from the Cobre operations, which are expected to be sold domestically This domestic market is subject to unpredictable sales volumes and the Directors are of the view that future sales revenue is difficult to accurately forecast If the Group is unable to meet its forecast sales revenue as a result of this unpredictability, further funding may be required As a result, a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern and therefore it may be unable to release its assets and discharge its liabilities in the normal course of business

After making enquiries, the Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

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
23 May 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors are responsible for preparing the 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 and company 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

- 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 disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group 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 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

STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2015

THE BOARD

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 Meetings are held to review the Group's forward planning The Board currently consists of one Executive and two Non-Executive Directors and is currently seeking to appoint another Non-Executive Director with suitable mining company experience as soon as practical 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 seek to comply in all material respects with the Corporate Governance Guidelines for Smaller Quoted Companies Due to the recent changes to the Board and the small number of Directors as at the date of this report the Company has an Audit Committee and Remuneration Committee consisting of the entire Board Given the composition of the Board and the size of the Company it is felt a separate Nomination Committee is not yet warranted, however it is expected that as the Company's operations expand the needs in this regard will be monitored The Board collectively undertakes the function of such committees and where conflicts arise the Directors exclude themselves from the Chair and on voting on such matters

The purpose of the Audit Committee, which is chaired by Mr John Peters, is to provide formal and transparent arrangements for considering how to apply the financial report and internal control principles set out in the Corporate Governance Guidelines for Smaller Quoted Companies, 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

BOARD MEETINGS

The Company held 9 (nine) Board meetings during the reporting period and the number of meetings attended and eligible to attend by each of the Directors of the Company during the year to 31 December 2015 were

	Number of meetings attended	Number of meetings eligible to attend
Alan Broome	4	4
John Peters	8	8
Lyle Hobbs	9	9
Julien McInally	1	1
Michael Wong	4	4

SECURITIES TRADING

The Company has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM company The Directors will comply with AIM Rule 21 relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees

INTERNAL CONTROL

The Board has overall responsibility for ensuring that the Group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information, both for use within the business and for external publication, and that the Group's assets are safeguarded The Board is in the process of evaluating a means for identifying, evaluating and managing the principal risks faced by the Group The Board will regularly review such a process

RELATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with shareholders The Board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to attend and participate In the near term the Company will release an updated website to assist with shareholder and investor communication

By order of the Board

John Peters

Director

23 May 2016

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

We have audited the financial statements of Strategic Minerals Plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of cash flows, consolidated and company statement of changes in equity, and related notes The financial reporting framework that has been applied in their preparation 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

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss 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

Emphasis of Matter

In forming our opinion of the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern

The Group may require further funding to meet its liabilities as they fall due should Cobre sales fail to reach amounts forecast by the Directors This condition, along with other matters explained in Note 1 to the financial statements indicate that, in the absence of additional funds being raised, there exists material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
23 May 2016

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

STRATEGIC MINERALS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year to 31 December 2015 $'000	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000	Year to 31 December 2014 $'000
Revenue	4		1,252		6,089
Raw materials and consumables Used			(246)		(6,718)
Gross profit/(loss)			1,006		(629)
Foreign exchange gain/(loss)		(11)		183	
Overhead expenses	5	(1,251)		(1,684)	
		(1,262)		(1,501)	
Non cash costs					
Depreciation	13	(10)		(2)	
Impairment of loan to joint operation		(222)		-	
Write back of provisions	19	831		-	
Impairment of receivable		-		(286)	
Amortisation of intangible asset	11	-		(1,545)	
Impairment of intangible asset	11	(1,149)		(2,079)	
Share based payment		(70)		-	
Total Non cash costs		(620)		(3,912)	
Total administration expenses			(1,882)		(5,413)
Loss from operations			(876)		(6,042)
Finance expense	7		(4)		(14)
Loss before taxation			(880)		(6,056)
Income tax credit	8		-		324
Loss for the period attributable to the owners of the parent			(880)		(5,732)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange gains arising on translation of foreign operations			(136)		20
Total comprehensive income/(loss) attributable to the owners of the parent			(1,016)		(5,712)

Loss per share attributable to the ordinary equity holders of the parent.

	Note				
Basic and diluted	10		($0 001)		($0 009)

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 2015

	Notes	2015 $'000	2014 $'000
Assets			
Non-current assets			
Intangible assets	11	-	-
Property, plant and equipment	13	190	2
		190	2
Current assets			
Inventories	14	4	17
Trade and other receivables	15	418	244
Cash and cash equivalents	16	1,049	946
		1,471	1,207
Total Assets		1,661	1,209
Equity and liabilities			
Share capital	21	1,430	1,169
Share premium reserve	21	42,883	41,707
Merger reserve		20,240	20,240
Foreign exchange reserve		(276)	(140)
Share options reserve	22	97	-
Other reserves		(23,023)	(23,023)
Retained earnings		(40,327)	(39,447)
Total Equity		1,024	506
Liabilities			
Non-current liabilities			
Provision for mining royalties	19	-	-
		-	-
Current liabilities			
Loans and borrowings	17	85	-
Trade and other payables	18	552	703
		637	703
Total Liabilities		637	703
Total Equity and Liabilities		1,661	1,209

These financial statements were approved and authorised for issue by the Board of Directors on 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 2015

	Notes	2015 $'000	2014 $'000
Assets			
Non-current assets			
Investments	12	-	387
Property, plant and equipment	13	-	2
		-	389
Current assets			
Trade and other receivables	15	509	544
Cash and cash equivalents	16	782	114
		1,291	658
Total Assets		1,291	1,047
Equity and liabilities			
Share capital	21	1,430	1,169
Share premium reserve	21	42,883	41,707
Merger reserve		20,240	20,240
Foreign exchange reserve		62	156
Share options reserve	22	97	-
Retained earnings		(63,713)	(62,475)
Total Equity		999	797
Liabilities			
Non-current liabilities			
Provision for mining royalties	17	-	-
		-	-
Current liabilities			
Trade and other payables	18	292	250
		292	250
Total Liabilities		292	250
Total Equity and Liabilities		1,291	1,047

These financial statements were approved and authorised for issue by the Board of Directors on 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 2015

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Cash flows from operating activities		
Loss before tax	(880)	(6,056)
Adjustments for		
Depreciation of property, plant and equipment	10	2
Impairment to intangible assets	1,149	2,079
Impairment of loans to joint operations	222	-
Write back of provision on mining royalies	(831)	-
Amortisation of intangible assets	-	1,545
Loss on disposal of property, plant and equipment	2	-
Decrease in inventory	13	2,206
(Increase) / decrease in trade and other receivables	(174)	3,291
Increase / (decrease) in trade and other payables	(268)	(4,749)
Share based payment expense	70	-
Net cash used in operating activities	(687)	(1,682)
Investing activities		
Acquisition of intangible fixed assets	(231)	(92)
Acquisition of property, plant and equipment	(200)	-
Loans to joint operations	(222)	-
Investment in joint operations	(100)	-
Net cash used in investing activities	(753)	(92)
Financing activities		
Net proceeds from issue of equity share capital	1,463	1,542
Net proceeds/(repayment) from borrowings	85	-
Net cash from financing activities	1,548	1,542
Net decrease in cash and cash equivalents	108	(232)
Cash and cash equivalents at beginning of year	946	1,183
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5)	(5)
Cash and cash equivalents at end of year	1,049	946

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 2015

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Cash flows from operating activities		
Loss before tax	(1,238)	(5,279)
Adjustments for		
Impairment to receivables from subsidiary undertakings	60	408
Impairment to investment in subsidiary	487	2,915
Depreciation	-	2
(Increase) / decrease in trade and other receivables	232	2,830
Increase / (decrease) in trade and other payables	103	(2,714)
Share based payment expense	70	-
Net cash flows from operating activities	(286)	(1,838)
Investing activities		
Loans to joint operations	(453)	
Investment in joint operations	(100)	-
Receipts from / (advances to) subsidiary undertakings	49	(23)
Net cash flows from investing activities	(504)	(23)
Financing activities		
Net proceeds from issue of equity share capital	1,463	1,542
Net (repayment) / proceeds from borrowings	-	-
Net cash from financing activities	1,463	1,542
Net decrease in cash and cash equivalents	673	(319)
Cash and cash equivalents at beginning of year	114	438
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5)	(5)
Cash and cash equivalents at end of year	782	114

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 2015

	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
Balance at 1 January 2014	**884**	**39,847**	**20,240**	**2,478**	**(23,023)**	**(160)**	**(36,193)**	**4,073**
Loss for the year	-	-	-	-	-	-	(5,732)	(5,732)
Foreign exchange translation	-	-	-	-	-	20	-	20
Total comprehensive income for the year						20	(5,732)	(5,712)
Shares warrants lapsed	-	-	-	(2,478)	-	-	2,478	-
Shares issued in the year	285	1,860	-	-	-	-	-	2,145
Balance at 31 December 2014	**1,169**	**41,707**	**20,240**	-	**(23,023)**	**(140)**	**(39.447)**	**506**
Loss for the year	-	-	-	-	-	-	(880)	(880)
Foreign exchange translation	-	-	-	-	-	(136)	-	(136)
Total comprehensive income for the year						(136)	(880)	(1,016)
Share based payments	-	-	-	97	-	-	-	97
Shares issued in the year	261	1,309	-	-	-	-	-	1,570
Share issue costs	-	(133)	-	-	-	-	-	(133)
Balance at 31 December 2015	**1,430**	**42,883**	**20,240**	**97**	**(23,023)**	**(276)**	**(40,327)**	**1,024**

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

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

STRATEGIC MINERALS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium reserve	Merger reserve	Share Options Reserve	Foreign exchange reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2014	**884**	**39,847**	**20,240**	**2,478**	**298**	**(59,674)**	**4,073**
Loss for the year	-	-	-	-	-	(5,279)	(5,279)
Foreign exchange translation	-	-	-	-	(142)	-	(142)
Total comprehensive income for the year					(142)	(5,279)	(5,421)
Share warrants Lapsed	-	-	-	(2,478)	-	2,478	-
Shares issued in the year	285	1,860	-	-	-	-	2,145
Balance at 31 December 2014	**1,169**	**41,707**	**20,240**	**-**	**156**	**(62,475)**	**797**
Loss for the year					-	(1,238)	(1,238)
Foreign exchange translation					(94)	-	(94)
Total comprehensive income for the year					(94)	(1,238)	(1,332)
Share based payments	-	-	-	97	-	-	97
Shares issued in the year	261	1,309	-	-	-	-	1,570
Share issue costs	-	(133)	-	-	-	-	(133)
Balance at 31 December 2015	1,430	42,883	20,240	97	62	(63,713)	999

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 2015

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

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

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 2017 being the period for which projections have been prepared and the minimum period the Directors are required to consider

The projections include future sales from the Cobre operations, which are expected to be sold domestically This domestic market is subject to unpredictable sales volumes and the Directors are of the view that future sales revenue is difficult to accurately forecast If the Group is unable to meet its forecast sales revenue as a result of this unpredictability, further funding may be required As a result, a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern and therefore it may be unable to release its assets and discharge its liabilities in the normal course of business

After making enquiries, the Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Adoption of standards effective in 2015

There were no new standards effective for the first time for periods beginning on or after 1 January 2015

1 Significant accounting policies *(continued)*

Issued IFRS that are not yet effective

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Group in these financial statements

International Financial Reporting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 31 December 2015

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services This standard is effective for periods beginning on or after 1 January 2018 IFRS 15 is not yet endorsed by the EU

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments Recognition and Measurement in its entirety This standard is effective for periods beginning on or after 1 January 2018 with retrospective application IFRS 9 is not yet endorsed by the EU

The effects of IFRS 15 Revenues from Contracts with Customers and IFRS 9 Financial Instruments are still being assessed, as these new standards may have a significant effect on the Group's future financial statements The Group does not expect other pronouncements to have a material impact upon the Group's primary statements and disclosure

Basis of consolidation

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

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

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

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

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

1 Significant accounting policies *(continued)*

Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement Those parties are called joint operators

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses

The Group recognises its share of assets and liabilities of King Country Mining, as it is accounted for as a joint operation

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

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

1 Significant accounting policies *(continued)*

Exploration and evaluation assets *(continued)*

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

Costs are amortised on a Tenement by Tenement 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 has been valued using estimated discounted cash flow and is being amortised over the term of the contract at a rate to match the sale of magnetite

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 – on a unit of production basis
- Rail infrastructure – on a per ton basis for inventory transported by rail in the year

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

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases All other leases are classified as operating leases Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are recognised in finance costs in the statement of profit or loss A leased asset is depreciated over the useful life of the asset

Investments

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired

1 Significant accounting policies *(continued)*

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 has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment These criteria are considered to be met when the goods are delivered to the buyer, being the point of shipment for export sales and the point of leaving the mine gate for domestic sales to the US market

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

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

1 Significant accounting policies *(continued)*

Share-based compensation *(continued)*

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, 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

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, for instruments not at fair value through profit or loss, any directly attributable transactions costs

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

1 Significant accounting policies (*continued*)

Financial assets

The Group classifies its financial assets as loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset They are initially recognised at fair value plus transaction costs that are directly attributable to tier acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment

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 Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation

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

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

Management of capital

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

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

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

Judgements

There are no judgements made in the current year that would have a material effect on the assets and liabilities of the Company in the next financial year

Estimates and assumptions

(a) Carrying value of intangible assets

In assessing the continuing carrying value of the exploration and evaluation costs carried the Company has made an estimation of the value of the underlying tenements and exploration licenses held for which further details are given in Note 11

In assessing the continuing carrying value of the other intangible asset, being the contractual relationship acquired on the acquisition of Ebony Iron Pty Limited, the key estimate and assumption made in the valuation model adopted has been the expected level of product which the Company will be able to sell The carrying value for this intangible asset is now fully amortised

The carrying value of exploration and evaluation costs have been impaired in full due to the Company deciding to drop the Tatu Project in February 2016

(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 investments and amounts owed by subsidiary undertakings

The shares and loans in subsidiary undertakings have been impaired as the directors have concluded that the net assets of the subsidiaries at reporting date are insufficient to recover the balances

3 Financial instruments - Risk management

The Group is exposed the following financial risks

- Credit risk
- Cash flow interest rate 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
- Trade and other payables

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

Financial assets

	Loans and receivables	
	2015	**2014**
Group	**$'000**	**$'000**
Cash and cash equivalents	1,049	946
Trade and other receivables	372	196
Total financial assets	1,421	1,142

Financial liabilities

	Financial liabilities at amortised cost	
	2015	**2014**
Group	**$'000**	**$'000**
Trade and other payables	501	560
Loans and borrowings	85	-
Total financial liabilities	586	560

3 Financial instruments - Risk management *(continued)*

Financial assets	Loans and receivables	
	2015	2014
Company	$'000	$'000
Cash and cash equivalents	782	114
Trade and other receivables	-	-
Amounts owed by subsidiary undertakings	465	514
Total financial assets	1,247	628

Financial liabilities

	Financial liabilities at amortised cost	
	2015	2014
Company	$'000	$'000
Trade and other payables	241	113
Total financial liabilities	241	113

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

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

Further disclosures regarding trade and other receivables, which are neither past due nor impaired other than shown, are provided in Note 15

At 31 December 2015 the Group had external borrowings of $85,000 The loan of the Group relates to the purchase of equipment and is based in US dollars The carrying amount of the equipment being $190,000 has been provided as collateral over the loan The loan incurs a fixed interest of 5% per annum

There are no borrowings of the Company

Cash flow interest rate risk

All of the Group's and Company's borrowings were at fixed rate

3 Financial instruments - Risk management *(continued)*

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 In 2014, sales to the export market were invoiced by the parent Company in US dollars In 2015 the parent Company had net payables owing which were denominated in both US dollar, New Zealand dollars and Australian dollars

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

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

	Functional currency of individual entity							
	US dollar		Sterling		Australian dollar		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Net foreign currency financial assets/(liabilities)								
US dollar	269	209	41	13	-	381	310	603
Sterling	-	-	640	(12)	-	-	640	(12)
Australian dollar	-	-	(44)	-	25	(9)	(19)	(9)
New Zealand dollar	-	-	(96)	-	-	-	(96)	-
Total net exposure	269	209	541	1	25	372	835	582

3 Financial instruments - Risk management *(continued)*

	Functional currency of individual entity			
	Sterling		Total	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Company				
Net foreign currency financial assets/(liabilities)				
US Dollar	41	13	41	13
Australian dollar	(44)	-	(44)	-
New Zealand dollar	(96)	-	(96)	-
Total net exposure	(99)	13	(99)	13

Commodity price risk

In 2014, the Group's 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 2015 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 and the finance charges and principal repayments on its debt instruments It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due

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

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 other than a borrowing from an equipment supplier 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**	**Between 3 and 12 months**	**Between 1 and 2 Year**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	405	96	-	-	-
Loans and borrowings	43	42	-	-	-
Total	448	138	-	-	-

Group	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 Year**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	560	-	-	-	-
Loans and borrowings	-	-	-	-	-
Total	560	-	-	-	-

3 Financial instruments - Risk management *(continued)*

Company **At 31 December 2015**	**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**
Trade and other payables	241	-	-	-	-
Loans and borrowings	-	-	-	-	-
Total	241	-	-	-	-

Company **At 31 December 2014**	**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**
Trade and other payables	113	-	-	-	-
Loans and borrowings	-	-	-	-	-
Total	113	-	-	-	-

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 certain of these expenses
- *Australia* - This segment holds the tenements in Australia and incurs all related operating costs however these tenements were dropped during the financial year
- *New Zealand* – This segment holds the company's interest in the Tatu project in New Zealand which was secured during the financial year and consequently dropped in February 2016

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 amortisation of intangible assets, and 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

4 Segment information *(continued)*

	SMG	Head Office	Australia	New Zealand	Intra Segment Elimination	Total
	2015	2015	2015	2015	2015	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Revenues	1,252	200	-	-	(200)	1,252
Cost of sales	(246)	-	-	-	-	(246)
Gross profit	1,006	200	-	-	(200)	1,006
Overhead expenses	(623)	(809)	(19)	-	200	(1,251)
Finance expense	(4)	-	-	-	-	(4)
Share based payments	-	(70)	-	-	-	(70)
Depreciation	(10)	-	-	-	-	(10)
Impairment of intangible assets	-	-	-	(1,149)	-	(1,149)
Write back of provisions	-	-	-	831	-	831
Impairment of loan to joint operations	-	-	-	(222)	-	(222)
Foreign exchange	-	(11)	-	-	-	(11)
Segment profit / (loss) before taxation	369	(690)	(19)	(540)	-	(880)

4 Segment information *(continued)*

	SMG 2014 $'000	Head Office 2014 $'000	Australia 2014 $'000	New Zealand 2014 $'000	Total 2014 $'000
Revenues	6,089	-	-	-	6,089
Cost of sales	(6,718)	-	-	-	(6,718)
Gross profit	(629)	-	-	-	(629)
Overhead expenses	(766)	(1,064)	43	-	(1,787)
Finance expense	-	(14)	-	-	(14)
Amortisation of intangible asset	(1,545)	-	-	-	(1,545)
Depreciation	-	(2)	-	-	(2)
Impairment to intangible asset	-	-	(2,079)	-	(2,079)
Segment profit / (loss) before taxation	(2,940)	(1,080)	(2,036)	-	(6,056)

4 Segment information *(continued)*

As at 31 December 2015	SMG $'000	Head Office $'000	Australia $'000	New Zealand $'000	Total $'000
Additions to non-current assets (excluding deferred tax)	200	-	-	1,149	1,349
Reportable segment assets (excluding deferred tax)	793	826	42	-	1,661
Reportable segment liabilities	(327)	(292)	(18)	-	(637)
Deferred tax liabilities					-
Total Group liabilities					(637)

As at 31 December 2014	SMG $'000	Head Office $'000	Australia $'000	New Zealand $'000	Total $'000
Additions to non-current assets (excluding deferred tax)	-	-	92	-	92
Reportable segment assets (excluding deferred tax)	666	144	399	-	1,209
Reportable segment liabilities	(435)	(250)	(18)	-	(703)
Deferred tax liabilities					-
Total Group liabilities					(703)

	External revenue by location of customers		Non-current assets by location of assets	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States	1,252	1,271	190	-
Switzerland	-	4,818	-	-
United Kingdom	-	-	-	2
	1,252	6,089	190	2

Revenues from Customer A totalled $463,000 (2014 $665,000), which represented 37% of total domestic sales in the United States (2014 52%) and Customer B totalled $485,000 (2014 $256,000) which represented 39% of total sales (2014 20%) There were no export sales in the year (2014 $4,818,000)

5 Operating loss

Group

Costs by nature

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Operating loss is stated after charging.		
Directors' fees and emoluments (Note 6)	249	794
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	40	28
Staff costs (Note 6)	217	201
Operating lease – land and buildings	-	31
Legal, professional and consultancy fees	394	371
Travelling and related costs	57	76
Other expenses	294	183
Foreign exchange gain/(loss)	11	(183)
Amortisation of intangible asset	-	1,545
Impairment to intangible asset (see note 11)	1,149	2,079
Write back of provision	(831)	-
Impairment of loan to joint operations	222	-
Share based payments charge	70	-
Depreciation	10	2
Impairment of Receivable	-	286

6 Directors and employees

Group

Staff costs during the year

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Directors' remuneration including consultancy fees	249	794
Wages and salaries	217	178
Social security and other costs	-	23
Share based payments	70	-
Total staff costs	536	995

The average number of people (including executive Directors) employed during the year was

	2015 Number	2014 Number
Total	4	4

6 Directors and employees *(continued)*

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

	Directors' fees 2015 $	Salary and consultancy fees 2015 $	Loss of office 2015 $	Share based payments 2015 $	Total 2015 $
A Broome	30,608	-	-	-	30,608
J Peters	-	149,930	-	27,175	177,105
L Hobbs	33,573	-	-	4,529	38,102
J McInally	-	110,900	-	27,175	138,075
M Wong	13,614	-	6,846	1,891	22,351
Total	77,795	260,830	6,846	60,770	406,241

	Directors' fees 2014 $	Salary and consultancy fees 2014 $	Loss of office 2014 $	Share based payments 2014 $	Total 2014 $
P Griffiths	-	74,694	-	-	74,694
J Fyfe	-	145,522	98,874	-	244,396
P Harrison	-	32,958	98,874	-	131,832
D Anderson	-	82,395	49,437	-	131,832
P Stephens	18,539	-	4,120	-	22,659
J McInally	-	134,556	-	-	134,556
L Hobbs	-	41,059	-	-	41,059
A Borelli	12,359	-	-	-	12,359
Total	30,898	511,184	251,305	-	793,387

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

7 Finance expense

Group

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Loan interest and finance charges	4	14

8 Taxation

	Year to 31 December 2015 $'000	Year to 31 December 2014 $'000
Current tax expense	-	-
Deferred tax credit on amortisation and impairment of intangible	-	324
Deferred tax (charge)	-	-
	-	324

Reconciliation of effective tax rates	**$'000**	**$'000**
(Loss) before tax	(880)	(6,056)
Tax using UK domestic rates of corporation tax of 20 % (2014 - 21%)	(176)	(1,271)
Effect of:		
Expenses not deductible for tax purposes	58	762
Losses carried forward	118	509
Deferred tax credit, net	-	324
	-	324

The Group has excess management expenses of $593,000 (2014 - $1,162,000) and unused losses to carry forward of $16,286,000 (2014 - $15,382,000) No deferred tax asset has been recognised for losses as their full recovery is not probable in the foreseeable future

9 Parent Company loss

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent Company is not presented as part of these financial statements The parent Company's loss for the year was $1,238,000 (2014 - $5,279,000)

10 Loss per share

Losses 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 809,995,423 (2014 – 629,902,908) Fully diluted the weighted average was 809,995,423 (2014 - 629,902,908) The loss for the financial period was $880,000 (2014 – loss $5,732,000)

Due to the Group's results for the period, the diluted earnings per share is deemed to be the same as the basic earnings per share

11 Intangible Assets

Group

	Exploration/ evaluation costs $'000	Other intangible asset $'000	Total $'000
Cost			
At 1 January 2014	1,825	25,772	27,597
Additions in the year	92	-	92
Foreign exchange	162	-	162
At 31 December 2014	2,079	25,772	27,851
At 1 January 2015	2,079	25,772	27,851
Additions in the year (see note 26)	1,149	-	1,149
Disposals	(2,079)	-	(2,079)
At 31 December 2015	1,149	25,772	26,921
Amortisation and impairment			
At 1 January 2014	-	24,227	24,227
Impairment	2,079	1,545	3,624
At 31 December 2014	2,079	25,772	27,851
At 1 January 2015	2,079	25,772	27,851
Impairment	1,149	-	1,149
Disposal	(2,079)	-	(2,079)
At 31 December 2015	1,149	25,772	26,921
Net book value			
At 1 January 2014	1,825	1,545	3,370
At 31 December 2014	-	-	-
At 31 December 2015	-	-	-

Other intangible

The other 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 written down in the prior year

11 Intangibles *(continued)*

Mining tenements and exploration and evaluation costs

Exploration and evaluation costs are not currently being amortised as the carrying value of exploration and evaluation costs have been impaired in full due to the Company deciding to drop the Tatu Project in February 2016 The reasons for this decision were as follows

a) It was unable to reach agreement on an extension to the option timing,

b) Debt funding was unlikely to be available for a substantial portion of the capital expenditure, and

c) The combination of deteriorating business conditions in New Zealand and the run down in Genesis Energy's coal stockpile, were likey to depress prices for two to three years and result in customers being reluctant to commit to future orders

The disposals during the year relate to the Australian assets being dropped during the financial year

12 Investments

Company	**Loans to Subsidiary Undertakings $'000**	**Shares in subsidiary undertakings $'000**	**Total $'000**
Cost			
At 31 December 2014	6,027	45,752	51,779
Movement in year	-	-	-
At 31 December 2015	6,027	45,752	51,779
Impairment			
At 31 December 2014	(6,027)	(45,365)	(51,392)
Charge for the year	-	(387)	(387)
At 31 December 2015	(6,027)	(45,752)	(51,779)
Carrying Value			
At 31 December 2014	-	387	387
At 31 December 2015	-	-	-

The shares and loans in subsidiary undertakings have been impaired as the directors have concluded that the net assets of the subsidiaries at reporting date are insufficient to recover the balances

The impairment to shares in subsidiary undertakings belongs to the Australian reportable segment as per Note 4

12 Investments *(continued)*

In the opinion of the Directors, the aggregate value of the Company's investment in its subsidiary undertakings is not less than the amount included in the statement of financial position

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
King Country Mining	New Zealand	Assets held for exploration	Ordinary	50%
Iron Glen Holdings Pty Limited	Australia	Holding Company	Ordinary	100%
Ebony Iron Pty Limited	Australia	Holding Company	Ordinary	100%
Iron Glen Pty Limited (i)	Australia	Assets held for exploration	Ordinary	100%
Southern Minerals Group LLC (ii)	USA	Sale of magnetite	Ordinary	100%
Jotanooka Iron Pty Limited (i)	Australia	Assets held for exploration	Ordinary	100%
Dragon Rock Minerals Pty Limited (i)	Australia	Assets held for exploration	Ordinary	100%

(i) Held by Iron Glen Holdings Pty Limited
(ii) Held by Ebony Iron Pty Limited

13 Property, plant and equipment

Group	Railway infrastructure $'000	Plant and machinery $'000	Office equipment $'000	Total $'000
Cost				
At 1 January 2014	3,498	-	7	3,505
Disposals	-	-	-	-
At 31 December 2014	3,498	-	7	3,505
At 1 January 2015	3,498	-	7	3,505
Additions	-	200	-	200
Disposals	-	-	(7)	(7)
At 31 December 2015	3,498	200	-	3 698
Depreciation				
At 1 January 2014	3,498	-	3	3,501
Charge in the year	-	-	2	2
At 31 December 2014	3,498	-	5	3,503
At 1 January 2015	3,498	-	5	3,503
Charge in the year	-	10	-	10
Disposals	-	-	(5)	(5)
At 31 December 2015	3,498	10	-	3,508
Carrying value				
At 1 January 2014	-	-	4	4
At 31 December 2014	-	-	2	2
At 31 December 2015	-	190	-	190

The property, plant and equipment of the Company relate to office equipment only

14 Inventories

	2015 $'000	2014 $'000
Finished goods held for sale	4	274
Less stock provision	-	(257)
	4	17

There are no finished goods included at their fair value less cost to sell in 2015 (2014 $17,000)

No Inventories (2014 $257,000) have been written off to profit or loss in the year

15 Trade and other receivables

Group	2015 $'000	2014 $'000
Trade receivables	372	482
Less provision for impairment of trade receivables	-	(286)
	372	196
Other receivables	46	48
	418	244
Company		
Trade receivables	-	-
Amounts owed by subsidiary undertakings	465	514
Other receivables	44	30
	509	544

There were no Trade or other receivables that were past due or impaired beyond the charge reflected above The Trade and other receivables are categorised as loans and other receivables and are not materially different to their carrying values

16 Cash and cash equivalents

Group	2015 $'000	2014 $'000
Bank current accounts - unrestricted	946	846
Bank – restricted	103	100
	1,049	946

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

16 Cash and cash equivalents (continued)

Company	2015 $'000	2014 $'000
Bank current accounts	782	114

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

17 Borrowings

Group	2015 $'000	2014 $'000
Loans and borrowings	85	-

The loan of the Group relates to the purchase of equipment and is based in US dollars The carrying amount of the equipment being $190,000 has been provided as collateral over the loan The loan incurs a fixed interest of 5% per annum

There are no borrowings of the Company

18 Trade and other payables

Group	2015 $'000	2014 $'000
Trade payables	501	560
Other payables	-	51
Accruals and deferred income	51	92
	552	703

Company	$'000	$'000
Trade payables	241	113
Other payables	-	45
Accruals and deferred income	51	92
	292	250

Book values approximate to fair value at 31 December 2015 and 2014

19 Provisions

	Mining royalty $'000	Total $'000
At 1 January 2015	-	-
On acquisition	831	831
Write back of provision	(831)	(831)
At 31 December 2015	-	-

The provision for mining royalty is the fair value of a mining royalty payable to the vendor of the Tatu project in New Zealand, which was acquired during the 2015 financial year The fair value of the royalty provision was calculated based on the expected production over the life of the project discounted at 12% per annum and converted to US dollars at the exchange rate on the date of acquisition The Company decided not to continue with the Tatu project in February 2016 and hence the provision has been written back during the 2015 financial year

20 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2014 - 21%) The reduction in the main rate of corporation tax to 21% was substantively enacted in July 2013 This new rate will be applied to deferred tax balances which are expected to reverse after 1 April 2014, the date on which that new rate becomes effective

The deferred tax liability arises from the fact that the other intangible asset (see Note 11) has no tax base and thus the deferred tax liability represented the total tax credit that would be available if the amortisation of the intangible asset was tax deductible in an entity Following the full impairment of the underlying intangible asset the remaining deferred tax liability has been released The deferred tax asset arose from tax losses which were expected to be recovered in the foreseeable future

The movement on the deferred tax account is as shown below

Deferred tax liability	2015 $'000	2014 $'000
At 1 January	-	324
Recognised in profit and loss		
Tax credit	-	(324)
At 31 December	-	-

Deferred tax asset	2015 $'000	2014 $'000
At 1 January	-	-
Recognised in profit and loss		
Tax (charge) / credit	-	-
Foreign exchange	-	-
At 31 December	-	-

Of this total deferred tax asset, $Nil (2014 - $Nil) arises in the Company

21 Share Capital and Premium

	Number	Value $
At 1 January 2014	553,825,560	40,731,273
Placement on 10 April 2014	170,000,000	2,144,128
At 31 December 2014	723,825,560	42,875,401
Placement on 12 June 2015	82,000,000	772,342
Placement on 14 July 2015	84,666,667	798,525
Issue costs on placements	-	(132,968)
At 31 December 2015 Ordinary shares of 1 pence each	890,492,227	44,313,300

During the financial year, the Company raised $1,570,867 (£1,000,000) by placing 166,666,667 shares at a subscription price of £0 006 in two tranches The first tranche of 82,000,000 shares was issued in June and a second tranche of 84,666,667 shares were issued in July after being approved by shareholders at the annual general meeting The cost associated with this capital raising was $132,968 which includes the value of broker options of US$27,000 as disclosed below in the options and warrants

22 Share based payments

The Group has a share-ownership compensation scheme for senior executives of the Group whereby senior executives may be granted options to purchase ordinary shares in the Company There were 62,000,000 options issued to directors and senior executives during the year and 8,333,333 options issued to brokers to the capital raising which was completed in July 2015

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

Warrants and Options

Number of outstanding warrants and options at 31 December 2015 and a reconciliation of their movements during the year were

Date of grant	Granted at 31.12.14	Issued	Lapsed/ cancelled	Granted at 31.12 15	Exercise price	Exercise Period From	To
30 06 11	8,421,416	-	-	8,421,416	5p	30 06 11	29 06 16
01 03 12	4,000,000	-	(4,000,000)	-	20p	01 06 14	01 03 15
06 11 13	6,000,000	-	(6,000,000)	-	5 0p	27 06 13	27 06 16
06 11 13	4,000,000	-	(4,000,000)	-	7 5p	27 06 13	27 06 16
10 04 15	-	*31,000,000	(2,000,000)	29,000,000	1 0p	10 04 15	30 06 18
10 04 15	-	*31,000,000	(2,000,000)	29,000,000	1 0p	10 04 15	30 06 19
14 07 05	-	^8,333,333	-	8,333,333	0 6p	14 07 15	16 07 18
	22,421,416	70,333,333	(18,000,000)	74,754,749			

22 Share based payments (continued)

The warrants outstanding at 31 December 2015 had a weighted average exercise price of 2 29p and a remaining contractual life of 979 days

* There were 62,000,000 options issued to directors and management during the half year The 31,000,000 options that expire on the 30 06 18 had a market based vesting condition which is satisfied once a 1 5 pence volume weighted average price ("VWAP") per ordinary share is achieved over five consecutive trading days on AIM The options that expire on 30 06 19 had a market based vesting condition which is satisfied once a 3 0 pence VWAP per ordinary share is achieved over five consecutive trading days on AIM A total of 4,000,000 of these options were cancelled due to the departure of a Non-executive Director

^ In addition, 8,333,333 options were issued to the broker in relation to the June 2015 capital raise
The estimated fair value of options issued is calculated by applying the Black-Scholes option pricing model after taking into account market based vesting conditions The assumptions used in the calculation were as follows

	April 2015 options	April 2015 options	July 2015 options
Share price at date of grant	0 55p	0 55p	0 40p
Exercise price	1 00p	1 00p	0 60p
Market vesting condition	1 50p	3 00p	N/A
Expected volatility	96%	96%	96%
Expected dividend	Nil	Nil	Nil
Contractual life	3 years	4 years	3 years
Risk free rate	0 79%	0 79%	0 79%
Estimated fair value of each option	0 26p	0 27p	0 21p

Expected volatility was determined based on the historic volatility of the Company's shares and other peer companies 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

23 Commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

Group	2015 $'000	2014 $'000
Within one year	-	-

(b) Capital expenditure commitments

At 31 December 2015, no capital commitments existed (2014 - $Nil)

24 Controlling party

There is no ultimate controlling party of the Group

25 Related party transactions

Director and key management personnel remuneration has been disclosed in Note 6 There were no other relevant transactions with Directors or other related parties

26 Investment in joint operations

On 31 March 2015, the Company entered into a share purchase agreement to acquire, King Country Mining Limited (KCM), a New Zealand company which holds coal mining tenements known as the Tatu thermal coal project (Tatu) in the North Island of New Zealand The Company agreed to pay US$87,000 as follows NZ$5,000 (US$3,300) to the vendor upon signing of the share purchase agreement and a further NZ$127,500 (US$83,700) for 51% of the issued shares in King Country Mining Limited (KCM) The Company has the option to acquire the remaining 49% of issued shares in KCM for a cash consideration of NZ$122,500 from the other shareholders once approvals and funding for the development of a coal mine are in place Under the agreement the Company has until 31 January 2016 to purchase the remaining 49% and if the Company does not acquire the remaining 49% the other shareholder of KCM has the right to purchase back the 51% held by the Company for NZ$1 Once the Company holds all of the issued shares in KCM, it will be required to pay a mining royalty to the vendor shareholders as follows

- NZ$ 2 00 per tonne for the first 2 million tonnes or NZ$ 2 per tonne for the first 3 5 million tonnes if mining rights are granted to the adjacent tenements before the initial 2 million tonnes has been sold,
- NZ$ 1 00 per tonne from thereon, and
- a minimum royalty of NZ$ 200,000 per annum to be paid for the first five years

The parties that hold the issued capital of KCM are considered to be in a joint arrangement as these parties only have joint control Furthermore KCM is considered to be a joint operation in accordance with the International Financial Reporting Standards and the Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses Furthermore, the Company has recognised as a provision for 51% of the present value of future royalty payments based on current production forecasts

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows

	Book Value $'000	**Adjustment $'000**	**Fair Value $'000**
Deferred exploration and evaluation	101	817	918
Provision for mining royalty	-	(831)	(831)
Net assets	101	(14)	87

Fair value of consideration paid

	Fair Value $'000
Cash (NZ$132,500)	87
Goodwill	-

27 Events after the reporting period

Central Australia Rare Earths subscription agreement

On 1 February 2016, the Company announced that it entered into an agreement to subscribe for up to 50% of Central Australian Rare Earth Pty Ltd ("**CARE**") for AUD$380,000 (approximately USD$270,000 or £190,000) with an initial subscription of 25 5% acquired for AUD$130,000, which will be used to repay third party loans made to CARE to fund tenement fees The Company has the right to acquire up to an additional 24 5% over a 12 month period for AUD$250,000 (the "Second Subscription") with each subscription for shares to be a minimum of AUD$50,000 After Strategic Minerals has subscribed for AUD$380,000 worth of shares in CARE it will own 50% and Rarus Limited will own 50% Each party will fund its 50% of costs for future work or either party can be diluted

CARE has ownership rights on twenty four tenements Four of these tenements, known as the Laverton Project, are subject to a farm-in joint venture with ASX-listed Focus Minerals Limited ("Focus") that grants CARE the right to explore Focus' tenements near the Western Australian Goldfields town of Laverton for 90% ownership of, nickel and other commodities discovered in the tenements excluding gold, copper (where it is the dominant commodity present) and silver to which Focus maintains 100% ownership rights

The AUD$250,000 from the Second Subscription will be used to fund a nickel sulphide exploration drilling programme at the highly prospective Hanns Camp Prospect located within CARE's Laverton Project

In addition to the Laverton Project, CARE holds 100% of a number of tenements in Western Australia that are prospective for rare earths, including properties adjoining Lynas Corporation's Mount Weld REE Mine, and some of these tenements may also be prospective for gold

Tatu Project.

On 1 February 2016, the Company announced that it would discontinue its involvement in the Tatu Project due to potential customers being reluctant to commit to future local orders, the depression in the New Zealand coal price, and the inability to negotiate mutually agreeable terms to extend the option over the project

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John Peters - Managing Director
Lyle Hobbs - Non-executive Director

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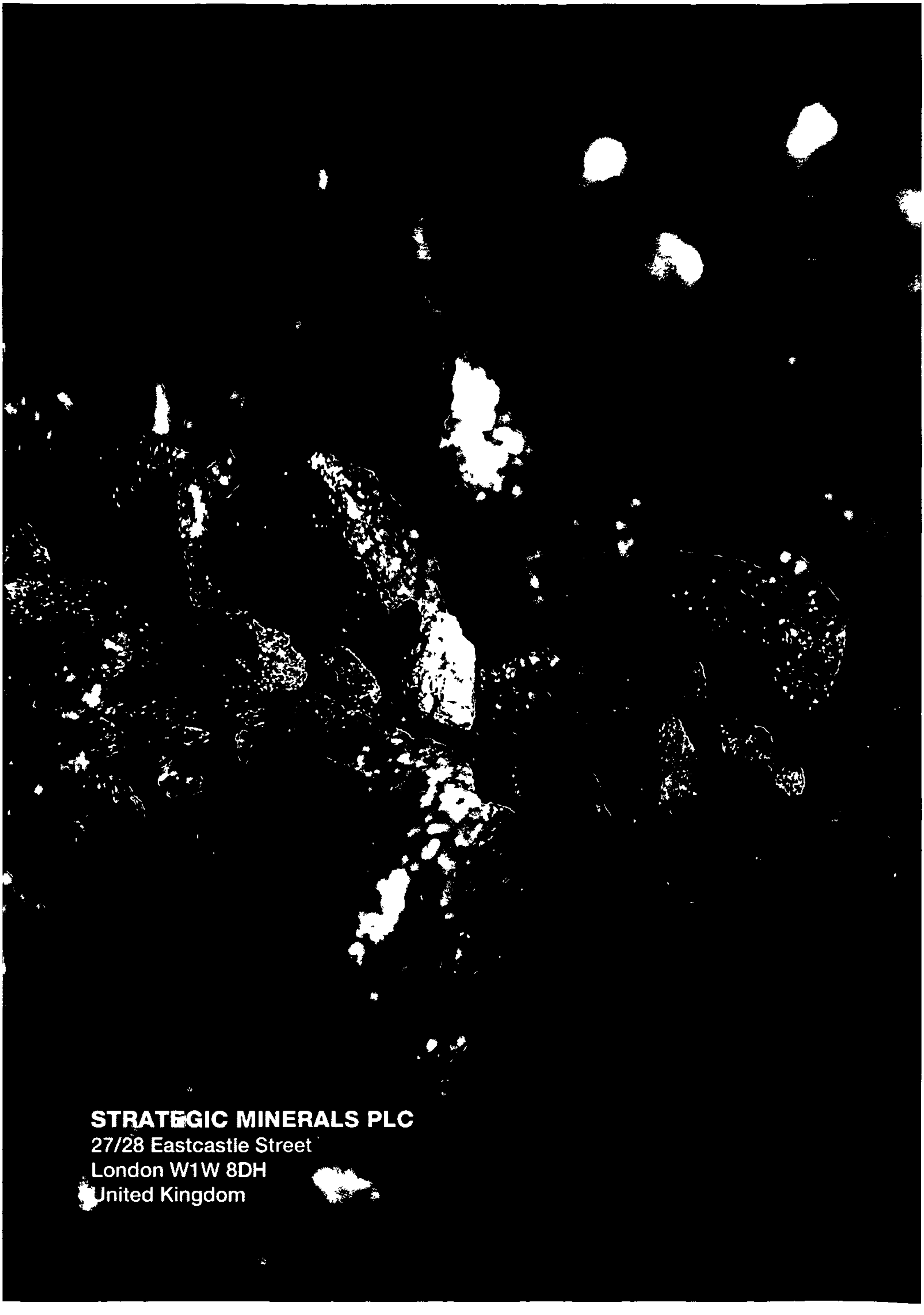

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