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Mining Flash Note

Strategic Minerals*

SML LN **BUY**

Latest drilling at Redmoor shows pervasive visible mineralisation

Strategic Minerals is an AIM-listed company currently developing the Redmoor Tungsten-Tin-Copper Project in Cornwall.

Redmoor hosts a 2019 JORC 'Inferred' Mineral Resource of 11.7mt at 0.56% WO3, 0.16% Sn, 0.5% Cu which the current ~5,300m campaign aims to upgrade, extend and evaluate more fully.

- Last week, the company confirmed the completion of a further three holes of the programme, that the seventh hole (CRD039) is now "well advanced" and over halfway to its target depth and that a second rig is now on site and starting hole CRD-040 as the programme accelerates towards completion.
- Assay results for the remaining two holes from drilling Pad 1 (CRD034 & 035) and tin assays for the earlier reported hole CRD-033 are not yet available, however the company's announcement includes photographs of drill core showing chalcopyrite copper mineralisation, cassiterite tin mineralisation and coarse-grained wolframite tungsten mineralisation, from holes CRD036-038.
- The mineralisation depicted includes intersections from the Sheeted Vein System (SVS) which underpins the 2019 mineral resource estimate but also, and potentially significantly "lode-style mineralisation with quartz veins containing cassiterite (tin) and minor chalcopyrite (copper) mineralisation in exploration drill core from drill hole CRD039, outside of the Redmoor SVS".
- Earlier this month, the company reported results from the first hole of the campaign at Redmoor with hole CRD033, which was drilled at an angle of 65^0 towards the SSE (azimuth 161^0), confirming "multiple zones of high-grade tungsten mineralisation throughout the full 90 m thickness of the SVS".
- The latest announcement also confirms that metallurgical test work is underway to help assess the potential for ore-sorting and to aid in flow-sheet design.
- The full thickness of the SVS at Redmoor has now been intersected in holes CRD033, 034, 035, 036, 037 and 038, with visual mineralisation consistent with the SVS logged.
- Tungsten trioxide grades of over 1% reported from hole CRD033 and the visual identification of the tungsten mineral, wolframite, in the logging of holes 033-038 emphasises Redmoor as a potential tungsten project, with resource grades amongst some of the highest globally.
- We estimate that, at current commodity prices, and using the recovery rates and grades reported in the 2019 mineral resource, represent a potential revenue contribution of around 70% from tungsten with tin and copper potentially each contributing around a further 15%. Recovery rates, grades, and metal prices are expected to be updated following completion of the current programme.
- Strategic Minerals has been rigorous in reassessing the historic technical archive to extract the maximum information from the data it already holds resulting in the expansion of some existing mineralised zones, the identification of additional mineralised zones, as well as upgrades to certain tungsten sample grades. CRL has also reported the identification of

Stock Data

Ticker	SML LN
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Market Cap	£30m

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additional economic potential from a previously unrecognised silver component to the mineralisation.

- First recognised in a comprehensive relogging of historic drill core, silver was confirmed at a depth of ~469m depth in the first hole of the new campaign where a single metre assayed at 38.2g/t silver in association with 1.42% copper and 0.06% tungsten trioxide.
- In October 2020, Strategic Minerals published an upgrade to their May 2019 scoping study for the Redmoor project describing a US$86m 600ktpa underground mining operation with a life-of-mine operating cost of US$74/t.
- Using commodity prices of US$300/mtu for ammonium paratungstate (APT), US$20,000/t for tin and US$3.18/lb (~US$7,010/t) for copper the company reported an after tax $NPV_{8\%}$ of US$128m and IRR of 29%.
- In the intervening period commodity prices have strengthened to a current APT price of ~US$630/mtu, US$ 10,700/t for copper and US$35,600/t for tin.
- Using current commodity prices and escalating capital and operating costs by 30% to accommodate inflation, we estimate that, using the same discount rate as the company’s October 2020 update, the after tax $NPV_{8\%}$ rises to ~US$400m, the IRR is 53% and payback is achievable within 1.1 years. Using more conservative commodity prices, such as the 12-month average, would still see a significant increase in project economics.

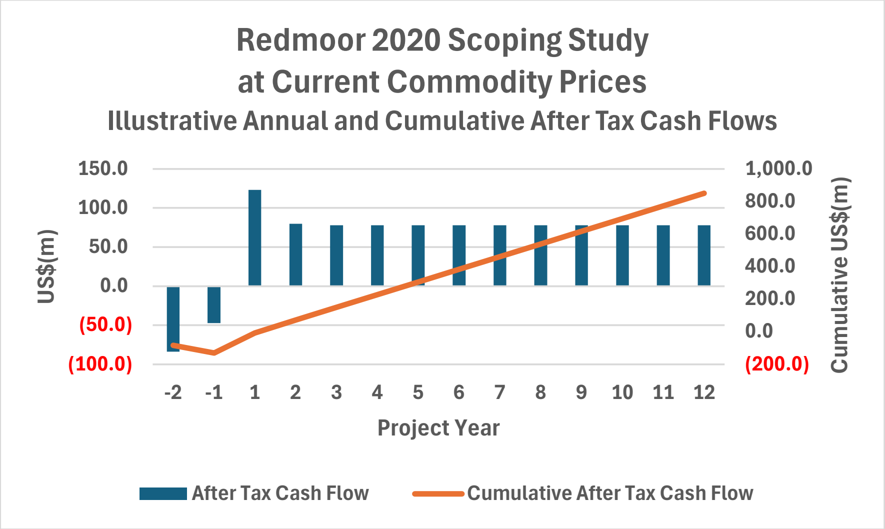

Figure 1 Redmoor Project - Estimated Cash flow from the 2020 Scoping Study at Current Commodity Prices. Source: SP Angel

- We consider that the NPV is most sensitive to changes in commodity prices where a 10% change from current prices drives a change of around 20% (~US$80m) in $NPV_{8\%}$. A similar 10% variation in operating and capital costs precipitates variations in NPV of ~US$30m (~7%) and US$10m (~2.5% respectively.

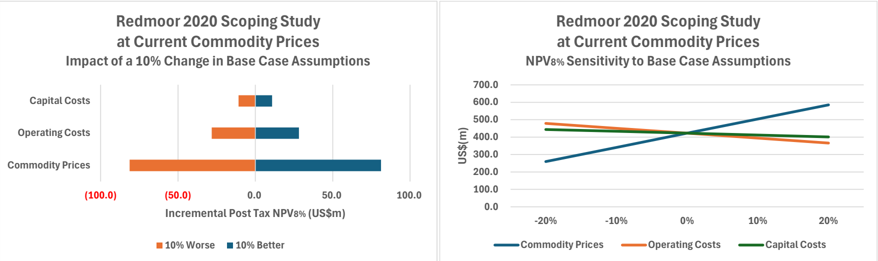

Figure 2 Redmoor Project - After Tax NPV Sensitivity of the 2020 Scoping Study at Current Commodity Prices. Source: SP Angel

- We expect that, when the current drilling campaign is completed and Strategic Minerals has a revised mineral resources estimate available, the operational scale, capital and operating costs and planned production profile will be reviewed, with Strategic stating this update is due in Q1 2026. Hence, we regard the re-analysis of the October 2020 Scoping Study merely as illustrative of the economic enhancement accruing to the higher commodity prices.

Figure 1: *Example of coarse wolframite (tungsten) minerals and chalcopyrite (copper) mineralised exploration drill core from drill hole CRD036, as logged and sampled by CRL geologists. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Figure 2: *Example of chalcopyrite (copper) and minor cassiterite (tin) mineralised exploration drill core from drill hole CRD033, as logged and sampled by CRL geologists. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Figure 3: *Example of coarse wolframite (tungsten) minerals and chalcopyrite (copper) mineralised exploration drill core from drill hole CRD037. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Figure 4: *Example of coarse wolframite (tungsten) minerals and chalcopyrite (copper) mineralised exploration drill core from drill hole CRD037. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Figure 5: *Example of coarse wolframite (tungsten) minerals and minor chalcopyrite (copper) mineralised exploration drill core from drill hole CRD038. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Source of Photographs: Company

Figure 6: *Example of lode style mineralisation with quartz veins containing cassiterite (tin) and minor chalcopyrite (copper) mineralisation in exploration drill core from drill hole CRD039, outside of the Redmoor SVS. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered.*

Figure 7: *Example SVS-style mineralisation with quartz-greisen veins containing wolframite (tungsten) and minor chalcopyrite (copper) mineralisation in exploration drill core from drill hole CRD036. The core photograph shown is a selected example of logged drill core and is not necessarily representative of all mineralisation encountered. Core is to be sampled and laboratory assays will provide quantitative results.*

Conclusion: Recent drilling at Redmoor indicates its tungsten potential, with the company describing the project as “the highest-grade undeveloped tungsten resource in Europe, and one of the highest grade projects globally”.

**SP Angel acts as Nomad and broker to Strategic Minerals. An SP Angel analyst recently visited the Redmoor site.*

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