



**Strategic
Minerals
Corporation N.L.**

ACN 008 901 380
ABN 35 008 901 380
58 Jersey Street
Jolimont, Western Australia 6008
P.O. Box 66
Floreat Forum WA 6014
Email: wally@stratmin.com.au
Website: www.stratmin.com.au

Telephone (08) 9284 1255
Facsimile (08) 9387 7331

2 July 2014

The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

STRATEGIC MINERALS CORPORATION NL (ASX:SMC) – TAKEOVER BID BY QGOLD PTY LTD - TARGET'S STATEMENT

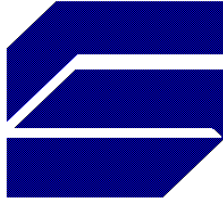
We attach, by way of service pursuant to item 10 of subsection 635(1) of the *Corporations Act 2001* (Cth), a copy of the target's statement of Strategic Minerals Corporation NL (ACN 008 901 380) (**Strategic**) in response to the on-market takeover bid by QGold Pty Ltd (ACN 149 659 950) (**QGold**) for all of the ordinary shares in Strategic, and accompanying Independent Expert Report and Technical Expert Report.

A copy of the target's statement has today been lodged with the Australian Securities and Investments Commission, served on QGold and will be sent to Strategic shareholders shortly.

Yours sincerely

For Strategic Minerals Corporation NL

**Walter Martin
Managing Director**



*Strategic
Minerals
Corporation N.L.*

Target's Statement

This Target's Statement has been issued in response to the on market takeover bid made by QGold Pty Ltd (ACN 149 659 950), for all the ordinary shares in Strategic Minerals Corporation NL (ACN 008 901 380).

STEINEPREIS PAGANIN 
Lawyers & Consultants

Legal Advisor

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

CONTENTS

| | | |
|-----|----------------------------------------------------------------|----|
| 1. | FREQUENTLY ASKED QUESTIONS | 7 |
| 2. | REASONS FOR YOUR INDEPENDENT DIRECTORS' RECOMMENDATION | 13 |
| 3. | DIRECTORS' RECOMMENDATION AND INTENTIONS | 16 |
| 4. | IMPORTANT MATTERS FOR STRATEGIC SHAREHOLDERS TO CONSIDER | 19 |
| 5. | YOUR CHOICES AS A STRATEGIC SHAREHOLDER | 29 |
| 6. | KEY FEATURES OF THE QGOLD OFFER | 31 |
| 7. | INFORMATION REGARDING STRATEGIC..... | 35 |
| 8. | INFORMATION RELATING TO THE STRATEGIC DIRECTORS..... | 39 |
| 9. | ADDITIONAL INFORMATION | 41 |
| 10. | GLOSSARY AND INTERPRETATION..... | 45 |
| 11. | AUTHORISATION..... | 48 |
| | ATTACHMENT 1 – INDEPENDENT EXPERT'S REPORT | 49 |

KEY DATES

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| First date on which Strategic Shareholders are able to sell Strategic Shares to QGold | Wednesday, 18 June 2014 |
| Date of this Target's Statement | Wednesday, 2 July 2014 |
| The Offer Period officially opens (although as noted above, QGold is still able to acquire your Strategic Shares on market for the Offer Price from 18 June 2014) | 10:00 am (AEST) on Thursday, 3 July 2014 |
| Close of Offer Period (unless extended or withdrawn) | 4:00 pm (AEST) on Friday, 22 August 2014, |

STRATEGIC SHAREHOLDER INFORMATION

Strategic has established an Offer Information Line which Strategic Shareholders may call if they have any queries in relation to QGold's Offer. The telephone number for the Offer Information Line is 1800 620 610 (for callers in Australia) or +61 8 9315 2333 (for callers outside Australia), between 8.30am and 5.00pm (WST) on Business Days. Calls to the Offer Information Line may be recorded.

Further information relating to QGold's Offer can be obtained from Strategic's website at www.stratmin.com.au.

IMPORTANT NOTICES

Nature of this document

This document is a Target's Statement issued by Strategic Minerals Corporation NL (ACN 008 901 380) under Part 6.5 Division 3 of the Corporations Act in response to the on market takeover bid made by QGold Pty Ltd (ACN 149 659 950) for all the ordinary shares in Strategic.

This Target's Statement is dated 2 July 2014 and was lodged with the ASIC and given to ASX on that date. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. The Independent Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Strategic operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Strategic, Strategic's Officers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on QGold contained in this Target's Statement has been prepared by Strategic using publicly available information. The information in the Target's Statement concerning QGold, has not been independently verified by Strategic. Accordingly Strategic does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside of Australia.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Strategic has collected your information from the Strategic register of Strategic Shareholders for the purpose of providing you with this Target's Statement. The type of information Strategic has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Strategic. Without this information, Strategic would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Strategic's related bodies corporate and external service providers (such as the share registry of Strategic and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Strategic, please contact the Offer Information Line. Calls to the Offer Information Line may be recorded.



**Strategic
Minerals
Corporation N.L.**

ACN 008 901 380
ABN 35 008 901 380

58 Jersey Street
Jolimont, Western Australia 6008

P.O. Box 66
Floreat Forum WA 6014

Email: wally@stratmin.com.au
Website: www.stratmin.com.au

Telephone (08) 9284 1255
Facsimile (08) 9387 7331

2 July 2014

Dear Shareholder

QGold's Offer

On 18 June 2014, QGold Pty Ltd announced an on market takeover offer for Strategic.

QGold is offering to acquire the fully paid ordinary shares in Strategic for \$0.035 cash per share (the **Offer**). The formal Offer was made in QGold Original Bidder's Statement, dated 18 June 2014 and supplemented by QGold's First Supplementary Bidder's Statement, dated 20 June 2014.

Strategic has taken steps to ensure the independence of Strategic's response and has formed a Takeover Response Committee to consider and assess the Offer. The Takeover Response Committee comprises of Walter Martin and Jay Stephenson (**Independent Directors**) the directors of Strategic other than Laif McLoughlin, the Chairman of Strategic who is the son-in-law of Christopher Wallin, the sole director QGold (**Other Director**).

The Independent Directors have carefully considered the Offer. The Independent Directors recommend that Strategic Shareholders **accept** the Offer in the absence of a superior proposal but consider that Strategic Shareholders should also be aware of the following factors in making their decision in relation to the Offer:

- (a) you will no longer have exposure to Strategic's assets and operations if you accept QGold's Offer. Specifically, as set out in Section 4.2 of this Target's Statement, Strategic will commence its 2014 Drilling Program in early July 2014 with aims to test the continuity, volume potential and geometry of the recently identified mineralised intersections at its Woolgar gold project. Although no assumptions can be made in respect of the results of the 2014 Drilling Program, the Independent Directors note that, once you accept the Offer, you will no longer have exposure to any effects that the 2014 Drilling Program results may have on the value of Strategic Shares. Strategic Shareholders should be aware that some of the results of the 2014 Drilling Program may be released during the Offer Period;
- (b) QGold's Offer represents a modest premium to the levels that Strategic's Shares traded prior to the announcement of the Offer;
- (c) there are taxation consequences of accepting the QGold Offer;
- (d) if you have accepted QGold's Offer, you will not subsequently be able to sell your Strategic Shares or accept a superior proposal for your Strategic Shares; and
- (e) there is some possibility (albeit unlikely) that a superior proposal may emerge for your Strategic Shares.

The principal reasons for the Independent Director's recommendation that Strategic Shareholders accept the Offer in the absence of a superior proposal are:

- (a) the Independent Expert has concluded the Offer is **fair and reasonable** to Strategic Shareholders not associated with QGold;
- (b) the Offer is an unconditional 100 per cent cash offer;
- (c) there may be adverse consequences associated with not accepting the Offer; and
- (d) no superior proposal for Strategic has emerged.

Further details are set out in section 2 of this Target's Statement.

Accepting the Offer and next steps

In considering whether to accept the Offer, the Independent Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- carefully consider sections 4.8 and 4.10 of this Target's Statement;
- consider the choices available to you as outlined in section 5 of this Target's Statement; and
- obtain personal advice from your broker, financial adviser, accountant, lawyer or other professional adviser on the effect of accepting the Offer.

Further information

The Independent Directors will be closely monitoring the progress of the QGold Offer. The Independent Directors will keep Strategic Shareholders informed of any material developments in relation to the Offer through releases to the ASX (which will also be published on Strategic's website).

As at the date of this Target's Statement, the Independent Directors have not been in discussions with QGold. However, where, and if appropriate circumstances arise, the Independent Directors intend to engage in discussions with QGold with a view to securing a higher Offer Price for Strategic Shareholders prior to the end of the Offer Period.

I encourage you to read this document carefully. If you need any more information, I recommend that you seek professional advice or call Strategic's Offer Information Line between 8.30am and 5.00pm (WST) on Business Days.

Yours sincerely



Mr Walter Martin
Managing Director
For and on behalf of
Strategic Minerals Corporation NL

1. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the QGold Offer. It is not intended to address all relevant issues for Strategic Shareholders. This section should be read together with all other parts of this Target's Statement.

| Question | Answer |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| What is QGold offering for my Strategic Shares? | QGold has made an on market takeover offer of \$0.035 for each Strategic Share. |
| What choices do I have as a Strategic Shareholder? | <p>As a Strategic Shareholder, you have the following choices:</p> <ul style="list-style-type: none">(a) accept QGold's Offer (by selling your Strategic Shares on market); or(b) reject QGold's Offer, in which case you do not need to take any action; or(c) otherwise sell some or all of your Strategic Shares on market at any time (that is, other than by way of accepting QGold's Offer). <p>On the last practical date prior to the date of this Target's Statement, being 27 June 2014, the Offer Price represents a \$0.001 or 2.78% discount to the closing price of Strategic Shares on the ASX. The latest market price for Strategic Shares may be obtained from your broker or the ASX website www.asx.com.au.</p> |
| What do the Independent Directors of Strategic recommend that I do? | <p>The Independent Directors unanimously recommend that you accept the Offer in the absence of a superior proposal.</p> <p>The key reasons why the Independent Directors unanimously recommend that you accept the Offer in the absence of superior proposal are set out in section 2 of the Target's Statement. However, the Independent Directors recommend that Strategic Shareholders take into account the factors set out in section 4.10 of the Target's Statement in making their decision in relation to the Offer.</p> <p>Laif McLoughlin does not believe that it is appropriate to make a recommendation</p> |

in relation to the Offer due to his relationship with Christopher Wallin, the sole director QGold, as is set out in Section 3.2 of this Target's Statement.

What do the Independent Directors intend to do with their Strategic Shares?

Each Independent Director currently intends to accept QGold's Offer in relation to those Strategic Shares owned or controlled by him, in the absence of a superior proposal.

As set out in section 3.5(a) of the Target's Statement, in respect of the 5,824,813 Shares indirectly held, but not controlled by Mr Martin, Mr Martin does not have the capacity to exercise full control over those Shares and accordingly is unable to disclose whether the QGold Offer will be accepted in respect of those Strategic Shares.

What is the Independent Expert's opinion?

The Independent Expert has concluded that QGold's Offer is fair and reasonable to Strategic Shareholders that are not associated with QGold. A copy of the Independent Expert's Report is provided as Attachment 1 of this Target's Statement.

What are the consequences of rejecting the Offer?

If you reject the Offer, you should be aware that:

- (a) if you choose not to accept the Offer and QGold acquires at least 90% of the Strategic Shares, QGold may become entitled to compulsorily acquire the balance of the Strategic Shares on issue, and it has said that it intends to exercise those rights (see section 6.12 of this Target's Statement for further details);
 - (b) if you choose not to accept the Offer and QGold acquires less than 90% of the Strategic Shares on issue, you will remain exposed to the risks associated with being a minority shareholder in Strategic (see section 4.12 of this Target's Statement for further details);
-

- (c) you will continue to receive benefits as a Strategic Shareholder; and
- (d) as a holder of Strategic Shares, you will continue to be subject to the risks set out in section 4.10 of this Target's Statement.

What are the risks associated with rejecting the Offer and remaining a Strategic Shareholder?

As a holder of Strategic Shares, you will continue to be subject to the risks set out in section 4.11 of this Target's Statement. The risks associated with rejecting the Offer and remaining a Strategic Shareholder include:

- (a) the Strategic Share price may fall if the Offer is unsuccessful;
- (b) commodity price and exchange rate fluctuations;
- (c) exploration and development risks, native title risks, and risks relating to the status and renewal of Strategic's mineral tenements; and
- (d) risks relating to fluctuations in economic and business conditions and the ability for Strategic to raise funds when required.

When can I accept QGold's Offer or sell my Strategic Shares to QGold?

You can sell your Strategic Shares on market at the Offer Price immediately from 18 June 2014 until the QGold Offer closes at 4:00 pm (AEST) on 22 August 2014.

When will I be sent payment for my Strategic Shares if I accept QGold's Offer?

If you accept QGold's Offer, the usual rules for settlement of transactions which occur on market on ASX will apply. Once you have accepted the Offer and sold your Strategic Shares, you will receive payment within 3 Trading Days of selling your Strategic Shares.

Will I receive further advice from the Independent Directors during the Offer Period?

As at the date of this Target's Statement, the Independent Directors have not been in discussions with QGold. However, where, and if appropriate circumstances arise, the Independent Directors intend to engage in

discussions with QGold with a view to securing a higher Offer Price for Strategic Shareholders prior to the end of the Offer Period.

The Independent Directors will be closely monitoring the progress of the QGold Offer.

If circumstances change, or if matters arise which should be drawn to the attention of Strategic Shareholders or which cause any change or variation to the advice of your Independent Directors contained in this Target's Statement, the Independent Directors will ensure that Strategic Shareholders are promptly and appropriately advised.

What is the Takeover Response Committee?

A committee of the Strategic Board formed to consider and assess the Offer. It comprises of the directors of Strategic other than Laif McLoughlin. Mr McLoughlin is not a member of the Takeover Response Committee due to his relationship with Christopher Wallin, the sole director QGold, as is set out in Section 3.2 of this Target's Statement.

What are the tax consequences of QGold's Offer?

Accepting QGold's Offer may have significant tax consequences. See section 8 of the Bidder's Statement for further details.

Will I be forced to sell my Strategic Shares?

You cannot be forced to sell your Strategic Shares unless QGold proceeds to compulsory acquisition of your Strategic Shares. During or at the end of the Offer Period, QGold and its Associates must have Relevant Interests in at least 90% (by number) of the Strategic Shares in order to exercise compulsory acquisition rights. If you do not accept QGold's Offer and your Strategic Shares are compulsorily acquired, you will face delay in receiving the consideration for your Strategic Shares compared with those Strategic Shareholders who have accepted QGold's Offer.

What happens if the Offer Price is increased or a superior proposal is made by a third party or the price of Strategic Shares on the ASX increases?

If QGold's Offer is increased or a superior proposal is made by a third party, the Independent Directors will consider the change in circumstances and advise you of their position.

You will not benefit if the Offer Price is increased after you have accepted the Offer, nor will you benefit if a superior proposal is made by a third party or the price of Strategic Shares on the ASX increases after you have accepted the Offer.

What are the consequences of accepting the Offer now?

If you accept the Offer you will not be able to accept a superior proposal from QGold or any other bidder if such an offer is made, or benefit from any higher price in the market.

Are there any conditions to the Offer?

No, the Offer is unconditional.

If I accept the Offer now, can I withdraw my acceptance?

No, once you have accepted the Offer, you will be legally bound to sell those Strategic Shares and you cannot later withdraw your acceptance.

Can QGold vary the Offer?

Yes. QGold can vary the Offer by extending the Offer Period or increasing the Offer Price (although any increase in the Offer Price will not apply to you if you have previously accepted the Offer).

Details of the circumstances in which the Offer Period may be extended are set out in section 6.5 of this Target's Statement.

QGold cannot increase the Offer Price during the last five Trading Days of the Offer Period.

Can QGold withdraw the Offer?

The Corporations Act permits the withdrawal of unaccepted offers only in exceptional circumstances.

QGold may withdraw unaccepted Offers if certain insolvency events occur during the

bid period, regardless of QGold's voting power at that time.

Will there be any costs associated with accepting the Offer?

As the Offer is an on market offer, Strategic Shareholders may only accept the Offer through brokers who are members of ASX. If you decide to accept the Offer, any brokerage charged by the broker will be your sole responsibility.

When does the Offer close?

The Offer is presently scheduled to close at 4:00 pm (AEST) on Friday, 22 August 2014, but the Offer Period can be extended in certain circumstances. See section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.

Is there a number that I can call if I have further queries in relation to the Offer?

If you have any further queries in relation to the Offer, you can call the Offer Information Line on 1800 620 610 (for callers in Australia) or +61 8 9315 2333 (for callers outside Australia). Calls to this number may be recorded.

2. REASONS FOR YOUR INDEPENDENT DIRECTORS' RECOMMENDATION

2.1 Introduction

The Independent Directors have carefully considered the Offer. The reasons for the Independent Directors' recommendation are set out below.

The Independent Directors recommend that Strategic Shareholders accept the Offer in the absence of a superior proposal but consider that Strategic Shareholders should also be aware of the following factors in making their decision in relation to the Offer:

(a) You will no longer have exposure to Strategic's assets and operations if you accept QGold's Offer

If you accept the Offer, you will no longer be a Strategic Shareholder. This will mean that you will not participate in any potential upside that may result from Strategic remaining a standalone entity, including any increase in the Strategic Share price.

Specifically, as set out in Section 4.2 of this Target's Statement, Strategic will commence its 2014 Drilling Program in early July 2014, to test the extent of higher grade gold mineralisation at its Woolgar gold project. Although no assumptions can be made in respect of the results of the 2014 Drilling Program, the Independent Directors note that, once you accept the Offer, you will no longer have exposure to any effects that the 2014 Drilling Program results may have on the value of Strategic Shares.

You should be aware that some of the results of the 2014 Drilling Program may be released during the Offer Period.

You will also cease to have a right to influence the future direction of Strategic through your voting rights as a Strategic Shareholder. By accepting the Offer for all of your Strategic Shares, you will no longer have any economic exposure to Strategic's future operations, results and performance. There is a possibility that economic conditions will improve in the future. Any such improvement may have a positive impact on the future value of Strategic.

(b) QGold's Offer represents only a modest premium to the levels that Strategic's Shares traded prior to the announcement of the Offer

The cash consideration to be received by Strategic Shareholders who accept the Offer represents a modest premium to the levels that Strategic's Shares traded prior to the announcement of the Offer.

The premium to the volume weighted average price (**VWAP**) of Strategic Shares over the previous 12 months to 18 June 2014 (the day prior to the Offer being announced) is as follows:

- (i) a 19.16% premium to the 365 day VWAP of \$0.0294;
- (ii) a 9.97% premium to the 180 day VWAP of \$0.0318;
- (iii) a 25.49% premium to the 90 day VWAP of \$0.0279; and

(iv) a 25% premium to the closing price on the day prior to the Offer being announced.

(c) There are taxation consequences of accepting the QGold Offer

Accepting the QGold Offer may trigger taxation consequences for you. See section 4.9 of this Target's Statement for further information.

(d) If you have accepted QGold's Offer, you will not subsequently be able to sell your Strategic Shares or accept a superior proposal for your Strategic Shares

If you accept the Offer, you will no longer be able to trade your Strategic Shares on market. There is a possibility that the Strategic Share price may exceed the Offer Price. You may consider that you will have the opportunity to dispose of your Strategic Shares at a price in excess of \$0.035 per Strategic Share in the future.

(e) There is a possibility that a superior proposal may emerge for your Strategic Shares

Once you accept the QGold Offer you will not be able to accept your Strategic Shares into any superior proposal that may emerge as you will have entered a binding contract for the sale of your Strategic Shares.

2.2 Independent Directors' recommendation

The reasons for the Independent Directors' recommendation that Strategic Shareholders accept the Offer in the absence of a superior proposal are set out below.

(a) The Independent Expert has concluded the Offer is fair and reasonable to Strategic Shareholders not associated with QGold

A copy of a report by Stantons International Securities, the Independent Expert appointed by Strategic, is included as Attachment 1 to this Target's Statement. The Independent Expert's Report states that, in the Independent Expert's opinion, the unconditional, on market Offer of \$0.035 cash for each Strategic Share is fair and reasonable to Strategic Shareholders not associated with QGold, and gives reasons for that opinion.

The Independent Expert has also assessed the value of a Strategic Share as being in the range of 2.43 cents to 3.36 cents, with a mid point value of 3.07 cents. The Offer of 3.50 cents per Strategic Share thus exceeds the high point value per Strategic Share assessed by the Independent Expert.

The Independent Directors recommend that you read the Independent Expert's Report in full.

(b) The Offer is an unconditional 100 per cent cash offer

The Offer is an unconditional 100 per cent cash offer. QGold has stated in its Bidder's Statement that the consideration payable will be satisfied using irrevocable and unconditional advances from Christopher Wallin, QGold's sole director. The Offer provides immediate and certain value for your Strategic Shares with settlement occurring three Trading Days

offer your acceptance (T + 3), in accordance with usual rules for settlement of on market transactions on ASX.

(c) There may be adverse consequences associated with not accepting the Offer

If you do not accept the Offer and QGold gains effective control of Strategic but is not entitled to proceed to compulsory acquisition of the outstanding Strategic Shares, then you might remain a minority shareholder in Strategic. If Strategic remains listed, the Independent Directors consider it is unlikely that the Strategic share price would sustain the current share price and, accordingly, would likely fall below the Offer Price. In particular, if only a limited number of minority shareholders remain, it is also possible that the market for your Strategic Shares may become less liquid, making it more difficult to sell your Strategic Shares in the future. Historically, Strategic Shares have experienced relatively low trading volumes.

There is also a risk that, if there is insufficient spread of Strategic Shareholders, Strategic may be de-listed from the ASX, which could have an adverse effect on the price and marketability of your Strategic Shares.

QGold has indicated that if it gains effective control of Strategic but is not entitled to proceed to compulsory acquisition then it will consider the benefits and suitability of Strategic remaining listed on ASX and may seek approval from the ASX to delist Strategic. QGold has also indicated that it will consider re-constituting the Board to reflect the Bidder's majority ownership of Strategic. Refer to Section 5.3 of the Bidder's Statement and Section 6.13 of this Target's Statement for further details.

(d) No superior proposal for Strategic has emerged

Your Independent Directors consider the Offer to be the best proposal available to Strategic Shareholders and unanimously recommend that Strategic Shareholders accept the Offer, in the absence of a superior proposal.

As at the last Business Day prior to the date of this Target's Statement, no competing proposal or superior proposal had been received by the Independent Directors.

3. DIRECTORS' RECOMMENDATION AND INTENTIONS

3.1 Takeover Response Committee

Strategic has taken steps to ensure the independence of Strategic's response to the Offer. A committee of the Strategic Board (the **Takeover Response Committee**) was formed to consider and assess the Offer. It comprises of all of the directors of Strategic other than Laif McLoughlin. Mr McLoughlin is not a member of the Takeover Response Committee due to his relationship with Christopher Wallin who is the sole director of QGold (as set out below at section 4.3) and accordingly, the Takeover Response Committee has decided he is a participating insider for the purposes of Guidance Note 19 (Insider Participation in Control Transactions) issued by the Australian Takeovers Panel.

The Takeover Response Committee has adopted various protocols and processes to manage Strategic's consideration of the Offer. Among other things, Mr McLoughlin was not allowed to participate in or vote on any consideration by the Strategic Board of the Offer. Further details regarding the processes are set out in section 3.3 of the Target's Statement.

3.2 Relationship between Laif McLoughlin and QGold

Mr McLoughlin is the son-in-law of Christopher Wallin who is the sole director of QGold.

The Bidder's Statement does not refer to any incentive, participation and fees offered to Mr Laif McLoughlin by QGold, nor is it stated that Mr McLoughlin is an Associate of QGold or that he has a Relevant Interest in Strategic's voting power in that capacity. Section 3.5 of the Bidder's Statement sets out the relationship between Mr McLoughlin and QGold.

3.3 Processes and protocols

Strategic has established a Takeover Response Committee and implemented protocols and processes to manage the Company's consideration of the Offer and any competing proposal pursuant to a Takeover Response Committee Charter. The processes and protocols adapted by the Takeover Response Committee include the following:

- (a) the Takeover Response Committee will authorise and regulate Mr McLoughlin's participation in the Offer (including limited waiver/release of confidentiality and other obligations in service agreements) where required;
- (b) the Takeover Response Committee will participate in and vote on any consideration by the Board of the Offer or any competing bid. Mr McLoughlin is excluded from such processes; and
- (c) the Takeover Response Committee will limit or restrict Mr McLoughlin from:
 - (i) accessing documents and information held by or prepared by the Company or the Takeover Response Committee in connection with the Offer or a competing proposal, or any documents or information that may be material to the Offer or competing proposal;

- (ii) accessing the Company's premises or part of the premises where the person may have access to the documents and information referred to in paragraph 3.3(c)(i) above; and
- (iii) accessing the information systems of the Company where the person may have access to the documents and information referred to in paragraph 3.3(c)(i) above.

3.4 Directors' recommendations

(a) Independent Directors

The Directors are listed in section 7.2 of this Target's Statement.

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Independent Directors recommends that you accept the Offer in the absence of a superior proposal.

The Independent Directors' reasons for their above recommendation are set out in section 2 of this Target's statement.

In considering whether to accept the Offer, the Independent Directors encourage you to:

- (i) read the whole of this Target's Statement and the Bidder's Statement;
- (ii) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (iii) carefully consider sections 4.8 and 4.10 of this Target's Statement;
- (iv) consider the choices available to you as outlined in section 5 of this Target's Statement; and
- (v) obtain personal advice from your broker, financial adviser, accountant, lawyer or other professional adviser on the effect of accepting the Offer.

(b) Other Director(s)

Laif McLoughlin does not make any recommendation as to whether Strategic Shareholders should accept the Offer.

Mr McLoughlin does not believe it is appropriate to make a recommendation in relation to the Offer due to his relationship with QGold and QGold's interest in the Offer.

3.5 Intentions of the Strategic Directors in relation to the Offer

Details of the direct and indirect holdings of each Strategic Director in Strategic Shares are set out in section 8.1 of this Target's Statement.

(a) Independent Directors

Each of the Independent Directors intends to accept the Offer in respect of the Strategic Shares they own or control in the absence of a superior proposal.

In respect of the 5,824,813 Strategic Shares indirectly held but not controlled by Mr Martin, Mr Martin does not have the capacity to exercise full control over the Shares and accordingly is unable to confirm whether the QGold's Offer will be accepted in respect of those Strategic Shares.

(b) Other Director(s)

Mr Laif McLoughlin intends to accept the Offer in respect of the Strategic Shares that he owns or controls in the absence of a superior proposal.

4. IMPORTANT MATTERS FOR STRATEGIC SHAREHOLDERS TO CONSIDER

4.1 QGold's Offer

QGold announced its on market takeover bid for Strategic on 18 June 2014. The key features of the Offer are summarised in section 6 of this Target's Statement.

4.2 Strategic's 2014 Drilling Program

As announced to the ASX on 5 June 2014, upon the receipt of the results from the 2013 drilling campaign in December 2014 (as announced on 30 January 2014 and contained in the quarterly activities report for the period ended 31 December 2013), Strategic will commence a drill program at its Woolgar gold project in Queensland (**2014 Drilling Program**).

The 2014 Drilling Program will commence early July 2014 and will be conducted with aims to test the continuity, volume potential and geometry of the recently identified mineralised intersections.

Although no assumptions can be made in respect of the results of the 2014 Drilling Program, the Independent Directors note that, once you accept the Offer, you will no longer have exposure to any effects that the 2014 Drilling Program results may have on the value of Strategic Shares.

Strategic Shareholders should be aware that some of the results of the 2014 Drilling Program may be released during the Offer Period.

4.3 Information about QGold

QGold is an unlisted proprietary company, incorporated in Australia. It currently holds exploration permits for minerals in Queensland.

QGold and its Associates held a Relevant Interest in 51.75% of Strategic Shares on issue as at the date of the Bidder's Statement (427,030,177 Strategic Shares). On the last practical date prior to the date of this Target's Statement, being 27 June 2014, according to substantial holding notices lodged with ASX, QGold held a Relevant Interest in 55.25% of Strategic Shares on issue (or 455,875,409 Strategic Shares).

Strategic's share register as at 30 June 2013 reflects that QGold holds 406,141,884 Shares and Christopher Wallin, Sylvia Bhatia, Fiona McLoughlin and Ann Wallin as trustees for the Christopher Wallin Superannuation Trust Fund hold 21,365,970 Shares for a combined shareholding of 427,507,854 Shares. Accordingly, Strategic's share register at 30 June 2014 does not reflect the Relevant Interest of QGold as stated in the substantial holding notice lodged with ASX on 26 June 2014.

QGold does not have any subsidiaries. However QGold's sole director, Christopher Wallin, is also the founder and managing director of QCoal Pty Ltd which mines coal from the Bowen Basin, including the Sonoma Coal mine. The Sonoma coal mine produces 3.5 million tonnes of coking and thermal coal which it exports each year. Although Christopher Wallin is a director of QCoal Pty Ltd and sole director of QGold, QGold is not a subsidiary of QCoal Pty Ltd and QCoal Pty Ltd is not a subsidiary of QGold.

4.4 Independent Expert's Report

This Target's Statement includes, as Attachment 1, a copy of a report by Stantons International Securities (an independent expert not associated with Strategic or QGold) (**Independent Expert**), stating whether, in its opinion, the Offer is fair and reasonable to Strategic Shareholders not associated with QGold, and giving reasons for forming that opinion.

The Independent Expert has concluded that the Offer is **fair and reasonable** to Strategic Shareholders not associated with QGold.

The Independent Directors recommend that you read the Independent Expert's Report in full.

4.5 Sources of consideration

Information relating to the sources of consideration of the Offer is set out in section 6 of the Bidder's Statement.

4.6 Dividend issues for Strategic Shareholders

Strategic has never paid a dividend and the Strategic Board does not expect this to change in the short to medium term.

4.7 Changes to the Offer

As at the date of this Target's Statement, the Independent Directors have not been in discussions with QGold. However where, and if appropriate circumstances arise, the Independent Directors intend to engage in discussions with QGold with a view to securing a higher Offer Price for Strategic Shareholders prior to the end of the Offer Period.

If matters arise which should be drawn to the attention of Strategic Shareholders or which cause any change or variation to the advice of your Independent Directors contained in this Target's Statement, the Independent Directors will ensure that Strategic Shareholders are promptly and appropriately advised. The Independent Directors reserve the right to change or vary their recommendation to Strategic Shareholders during the Offer Period.

4.8 Other alternatives to the Offer

The Independent Directors are not aware of any alternatives to the Offer in order to maximise value for Strategic Shareholders. These include the potential for rival takeover bids for Strategic.

As at the date of this Target's Statement, the Independent Directors have not been in discussions with QGold. However where appropriate circumstances arise, the Independent Directors intend to engage in discussions with QGold with a view to securing a higher Offer Price for Strategic Shareholders prior to the end of the Offer Period.

At this stage, the Independent Directors are not in a position to provide Strategic Shareholders with information in relation to the probability of an alternative transaction arising, but will keep Strategic Shareholders informed of any material developments.

4.9 Taxation consequences

Accepting the QGold Offer may trigger taxation consequences for you. The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 8 of the Bidder's Statement.

You should carefully read section 8 of the Bidder's Statement and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

4.10 Risks associated with accepting the QGold Offer

(a) You will no longer have exposure to Strategic's assets and operations

If you accept the Offer, you will no longer be a Strategic Shareholder. This will mean that you will not participate in any potential upside that may result from Strategic remaining a standalone entity, including any increase in the Strategic Share price.

Specifically, as set out above Strategic will commence the 2014 Drilling Program in early July 2014. Although no assumptions can be made in respect of the results of the 2014 Drilling Program, the Independent Directors note that, once you accept the Offer, you will no longer have exposure to any effects that the 2014 Drilling Program results may have on the value of Strategic Shares. Strategic Shareholders should be aware that some of the results of the 2014 Drilling Program may be released during the Offer Period.

You will also cease to have a right to influence the future direction of Strategic through your voting rights as a Strategic Shareholder. By accepting the Offer for all of your Strategic Shares, you will no longer have any economic exposure to Strategic's future operations, results and performance. There is a possibility that economic conditions will materially improve in the future. Any such improvement may have a positive impact on the future value of Strategic.

(b) The taxation consequences of accepting the QGold Offer

Accepting the QGold Offer may trigger taxation consequences for you. See section 4.9 above of the Target's Statement for further information.

(c) If you have accepted QGold's Offer, you will not subsequently be able to sell your Strategic Shares or accept a superior proposal for your Strategic Shares

If you accept the Offer, you will no longer be able to trade your Strategic Shares on market. There is a possibility that the Strategic Share price may exceed the Offer Price. You may consider that you may have the opportunity to dispose of your Strategic Shares at a price in excess of \$0.035 per Strategic Share in the future.

(d) Possibility of a superior proposal

Once you accept the QGold Offer you will not be able to accept your Strategic Shares into any superior proposal that may emerge as you will have entered a binding contract for the sale of your QGold Shares.

4.11 Risks of remaining a Strategic Shareholder

(a) Introduction

In considering this Target's Statement and the Offer, Strategic Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Strategic and the value of Strategic Shares. Many of these risks are relevant to Strategic Shareholders today and will be relevant to Strategic Shareholders who remain as Strategic Shareholders following the completion of the Takeover Bid.

Many of these risks are outside the control of Strategic and the Strategic Board. There can be no certainty that Strategic will achieve its stated objectives or that any forward looking statements will eventuate.

Additional risks and uncertainties not currently known to Strategic may have a material adverse effect on Strategic's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Strategic.

Strategic Shareholders should read this Target's Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offer.

(b) Share price

There is a risk that the Strategic Share price may fall if the Offer is unsuccessful.

(c) Exploration and production risks

The future viability and profitability of Strategic as an exploration company will be dependent on a number of factors, including, but not limited to, the following:

- (i) Commodity prices fluctuations, which the demand for, and price of, is highly dependent on a variety of factors, including world demand for particular commodities, forward selling by producers and the levels of production costs in major commodity producing regions. Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, a commodity.
- (ii) Exchange rate fluctuations, in particular \$A, may have a material effect on the cash flow and earnings which Strategic will realise from its operations. Strategic may not be able to hedge its exchange rate exposure successfully and may not be able to hedge such expense, at a satisfactory cost.

- (iii) Exploration, by its nature, contains elements of significant risk. Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of an efficient exploratory operation and obtaining necessary government, statutory and other approvals. The future exploration activities of Strategic may be affected by a number of factors including, but not limited to, geological conditions, seasonal weather patterns, unanticipated operational and technical difficulties and failures, availability of the necessary technical equipment and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of funding.

There can be no assurance that Strategic's exploration activities, or any other projects, tenements or databases that Strategic may acquire in the future, will result in the discovery of a significant mineral resources. Even if a significant mineral resource is identified, there can be no guarantee that it can be economically exploited.

- (iv) Possible future development of a mining operation at any of Strategic's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable ore bodies, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risks with third parties providing essential services.

In the event that Strategic commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions and other accidents. No assurance can be given that the Company will achieve commercial viability through the development and/or mining of its projects.

- (v) Resource estimates, including those contained in the Technical Expert's Report, are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that resources mined may be of a different quality, tonnage or strip ratio from the estimates. Resource estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment. Furthermore, resource estimates may change overtime as new information becomes available. Should Strategic encounter mineralisation or geological formations different to those

predicted by past drilling, sampling and interpretation, resource estimates may need to be altered in a way that could adversely affect Strategic's operations.

- (vi) The value of Strategic's securities are likely to fluctuate depending on various factors such as general economic conditions (including interest rates, inflation and growth), political conditions (including legislative change), metals and mining industry conditions and stock market conditions in Australia and elsewhere.
- (vii) Strategic has a 7.5% and 10% free carry interests in 2 Frome Basin projects located in South Australia. Additionally, Strategic's subsidiary Alpha Uranium Pty Ltd, has the exploration rights over the uranium prospects within the Woolgar project area located in Queensland.

Uranium mining in Australia is subject to extensive regulation by state and federal governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances, native title and other matters. Compliance with such laws and regulations will increase the costs of exploration, drilling, developing, constructing, operating and closing mines and other production facilities. There is also a risk that new rules and regulations will be enacted or existing rules and regulation are applied in a manner which could limit or curtail future production or development.

The Federal Government currently permits the mining and export of uranium under strict international agreements designed to prevent nuclear proliferation. The export of uranium is tightly controlled by the Federal Government through its licensing process and Australian uranium can only be exported to those countries which undertake to use it for peaceful purposes. The Federal Government cannot override State Government policy on this issue.

Uranium mining in South Australia is permitted but is subject to stricter control than mining in general due to concerns about the potential uses and physical characteristics of the end product and the need to comply with Commonwealth legislation, codes, international treaties, conventions and agreements. The South Australian State Government allows the mining of uranium provided strict conditions are adhered to relating to the transport of uranium, spillage, control of radiation and radioactive material and having an approved radiation management program and radioactive waste management program in place and establishing an environmental management and monitoring plan for the protection, management and rehabilitation of the environment.

In Queensland, uranium mining ceased in 1982, and had been prohibited since 1989. Although exploration for uranium was not prohibited, little exploration was undertaken after 1989 despite

highly favourable geological settings for uranium mineralisation. On 30 October 2012, the Queensland Government announced it would recommence uranium mining in Queensland by changing the Queensland Government policy on uranium mining. There can be no assurance that the policy will not revert back to prohibiting uranium mining in Queensland, and this may adversely affect the long term prospects for the Company's interests in the Queensland tenements.

- (viii) The Commonwealth Government maintains tight controls over the export of uranium through its licensing process. Uranium may only be sold and exported in accordance with the *Customs (Prohibited Exports) Regulations 1958* (Cth) and the *Nuclear Non-Proliferation (Safeguards) Act 1987* (Cth). Australian uranium can only be exported to countries that undertake to use it for peaceful purposes. Uranium mining itself is also extensively regulated. Complying with these laws and regulations increases the cost of exploring, drilling, developing, constructing, operating and closing mines and other production facilities. The approvals required are more rigorous than those for the mining of other metals. There is a risk that should economic deposits of uranium be discovered, the requisite government approvals may not be granted or may be significantly delayed, thereby rendering the deposits uneconomic.
- (ix) Strategic will be competing with other companies in the resource sector many of which will have access to greater resources than Strategic and may be in a better position to compete for future business opportunities. There can be no assurance that Strategic can compete effectively with these companies.
- (x) Native title recognises the title rights of indigenous Australians over areas where those rights have not been lawfully extinguished. The Native Title Act 1993 (Cth), state native title legislation, subsequent legislative amendments (including Native Title Amendment Act 1998 (Cth)) and aboriginal land right and heritage legislation may affect the granting or renewal of, and access to, mineral tenements over land where a native title claim has been registered or aboriginal site recognised. In proceeding with a tenement application, the applicant must observe the provisions of the native title legislation, a process that could take a number of years and involve significant expense.

In relation to any mineral tenement in which Strategic has an interest or potential interest, there may be areas over which legitimate native title rights of indigenous Australians exist. If native title rights do exist, the ability of Strategic to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

At this time, it is difficult to quantify the financial or other impact (if any) that these matters may have on Strategic's operations, financial position and performance.

- (xi) There is no guarantee that current or future applications, conversions or renewals of the mineral tenements in which Strategic has an interest or potential interest will be approved. Tenement applications may result in a requirement for Strategic to commence negotiations with the relevant landholders and/or indigenous representative bodies to gain access to the underlying land. There is no guarantee that such negotiations will be successful.

Tenements are subject to a number of state specific legislative conditions including payment of rent and meeting minimum annual expenditure commitments. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister and may trigger native title negotiation rights. The inability to meet these conditions or the triggering of native title negotiation procedures on any of the tenements comprising Strategic's projects could affect the standing of a tenement or restrict its ability to be renewed, adversely affecting the operations, financial position or performance of Strategic.

- (xii) Changes in relevant taxes, legal, regulatory and administrative regimes, accounting practice and government policies may adversely affect the financial performance of Strategic.
- (xiii) As part of its business strategy, Strategic may make acquisitions of or significant investments in complementary companies or prospects, although no such acquisitions or investments are currently planned. Any such transactions would be accompanied by risks commonly encountered in making such acquisitions.
- (xiv) In the event of the successful development of its mineral deposits, the marketing of Strategic's prospective production of minerals from such deposits will be dependent on market fluctuations and the availability of processing, storage and transportation infrastructure, including access to transportation infrastructure, which Strategic may have limited or no control over. The right to export minerals may depend on obtaining licences, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such licences leading to the income receivable by Strategic being adversely affected, and it is possible that from time to time export licences may be refused.
- (xv) Retention of key employees and key technical personnel is necessary to continue to develop and manage Strategic's projects. The loss of senior management, Directors and key technical personnel could have a material adverse effect on the business of Strategic.
- (xvi) Environmental regulation of mining activities at both a state and federal level imposes a significant obligation on mining

companies, and creates management issues with which Strategic may be required to comply from time to time changes in the laws and regulations may adversely affect Strategic's operations, including profitability of the operations.

- (xvii) Integrating companies such as Strategic and QGold may produce some risks, including risks relating to management information systems and work practices. Greater than expected integration costs may have a material adverse effect on the merged group.

(d) General risks

The future viability and profitability of Strategic is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- (i) the strength of the equity and debt markets in Australia and throughout the world;
- (ii) risks associated with the current global economic environment;
- (iii) general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- (iv) the need to obtain additional fundraising on terms acceptable to Strategic. Any additional equity financing may be dilutive to Strategic Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit Strategic's operations and business strategy;
- (v) share market conditions may affect the value of Strategic's quoted securities regardless of Strategic's operating performance. Share market conditions are affected by many factors such as, general economic outlook, introduction of tax reform or other new legislation, interest rates and inflation rates, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities;
- (vi) financial failure or default by a participant in contractual relationship to which Strategic is, or may become, a party;
- (vii) insolvency or other managerial failure by any of the contractors or service providers used by Strategic in its activities; and
- (viii) industrial or other disputes in Australia and elsewhere in the world.

(e) Risk relating to effect of Offer on Strategic's material agreements

To the best of Strategic's knowledge, none of the material contracts to which Strategic is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and

liabilities, financial position and performance, profits and losses and prospects of Strategic.

4.12 Minority ownership consequences

QGold currently holds over 50% of Strategic's Shares. If QGold acquires less than 90% of Strategic Shares pursuant to the Offer, Strategic Shareholders who do not accept the Offer will remain minority shareholders in Strategic. This has a number of possible implications, including:

- (a) QGold will be in a position to cast the majority of votes at a general meeting of Strategic. This will enable it to control the composition of Strategic's Board and senior management, determine Strategic's dividend policy and control the strategic direction of the businesses of Strategic and its subsidiaries. In its Bidder's Statement, QGold provides that it intends to procure the appointment of nominees of QGold to Strategic's Board so that the number of QGold directors sitting on Strategic's Board will be approximately proportionate to QGold's holding of Strategic Shares;
 - (b) the liquidity of Strategic Shares may be lower than at present;
 - (c) the Strategic Share price may fall immediately following the end of the Offer Period;
 - (d) there may be limited institutional support for Strategic Shares;
 - (e) if the number of Strategic Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then:
 - (i) the ASX may suspend and/or de-list Strategic; or
 - (ii) QGold may seek to have Strategic removed from the official list of the ASX (QGold's intentions in relation to Strategic's ASX listing are set out in Section 5.3 of the Bidder's Statement).
- If this occurs, any remaining Strategic Shareholders will not be able to sell their Strategic Shares on market and Strategic Shares will not be able to be bought or sold on the ASX;
- (f) if QGold acquires 75% or more of the Strategic Shares, QGold will be able to pass a special resolution of Strategic. This will enable QGold to, among other things, change Strategic's constitution; and
 - (g) since QGold holds a majority of the Strategic Shares on issue, the Independent Directors believe that it is unlikely that a subsequent takeover bid for Strategic will emerge at a later date from a third party.

5. YOUR CHOICES AS A STRATEGIC SHAREHOLDER

You have three choices as a Strategic Shareholder in responding to the Offer.

(a) Accept the Offer

To accept the Offer, you can sell your Strategic Shares on ASX. You should contact your broker for information on how to affect that sale. As the Offer is an on market takeover offer there is no way to accept the Offer other than by selling your Strategic Shares on ASX. Further details on how to accept the Offer are set out in section 2 of the Bidder's Statement.

You should be aware that if you choose to accept the Offer:

- (i) you will not be able to accept a superior proposal from QGold or any other bidder if such an offer is made, or benefit from any higher price in the market;
- (ii) you will lose the opportunity to receive future benefits as a Strategic Shareholder;
- (iii) you may incur a tax liability as a result of the sale; and
- (iv) you may incur a brokerage charge.

(b) Reject the Offer

To reject the Offer, simply do nothing with the documentation sent to you by QGold.

You should be aware that:

- (i) if you choose not to accept the Offer and QGold acquires at least 90% of the Strategic Shares, QGold may become entitled to compulsorily acquire the balance of the Strategic Shares on issue, and it has said that it intends to exercise those rights (see section 6.12 of this Target's Statement for further details);
- (ii) if you choose not to accept the Offer and QGold acquires less than 90% of the Strategic Shares on issue (it currently holds over 50%), you will remain exposed to the risks associated with being a minority shareholder in Strategic (see section 4.10 and 6.13 of this Target's Statement for further details);
- (iii) you will continue to receive benefits as a Strategic Shareholder; and
- (iv) as a holder of Strategic Shares, you will continue to be subject to the risks set out in section 4.11 of this Target's Statement.

Historically, Strategic Shares have experienced relatively low trading volume. Strategic Shareholder's should consider the illiquidity of Strategic's Shares when considering how to respond to the Offer.

(c) Sell your Strategic Shares on market

During a takeover bid, shareholders of a target company who have not already accepted the bidder's offer can still sell their shares on market for cash.

On the last practical date prior to the date of this Target's Statement, being 27 June 2014, the Offer Price represents a \$0.001 or 2.78% discount to the closing price of Strategic Shares on the ASX. The latest market price for Strategic Shares may be obtained from your broker or the ASX website www.asx.com.au.

You should be aware that if you choose to otherwise sell your Strategic Shares during the currency of the Offer (that is, other than by way of accepting the Offer):

- (i) you will not be able to accept a superior proposal from QGold or any other bidder if such an offer is made, or benefit from any higher price in the market;
- (ii) you will lose the opportunity to receive future benefits as a Strategic Shareholder;
- (iii) you may incur a tax liability as a result of the sale; and
- (iv) you may incur a brokerage charge.

6. KEY FEATURES OF THE QGOLD OFFER

6.1 History

On 18 June 2014, QGold announced an on market takeover bid for all the ordinary Shares in Strategic, lodged its Original Bidder's Statement with ASIC and gave a copy to Strategic. Subsequently on 20 June 2014 QGold lodged its First Supplementary Bidder's Statement.

The Bidder's Statement contains the QGold Offer.

6.2 Consideration payable to Shareholders who accept the Offer

The consideration being offered by QGold under the Offer is \$0.035 cash for each Strategic Share.

6.3 Conditions to the Offer

There are no conditions to the QGold Offer.

6.4 Offer Period

Unless the QGold Offer is extended or withdrawn, it is open for acceptance from 10:00 am (AEST) on Thursday, 3 July 2014 until close of trading on the ASX on Friday 22 August 2014.

In addition, QGold has stated in the QGold Bidder's Statement that from Wednesday 18 June 2014, Ord Minnett Ltd will, on its behalf, stand in the market and purchase Strategic Shares offered for sale at \$0.035.

The circumstances in which QGold may extend or withdraw its Offer are set out in section 6.5 and section 6.6 respectively of this Target's Statement.

6.5 Extension of the Offer Period

QGold may extend the Offer Period in accordance with the Corporations Act. Generally speaking, QGold may extend the Offer Period by announcing the extension on ASX at least 5 Trading Days before the end of the Offer Period.

In limited circumstances (such as where another person announces a takeover bid or improves a takeover bid), QGold may extend the Offer Period at any time before the end of the Offer Period.

6.6 Withdrawal of QGold Offer

The QGold Offer can only be withdrawn in limited circumstances, and only in the cases of offers which have not yet been accepted. Those circumstances are:

- (a) with the consent in writing of ASIC, which consent may be given subject to such conditions (if any) as are specified in the consent; or
- (b) if one of the following happens during the Offer Period:
 - (i) a liquidator or provisional liquidator of Strategic or of a subsidiary is appointed;
 - (ii) a court makes an order for the winding up of Strategic or of a subsidiary;

- (iii) an administrator of Strategic, or of a subsidiary, is appointed under Sections 436A, 436B or 436C of the Corporations Act;
- (iv) Strategic or a subsidiary executes a deed of company arrangement; or
- (v) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Strategic or of a subsidiary.

The Corporations Act sets out a number of other circumstances in which a bidder can withdraw an on market offer where its voting power is less than 50%. These circumstances do not apply to QGold given that as at the date of this document it had a voting power of greater than 50% in respect of Strategic.

6.7 Effect of acceptance

Strategic Shareholders should understand that by accepting the Offer they will have entered into a binding contract to sell their Strategic Shares to QGold, and this will have an effect on their ability to exercise the rights attaching to their Strategic Shares. If Strategic Shareholders accept the Offer they will not be able to accept a superior proposal from QGold or any other bidder if such an offer is made, or benefit from any higher price in the market.

6.8 Your ability to withdraw your acceptance

If you accept the QGold Offer, you are not able to withdraw your acceptance. Once you have sold your Strategic Shares on ASX in order to accept the QGold Offer, you are obliged to complete the sale.

6.9 When you will receive payment for your Strategic Shares if you accept the QGold Offer

If you accept the QGold Offer, the usual rules for settlement of transactions which occur on market on ASX will apply. Once you have accepted the QGold Offer and sold your Strategic Shares, you will receive payment within 3 Trading Days of selling your Strategic Shares.

6.10 Effect of an improvement in consideration on Strategic Shareholders who have already accepted the QGold Offer

If QGold improves the consideration offered under the Offer, only Strategic Shareholders who have not yet accepted the Offer before that improvement in consideration will be entitled to the benefit of that improved consideration.

Once you sell your Strategic Shares, you will not be able to accept any higher offer from QGold (or anyone else) if such an offer is made after you sell, or benefit from any future higher price in the market.

6.11 Funding

The funding for the acquisition of Strategic Shares will be provided from the cash reserves of Christopher Wallin, the sole director of QGold.

As at the date of the First Supplementary Bidder's Statement, QGold has disclosed that Christopher Wallin has advanced \$15 million to QGold and such funds are held in a bank account in the name of QGold.

QGold has also advised that Christopher Wallin holds an additional \$15 million in readily available cash funds for the sole purpose of advancing those funds to QGold to enable QGold to satisfy its obligation to pay the consideration required under the Offer and meet the transaction costs associated with the Offer.

Further details about these arrangements are set out in Section 7 of the Original Bidder's Statement and the schedule of First Supplementary Bidder's Statement.

6.12 Compulsory acquisition

(a) Introduction

QGold has indicated in section 5.2 of its Bidder's Statement that, if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Strategic Shares in accordance with the Corporations Act. Accordingly, Strategic Shareholders should assume that, if QGold becomes entitled to exercise its right to compulsorily acquire any outstanding Strategic Shares, QGold will exercise that right.

(b) Compulsory acquisition within one month after the end of the Offer Period

QGold will be entitled to compulsorily acquire any Strategic Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, QGold and its Associates have Relevant Interests in at least 90% (by number) of the Strategic Shares.

If this threshold is met and QGold wishes to exercise its right to compulsorily acquire any outstanding Strategic Shares, QGold will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Strategic Shareholders who have not accepted the Offer. Strategic Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Strategic Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Strategic Shares. If compulsory acquisition occurs, Strategic Shareholders who have their Strategic Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

(c) Alternative compulsory acquisition regime

It is also possible that QGold will, at some time after the end of the Offer Period, either alone or with a Related Body Corporate, hold full beneficial interests in at least 90% (by number) of all the Strategic Shares. QGold would then have rights to compulsorily acquire all of the Strategic Shares that it does not own within six months of becoming the holder of 90% (by number) of all the Strategic Shares. The price which QGold would have to pay to compulsorily acquire all of the remaining Strategic Shares under this alternative compulsory acquisition regime would have to be considered in a report of an independent expert.

Strategic Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures

outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Strategic Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Strategic Shares object to the compulsory acquisition, and QGold still wishes to proceed with the compulsory acquisition, QGold would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Strategic Shares. In the absence of a challenge by people holding the requisite number of Strategic Shares, Strategic Shareholders who have their Strategic Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

6.13 QGold's intentions if 90% threshold not met

QGold has stated in Section 5.3 of the Bidder's Statement that if it acquires less than 90% of the Strategic Shares (so that it cannot proceed to compulsorily acquire the remaining Shares), but still gain effective control of Strategic, then it will consider:

- (a) benefits and suitability of Strategic remaining listed on ASX having regard to the Listing Rules and the additional corporate and compliance costs and may seek approval from ASX to delist Strategic. If Strategic is delisted, Strategic Shares cannot be traded on the ASX;
- (b) re-constituting the Board to reflect the Bidder's majority ownership of Strategic whilst at the same time including directors on the Board that are independent from the Bidder, which may include one or more of the current directors of Strategic;
- (c) acquiring additional Strategic Shares under the "creep" provisions set out in the Corporations Act;
- (d) the operations, assets, structure and employees of Strategic to identify, business opportunities and areas of revenue generation which may provide overall strategic operational benefit, areas of cost saving which may provide overall strategic operational benefit and any business or businesses which do not fit into the strategic plan for Strategic and then evaluate the best and most appropriate way of organising such business or businesses.

If Strategic remains a controlled entity but not a wholly owned subsidiary of QGold, there are also a number of other objectives and goals that a newly constituted Board of Directors of Strategic would attempt to implement, to the extent possible and appropriate, as set out in Section 5.3 of the Bidder's Statement.

QGold has also stated that to the extent that Strategic does not become a wholly owned subsidiary of QGold and there are minority Shareholders of Strategic, QGold intends that the QGold nominees appointed as Directors of Strategic will act at all times in accordance with their fiduciary duties and that all shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined in the Bidder's Statement.

Those requirements may require the approval of minority Shareholders to the implementation of any particular objective.

7. INFORMATION REGARDING STRATEGIC

7.1 Background information on Strategic

Strategic is an Australian no-liability public company which has been listed on the ASX since October 1981. Strategic is focused on mineral exploration with significant interests in a major gold exploration project and a uranium exploration project within Australia.

The Gold projects are held by Strategic and the Uranium projects are held within Strategic's subsidiary, Alpha Uranium Pty Ltd.

Gold Projects

For many years Strategic has concentrated upon expanding the epithermal resources in the Sandy Creek area of the Woolgar project with a view to establishing sufficient gold resources in the area to commence mining operations. The project consists of 100% interest in 8 mining leases, 5 exploration permits and one application for a mining lease.

Although significant ounces were discovered in the epithermal area it was determined that additional higher grade, near surface and/or underground resources would be required to comfortably proceed to feasibility for mine development.

From Strategic's drilling programs conducted since 2008 through 2013, it has now been established that strong potential exists for increasing the gold resources in the mesothermal zone adjacent to the Woolgar fault. As announced on 5 June 2014, the 2014 Drilling Program will commence in early July 2014..

Strategic's strategy is to identify sufficient economic 'JORC compliant' gold reserves through further exploration to establish a viable and sustainable economic mining operation at the Woolgar project.

Uranium Projects

Strategic's Uranium projects are held within Strategic's subsidiary, Alpha Uranium Pty Ltd. Alpha Uranium is 98% held by Strategic.

There are several uranium targets identified through past exploration activities of AFMECO and ESSO, located within the Woolgar Project area. Future exploration programs have been deferred until such time as there is a significant improvement in the currently depressed uranium price.

For further details regarding Strategic's projects, Strategic Shareholders should refer to the Technical Expert's Report at Appendix B of the Independent Expert Report.

7.2 Directors of Strategic

As at the date of this Target's Statement, the directors of Strategic are:

| Name | Position |
|-----------------|------------------------|
| Laif McLoughlin | Chairman |
| Walter Martin | Managing Director |
| Jay Stephenson | Non-Executive Director |

7.3 Publicly available information about Strategic

Strategic is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Strategic is subject to the ASX Listing Rules which require continuous disclosure of any information Strategic has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by Strategic are available on ASX's website.

7.4 Financial information and related matters

Strategic's last published audited financial statements are for the financial year ended 30 December 2014 and were lodged with ASX on 30 April 2014 (**2013 Annual Report**).

Details of Strategic's operational, financial and exploration activities for the intervening period is provided in Strategic's quarterly report lodged with the ASX on 29 April 2014 for the quarter ending 31 March 2014.

Copies of these reports may be obtained from Strategic's website at www.stratmin.com.au.

Subsequently, in April 2014, Strategic undertook a one for four non-renounceable rights issue (**Rights Issue**) which raised \$3,728,025 (after deducting the expenses of the Rights Issue).

Further, as announced on 15 May 2014, Strategic undertook a placement issuing 1,000,000 Shares and raising \$24,000 (**Placement**).

The audited balance sheet as at 31 December 2013 and the Company's unaudited pro forma balance sheet as at 31 December 2013, incorporating the financial position of the Company on the completion of the Rights Issue and Placement (net of costs), as shown below, have been prepared on the basis of the accounting policies normally adopted by Strategic .

The historical and unaudited financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

| | AUDITED 31 December 2013 (\$) | PRO FORMA 31 December 2013 (\$) |
|----------------------------------|----------------------------------------------------------|------------------------------------------------------------|
| CURRENT ASSETS | | |
| Cash | 956,114 | 4,708,138 |
| Other current assets | 130,437 | 130,437 |
| TOTAL CURRENT ASSETS | 1,086,551 | 4,838,575 |
| | | |
| NON-CURRENT ASSETS | | |
| Exploration and evaluation | 18,965,281 | 18,965,281 |
| Property Plant and Equipment | 122,938 | 122,938 |
| Other Non-current Assets | 79,051 | 79,051 |
| TOTAL NON-CURRENT ASSETS | 19,167,275 | 19,167,275 |
| | | |
| TOTAL ASSETS | 20,253,826 | 24,005,850 |
| | | |
| CURRENT LIABILITIES | | |
| Creditors and borrowings | 590,218 | 590,218 |
| Provisions | 104,814 | 104,814 |
| TOTAL CURRENT LIABILITIES | 695,032 | 695,032 |
| | | |
| TOTAL LIABILITIES | 695,032 | 695,032 |
| | | |
| NET ASSETS (LIABILITIES) | 19,558,794 | 23,310,818 |
| | | |
| EQUITY | | |
| Share capital | 43,627,972 | 47,379,996 |
| Minority Interest | (5,886) | (5,886) |
| Reserves | 3,062,525 | 3,062,525 |
| Retained loss | (27,125,817) | (27,125,817) |
| TOTAL EQUITY | 19,558,794 | 23,310,818 |

So far as the Independent Directors are aware, other than the Rights Issue and Placement as previously disclosed to ASX:

- (a) the financial position of Strategic has not materially changed since the date of the quarterly report for the quarter ending 31 March 2014, other

than a reduced cash position in the normal course of operating its business; and

- (b) there has not been any matters or circumstances, other than those referred to in the quarterly report for the quarter ending 31 March 2014 and this Target's Statement that has significantly affected, or may significantly affect the operations or the financial position of Strategic, the results of operations of the Strategic, or the state of affairs of the Strategic in future financial years.

Strategic Shareholders should consider section 9.1 of this Target's Statement in connection with the potential effect of the Offer on Strategic's material agreements.

7.5 Forecast financial information for the Strategic Group

Strategic has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Independent Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for Strategic Group, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of Strategic Group in any period will be influenced by various factors that are outside the control of the Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of Strategic Group will be materially affected by:

- (a) prevailing exchange rates, especially between the A\$/US\$ exchange rates, which are subject to material change from time to time; and
- (b) the price of gold; and
- (c) costs related to exploration, mining and operating activities.

8. INFORMATION RELATING TO THE STRATEGIC DIRECTORS

8.1 Interests and dealings in Strategic securities

(a) Interests in Strategic securities

As at the date of this Target's Statement, the Strategic Directors had the following Relevant Interests in Strategic Shares:

| Director | Strategic Shares |
|-----------------|------------------------|
| Laif McLoughlin | 207,800 |
| Walter Martin | 6,176,926 ¹ |
| Jay Stephenson | 256,668 ² |

Notes:

1. 352,113 Strategic Shares are held directly Mr Walter Martin, 5,431,399 Strategic Shares are held indirectly by Ramaree Pty Ltd, an entity which Mr Martin is shareholder and director, as trustee for Martin Super Fund and 393,414 Strategic Shares are held indirectly by Geraldine Marina Martin, Mr Martin's spouse.

2. Mr Jay Stephenson's Strategic Shares are held indirectly through Wolfstar Group Pty Ltd, an entity controlled by Mr Stephenson.

3. Strategic currently have no options on issue.

(b) Dealings in Strategic Shares

Apart from Mr Martin's and Mr Stephenson's participation in the Rights Issue (being 977,850 Shares and 256,668 Shares respectively), no Strategic Director has acquired or disposed of a Relevant Interest in any Strategic Shares in the 4 month period ending on the date immediately before the date of this Target's Statement.

8.2 Interests and dealings in QGold securities

(a) Interests in QGold securities

As at the date immediately before the date of this Target's Statement, no Strategic Director had a Relevant Interest in any QGold securities.

However, Strategic notes Mr Laif McLoughlin's relationship with Christopher Wallin, the sole director of QGold, as set out in section 3.2 of this Target's Statement.

(b) Dealings in QGold securities

No Strategic Director has acquired or disposed of a Relevant Interest in any QGold securities in the 4 month period ending on the date immediately before the date of this Target's.

However, Strategic notes Mr Laif McLoughlin's relationship with Christopher Wallin, the sole director of QGold as set out in section 3.2 of this Target's Statement.

8.3 Benefits and agreements

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Strategic or Related Body Corporate of Strategic.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Strategic Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Strategic Shares.

(c) Benefits from QGold

None of the Strategic Directors have agreed to receive, or are entitled to receive, any benefit from QGold which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Strategic Shares.

However, Strategic notes Mr Laif McLoughlin's relationship with Christopher Wallin, the sole director of QGold as set out in section 3.2 of this Target's Statement.

(d) Interests of Directors in contracts with QGold

None of the Strategic Directors have any interest in any contract entered into by QGold.

However, Strategic notes Mr Laif McLoughlin's relationship with Christopher Wallin, the sole director of QGold as set out in section 3.2 of this Target's Statement.

9. ADDITIONAL INFORMATION

9.1 Effect of the Offer on Strategic's material agreements

To the best of Strategic's knowledge, none of the material contracts to which Strategic is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Strategic.

In any event, QGold and its Associates already have a Relevant Interest in Strategic above 50% so there will be no change of control.

9.2 Material litigation

Strategic does not believe it is involved in litigation which is material in the context of Strategic and its Related Bodies Corporate taken as a whole.

9.3 Strategic's issued securities

As at the date of this Target's Statement, Strategic's issued equity securities consist of 825,173,328 fully paid ordinary shares.

There are no other shares or other securities (including equity securities, debt securities or convertible securities) or options or performance rights or other instruments which are convertible into securities in Strategic nor has Strategic offered or agreed to issue any such shares, securities, options or performance rights or other instruments to any third party.

9.4 Substantial holders

As at the date of this Target's Statement, the substantial holders of Strategic are:

| | Name of substantial holder | Number of Strategic Shares in which substantial holders have Relevant Interests | % of total Strategic Shares in which substantial holders have Relevant Interests |
|----|-------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| 1. | QGold Pty Ltd | 455,875,409 ¹ | 55.25% |
| 2. | JP Morgan Nominees Australia Ltd | 80,300,117 | 9.73% |
| 3. | HSBC Custody Nominees Australia Ltd | 69,162,221 | 8.38% |

Notes:

1. As per substantial holding notice lodged with ASX on 26 June 2014. Strategic's share register as at 30 June 2013 reflects that QGold holds 406,141,884 Shares and the Christopher Wallin, Sylvia Bhatia, Fiona McLoughlin and Ann Wallin as trustees for the Christopher Wallin Superannuation Trust Fund hold 21,365,970 Shares for a combined shareholding of 427,507,854 Shares. Accordingly, Strategic's share register at 30 June 2014 does not reflect the Relevant Interest of QGold as stated in the substantial holding notice lodged with ASX on 26 June 2014.

9.5 Continuous disclosure

Strategic is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Strategic to notify the ASX of information about specified matter and events as they occur for the purpose of making that information available to the market. In particular, Strategic has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Strategic Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au.

In addition Strategic will make copies of the following documents available for inspection at Strategic's offices which are located at 58 Jersey Street, Jolimont, Western Australia (between 9.00am and 5.00pm on Business Days):

- (a) 2013 Annual Report, lodged with the ASX on 30 April 2014;
- (b) Strategic's quarterly report lodged with ASX on 29 April 2014, for the quarter ending 31 March 2014;
- (c) Strategic's constitution, lodged with the ASX in 1997; and
- (d) any continuous disclosure documents lodged by Strategic with ASX between the lodgement of the 2013 Annual Report and the date of this Target's Statement.

9.6 Consents

Steinepreis Paganin has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement as Strategic's Australian legal advisers in the form and context in which it is so named. Steinepreis Paganin has not advised on the laws of any foreign jurisdiction, and has not provided tax advice in relation to any jurisdiction. Steinepreis Paganin has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Stantons International Securities Pty Ltd, trading as Stantons International Securities (**Stantons International Securities**) has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and to the inclusion of the Independent Expert's Report in this Target's Statement and any statement said in this Target's Statement to be based on a statement by Stantons International Securities, in the form and context in which it is included.

Stantons International Securities:

- (a) has not caused or authorised the issue of this Target's Statement;
- (b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Independent Expert's

Report and statements in this Target's Statement based on its Independent Expert's Report; and

- (c) takes no responsibility for any part of this Target's Statement other than the Independent Expert's Report and statements in this Target's Statement based on the Independent Expert's Report and any reference to its name.

Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate (**Ravensgate**) has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement and to the inclusion of the Technical Expert's Report in this Target's Statement and any statement said in this Target's Statement to be based on a statement by Ravensgate, in the form and context in which they are included.

Ravensgate;

- (a) has not caused or authorised the issue of this Target's Statement;
- (b) does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than as included in the Technical Expert's Report and statements in this Target's Statement based on its Technical Expert's Report; and
- (c) takes no responsibility for any part of this Target's Statement other than the Technical Expert's Report and statements in this Target's Statement based on the Technical Expert's Report and any reference to its name.

This Target's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact the Offer Information Line. Calls to the Offer Information Line may be recorded.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

9.7 Regulatory and other approval, consent or waiver requirements

Strategic has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Takeover Bid. Nor has Strategic been granted any waivers from ASX in relation to the Takeover Bid.

9.8 No other material information

This Target's Statement is required to include all the information that Strategic Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any director of Strategic.

The Strategic Directors are of the opinion that the information that Strategic Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in Strategic's releases to the ASX, and in the documents lodged by Strategic with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Strategic Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Strategic Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Strategic Directors have had regard to:

- (a) the nature of the Strategic Shares;
- (b) the matters that shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- (d) the time available to Strategic to prepare this Target's Statement.

10. GLOSSARY AND INTERPRETATION

10.1 Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

A\$ or **\$** means an Australian dollar.

AEST means Australian Eastern Standard Time.

2013 Annual Report means Strategic's audited financial statements for the financial year end 31 December 2013, which were lodged with ASX on 30 April 2014.

2014 Drilling Program has the meaning given at section 4.2 of this Target's Statement.

ASIC means Australian Securities & Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

Bidder's Statement or **QGold Bidder's Statement** means the Original Bidder's Statement as supplemented by the First Supplementary Bidder's Statement in relation to the Offer.

Business Day means a day on which banks are open for business in Perth, Australia, excluding a Saturday, Sunday or public holiday.

Company means Strategic.

Corporations Act means the *Corporations Act 2001* (Cth).

First Supplementary Bidder's Statement means the statement of QGold under Part 6.5 of Division 2 of the Corporations Act issued on 20 June 2014 to supplement the Original Bidder's Statement.

Independent Directors means Walter Martin and Jay Stephenson.

Independent Expert means Stantons International Securities.

Independent Expert's Report means the report of the Independent Expert which is included as Attachment 1 to this Target's Statement.

Offer or **QGold's Offer** means the offer to acquire Strategic Shares to be made by QGold in connection with the Takeover Bid.

Offer Information Line means the information line in relation to the Offer available during the Offer Period on 1800 620 610 (for callers in Australia) or +61 8 9315 2333 (for callers outside Australia), between 8.30am and 5.00pm (WST) on Business Days.

Offer Period means the period during which the Offer will remain open for acceptance, in accordance with section 1.5 of the Bidder's Statement.

Offer Price means \$0.035 for each Strategic Share.

Officer means, in relation to an entity, its directors, officers and employees.

Original Bidder's Statement means the statement of QGold under Part 6.5 of Division 2 of the Corporations Act issued in relation to the Offer dated 18 June 2014.

QGold means QGold Pty Ltd (ACN 149 659 950).

Ravensgate means Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given in section 608 and section 609 of the Corporations Act.

Stantons International Securities means Stantons International Securitas Pty Ltd trading as Stantons International Securities.

Strategic means Strategic Minerals Corporation NL (ACN 008 901 380) of 58 Jersey Street, Jolimont, Western Australia.

Strategic Board means the board of directors of Strategic.

Strategic Director or **Director** means a director of Strategic.

Strategic Group means Strategic and its Subsidiaries.

Strategic Shares means fully paid ordinary share in the issued capital of Strategic.

Strategic Shareholder means a person who is recorded in Strategic's register of members as the holder of one or more Strategic Shares.

Subsidiary has the meaning given to that term in the Corporations Act.

Takeover Response Committee means a committee of the Strategic Board formed to consider and assess the Offer comprising of the directors of Strategic other than Laif McLoughlin.

Target's Statement means this document (including the attachments and annexures), being the statement of Strategic under Part 6.5 Division 3 of the Corporations Act issued in relation to the Offer.

Trading Day has the meaning given in the Listing Rules.

Technical Expert means Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate.

Technical Expert Report means the report of the Technical Expert attached as Appendix B to the Independent Expert's Report.

WST means western standard time as observed in Perth, Western Australia.

10.2 Interpretation

In this Target's Statement:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) words of any gender include all genders.
- (c) words indicating the singular include the plural and vice versa.
- (d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) a reference to time is a reference to WST, unless otherwise indicated.
- (i) a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia unless otherwise stated.

11. AUTHORISATION

This Target's Statement has been approved by a resolution passed by the directors of Strategic.

Signed for and on behalf of Strategic:



Mr Walter Martin
Managing Director
Strategic Minerals Corporation NL
2 July 2014

30 June 2014

The Directors
Strategic Minerals Corporation NL
58 Jersey Street
JOLIMONT WA 6008

Dear Sirs

RE: STRATEGIC MINERALS CORPORATION NL (“SMC” OR “THE COMPANY”) (ABN 35 008 901 380) - INDEPENDENT EXPERT’S REPORT RELATING TO THE TAKEOVER OFFER TO THE SHAREHOLDERS OF THE COMPANY BY QGOLD PTY LTD (“QGOLD”)

Summary of Opinion

After taking into account all of the factors noted in this report and in the absence of a more superior offer, we are of the opinion that on an adjusted net asset value basis of valuing the SMC shares on a 100% control basis, the proposed Takeover Offer by QGold to the SMC shareholders not associated with QGold is fair and reasonable to the shareholders of SMC as at the date of this report.

1. Introduction

- 1.1 We have been requested by the Independent Directors of SMC to prepare an Independent Expert’s Report in accordance with Section 640 of the Corporations Act 2001 (“TCA”) to determine whether the proposed on market bid under Part 6.5 of TCA for all the shares in SMC (including those already held by associates of QGold) (“Takeover Offer”) is fair and reasonable to the ordinary shareholders of SMC. The full details of the on market Takeover Offer are included in the QGold’s Bidders Statement dated 18 June 2014 and served on the Company on 18 June 2014. In effect, QGold is making a cash bid Offer of 3.50 cents per share for all of the shares in SMC including those that it already has an interest in (refer paragraph 1.4 below). All shareholders of SMC should read the Bidder’s Statement of QGold and the Target’s Statement prepared by SMC to fully understand the implications of the Takeover Offer. QGold is effectively controlled by its sole director, Christopher Wallin.
- 1.2 Under the Takeover Offer, SMC ordinary shareholders will be entitled to receive 3.50 cents cash for each share held in SMC. The Takeover Offer is an on market takeover Offer and shareholders can sell their shares to QGold at any time and receive cash proceeds within three trading days. The Takeover Offer expires on 22 August 2014 (but may be extended or withdrawn in accordance with the Corporations Act 2001).
- 1.3 The Directors of SMC are required to issue a Target’s Statement in response to the Bidder’s Statement, which will include their recommendation as to whether the SMC shareholders not associated with QGold should accept the Takeover Offer.
- 1.4 QGold is a private company and is effectively controlled by its sole director, Christopher Wallin. QGold hold exploration permits in Queensland. Another company controlled by Christopher Wallin, QCoal Pty Ltd (“QCoal”) (not a subsidiary of QGold or vice versa) mines coal from the Bowen Basin, including the Sonoma Coal Mine. Further information regarding QGold can be found in the Frequently Asked Questions section of the Bidders Statement. We have not independently verified the information on QGold.

Mr Christopher Wallin had the following interest in SMC shares as at 18 June 2014 (the date of the Bidders Statement):

- Christopher Wallin, Sylvia Bhatia, Fiona McLoughlin and Ann Wallin as trustees for the Christopher Wallin Superannuation Fund hold 426,930,177 SMC shares representing approximately 51.738% of the total issued capital of SMC;
- Energy Minerals Pty Ltd (of which Christopher Wallin is a director) holds 100,000 SMC shares, representing approximately 0.012% of the issued capital of SMC.

The combined shareholding as at 18 June 2014 represented approximated 51.75% of the issued capital of SMC. On 26 June 2014, QGold, via a Notice of Change of Interests of Substantial Shareholder Form (Form 604) advised the Company that QGold as at 26 June 2014 held 455,875,409 shares, representing approximately 55.25% of the issued capital on hand as at 26 June 2014. The share register as at 30 June 2014 (1.53 pm) notes that QGold held 406,141,884 shares in SMC and the Christopher Wallin Superannuation Fund held 21,365,970 shares in SMC for a combined shareholding of 427, 507,854. The share register at 30 June 2014 does not reflect the shareholding of QGold as per the Form 604 as noted above. Refer paragraph 3.2 for further details.

The Chairman of SMC Laif McLoughlin is married to Fiona Wallin who is the daughter of Christopher Wallin, the sole director of QGold. Laif McLoughlin was appointed non-executive chairman of SMC on 1 June 2014 following the interests of Christopher Wallin obtaining a majority interest in SMC.

- 1.5 Further information regarding SMC can be found in the Target's Statement at "Section 7 - Information regarding Strategic" and the Company's website at www.stratmin.com.au in addition to the information contained in this report and the valuation report of Ravensgate (refer below).
- 1.6 In assessing the Takeover Offer for SMC, we have had regard to relevant Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111: Content of Expert Reports ("RG 111"). RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the Takeover Offer.
- 1.7 An offer (in this case the Takeover Offer made by QGold through the takeover bid for SMC) is fair if the value of the offer price or consideration is equal to or more than the value of the securities the subject of the Takeover Offer (for the ordinary shares in SMC). An offer is reasonable if it is fair. In this situation, we are reporting on the proposals to the ordinary shareholders of SMC as to whether the proposed Takeover Offer is fair and reasonable to the ordinary shareholders not associated with QGold.
- 1.8 The Independent Directors of SMC have requested Stantons International Securities Pty Ltd trading as Stantons International Securities ("SIS") to prepare an Independent Expert's Report providing an opinion on whether the Takeover Offer to the SMC shareholders by QGold is fair and reasonable to SMC shareholders not associated with QGold. The report should not be used for any other purpose. Our independent expert's report will be included in the Target's Statement to be issued to the shareholders of SMC on or about 2 July 2014.
- 1.9 Apart from this introduction, this report includes the following:
 - Summary of opinion
 - Implications of the proposed Takeover Offer by QGold
 - Profile of SMC
 - Methodology
 - Valuation of SMC shares
 - Value and Fairness of Consideration Compared to Value of Assets Acquired
 - Reasonableness of the Takeover Offer to SMC shareholders
 - Conclusion as to Fairness and Reasonableness of the Takeover Offer
 - Sources of information
 - Shareholder Decision
 - Appendices A and B (the Independent Valuation Report of Ravensgate as noted below) and our Financial Services Guide.

2. Summary Opinion

- 2.1 In determining the fairness and reasonableness of the Takeover Offer relating to the SMC shareholders we have had regard to the guidelines set out by ASIC in its Regulatory Guide 111. RG 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). An offer is “fair” if the value of the consideration offered is equal to or greater than the value of the securities that are subject to the offer and an offer is “reasonable” if it is “fair”, or where it is not fair, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

Our report relating to the Takeover Offer by QGold regarding SMC shareholders is concerned with the fairness and reasonableness of the Takeover Offer. The advantages, disadvantages and other factors determined to arrive at our opinions are outlined in detail under Section 9 of this report.

- 2.2 **After taking into account all of the factors noted in this report and in the absence of a more superior offer, we are of the opinion that on an adjusted net asset value basis of valuing the SMC shares (on a 100% control basis), the proposed Takeover Offer by QGold to the SMC shareholders not associated with QGold (the Takeover Offer was to all shareholders including those associated with Christopher Wallin) is fair and reasonable to the shareholders of SMC as at the date of this report.**

SIS’s opinion should not be construed to represent a recommendation as to whether or not SMC shareholders should accept the Takeover Offer by QGold. Shareholders uncertain as to the impact of accepting the Takeover Offer should seek separate advice from their financial and/or taxation adviser.

- 2.3 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the Independent Valuation Report of Ravensgate (“Ravensgate Valuation Report”) dated 27 June 2014 (Appendix B to this report).

3. Implications of the proposed Takeover Offer by QGold

- 3.1 As at 30 June 2014, there are 825,173,328 ordinary shares on issue in SMC (all of which are quoted on the Australian Securities Exchange (“ASX”)) with the Company’s share register as at that date (1.53 pm) disclosing 2,027 shareholders.
- 3.2 As at 30 June 2014, the top six fully paid shareholders of SMC as disclosed in the top 20 shareholder report are as follows:

| | Number | Percentage |
|-------------------------------------------------------------|--------------------|--------------|
| QGold Pty Ltd | 406,141,884 | 49.22 |
| JP Morgan Nominees Australia Limited | 79,397,717 | 9.62 |
| HSBC Custody Nominees Australia Limited | 42,562,507 | 5.16 |
| HSBC Custody Nominees Australia Limited (Euroclear Bank SA) | 26,599,714 | 3.22 |
| Citicorp Nominees Pty Ltd | 22,744,655 | 2.76 |
| Wallin CI & FK | 21,365,970 | 2.59 |
| | <u>598,812,447</u> | <u>72.57</u> |

The top 20 shareholders at 30 June 2014 as per the share register owned approximately 85.54% of the ordinary issued capital of the Company. Refer paragraph 1.4 for the shareholding interests in SMC associated with Christopher Wallin and QGold (totalling 455,875,409 or approximately 55.25% of the issued shares in SMC). As noted above, the Company’s share register has not updated the QGold shareholding interest as advised on 26 June 2014 by QGold via lodgement of Form 604.

Overseas shareholders (165 shareholders) own approximately 4.84% of SMC.

Details on the Directors’ interests in SMC are outlined in the Target’s Statement under the heading of Section 8.1- Interests and Dealings in Strategic Securities”.

- 3.3 If the Takeover Offer is fully successful, the interests of QGold and Christopher Wallin would own 100% of the shares in SMC. The non associated shareholders would no longer have a shareholding interest in SMC but would have been paid out 3.50 cents per share for each share held. There is no cost to the Company itself other than incurring fees approximating \$100,000 relating to the Target Statement issue. SMC would cease to be listed on the ASX.

In the event that the interests of QGold do not achieve over 90% acceptances (on achieving over 90%, QGold can compulsory acquire the remaining 10%), the remaining shareholders will have a minority interest in SMC and depending on the number of shareholders and their shareholding, there is a risk that the Company could be suspended from trading on the ASX until such time as the Company met the Chapter 12.4 “spread” conditions for trading.

- 3.4 If the non QGold associated shareholders sell their shares to QGold, they will no longer have any upside (or downside) exposure to the mineral assets of the SMC Group.

4. Profile of SMC - Background

4.1 Principal Activities

SMC is listed on the ASX. Its focus is mineral exploration in Australia. Its most significant area of interest (“Mineral Assets”) is:

- The Woolgar Gold Project in Queensland. A further drilling programme is to shortly commence on this Project at an estimated cost of around \$535,000. This Project is the most significant mineral project of the Company.

In addition it has an interest in a joint venture at Mt Frome Project in South Australia (10% interest) and a joint venture interest in the Reaphook Project, South Australia (7.5% interest). Other Frome Projects were dropped by the Company in June 2014.

Further details on the Mineral Assets of the SMC Group are outlined in the Ravensgate Valuation Report and Section 7 of the Target Statement.

In addition, as at 31 May 2014, the SMC Group had cash funds of approximately \$4,462,000 with liabilities of approximately \$750,000 (net cash \$3,712,000) but is planning a drilling programme at Woolgar (to commence 2 July 2014) estimated to cost around \$535,000. Monthly administration and corporate costs (excluding approximately \$100,000 in relation to the Takeover Offer response) approximate \$75,000.

4.2 Directors of SMC

The directors of SMC are Laif McLoughlin (refer paragraph 1.4 above), Wally AC Martin and Jay Stephenson.

4.3 State of Affairs

There have been no significant changes in the state of affairs of the Company since 31 December 2013 (Annual Report for the year ended 31 December 2013 lodged with ASX on 31 March 2014) other than:

- Incurring of unaudited losses to 31 May 2014 estimated at \$342,000;
- The raising via a 1 for 4 entitlements issue announced to the market on 28 March 2014 that raised a gross approximate \$3,956,000 (underwritten by Christopher Wallin Superannuation Fund and the underwriter took up approximately \$1,553,000 via the underwriting agreement);

On 5 June 2014, the Company announced a further drilling programme at Woolgar was to shortly commence (to commence around 2 July 2014). On 18 June 2014, the Bidders Statement was lodged by QGold and a First Supplementary Bidders Statement lodged on 20 June 2014.

Details of all announcements made by SMC are set out in Annexure A of the Target's Statement and copies are available from SMC's website www.SMC.com.au. In addition, copies of all announcements made by SMC are lodged with ASX.

4.5 Change in Consolidated Net Worth

During the five month period ended 31 May 2014, the shareholders equity increased by approximately \$3,459,000 to a balance totalling approximately \$23,007,000, primarily due to the cash received from the entitlements issue (refer above) and partly offset by the loss after tax incurred in the five months to 31 May 2014 of approximately \$342,000.

4.6 Financial Position

Set out below is a condensed unaudited statement of financial position of the SMC Group as at 31 May 2014 after adjusting for depreciation for 5 months to 31 May 2014 at an estimated \$11,000.

| | SMC Unaudited 31 May 2014 \$000's |
|-----------------------------------------|--------------------------------------------|
| Current Assets | |
| Cash | 4,462 |
| Receivables | 41 |
| | <hr/> 4,503 <hr/> |
| Non Current Assets | |
| Fixed assets | 114 |
| Capitalised acquisition (mineral) costs | 19,061 |
| Investments (other financial assets) | 19 |
| Security bonds and other assets | 60 |
| | <hr/> 19,254 <hr/> |
| Total Assets | <hr/> 23,757 <hr/> |
| Current Liabilities | |
| Trade and other payables | 645 |
| Employee entitlements | 105 |
| Total Current Liabilities | <hr/> 750 <hr/> |
| Total liabilities | <hr/> 750 <hr/> |
| Net Assets | <hr/> 23,007 <hr/> |
| Equity | |
| Issued capital | 47,418 |
| Reserves | 3,063 |
| Accumulated losses | (27,468) |
| | <hr/> 23,013 <hr/> |
| Minority interests | (6) |
| Net Equity | <hr/> 23,007 <hr/> |

The unaudited adjusted book net tangible asset backing as at 31 May 2014 equates to approximately 2.79 cents per share based on 825,173,328 ordinary shares on issue. Due to cash outlays post 31 May 2014, the book net asset backing at the date of this report would be lower (refer paragraph 6.2 for an estimated net asset position).

4.7 Financial Performance

The summarised consolidated statements of comprehensive income of SMC for the periods ended 31 December 2012, 31 December 2013 and 31 May 2014 are set out in the table below.

| | Unaudited 5 months ended 31 May 2014 \$000 | Audited 12 months ended 31 December 2013 \$000 | Audited 12 months ended 31 December 2012 \$000 |
|----------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Interest Income | 14 | 59 | 106 |
| Sales revenue | - | - | - |
| Revenue from continuing operations | 14 | 59 | 106 |
| Total other revenue | 14 | 59 | 106 |
| Administration | (51) | (242) | (189) |
| Shareholder and other costs | (30) | (5) | (24) |
| Consultancy/legal | (60) | (153) | (171) |
| Depreciation | (11) | (41) | (31) |
| Employment costs | (178) | (651) | (218) |
| Impairment of available for sale investments | (3) | (47) | - |
| Impairment of tenements | - | (109) | (330) |
| Occupancy | (23) | (107) | (103) |
| Share based payments | - | - | (48) |
| Profit/(loss) before income tax | (342) | (1,296) | (1,008) |
| Income tax expense benefit | - | - | - |
| Profit/(loss) after income tax | (342) | (1,296) | (1,008) |
| Other comprehensive income | - | - | - |
| Total comprehensive income/(loss) | (342) | (1,296) | (1,008) |

In assessing SMC's financial position, SMC's projects and the various stages of exploration and evaluation, SMC is unlikely to be in a position to pay dividends on the ordinary shares in the foreseeable future.

5. Methodology

5.1 Criteria for assessment of fairness and reasonableness

In forming our opinion as to whether the SMC Takeover Offer by QGold is in the best interest of the shareholders of SMC, we have considered the following definitions of "fair" and "reasonable" outlined in RG 111 issued by the Australian Securities and Investments Commission.

- an offer is "fair" if the value of the offer price or consideration being offered is equal to or greater than the value of the securities that are the subject of the offer; and
- an offer is "reasonable" if it is fair, or where it is "not fair", it may still be "reasonable" after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

5.2 Under these definitions, the Takeover Offer for all of the ordinary shares in SMC would be considered fair and reasonable to the shareholders of SMC and in the best interests of all such shareholders if the cash consideration under the Takeover Offer is an amount that is equal to, or greater than, the assessed value of the ordinary shares in SMC being acquired via the Takeover Offer.

5.3 Valuation Methodology – SMC

In assessing the value of SMC we have considered a range of valuation methods. RG 111 states that it is appropriate for an independent expert to consider various methods of valuation. The valuation methodologies we have considered in determining a theoretical value of a SMC share are noted below.

5.3.1 Capitalisation of Future Maintainable Earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

5.3.2 Discounted Future Cash Flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5.3.3 Net Tangible Asset Value on a Going Concern Basis

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity, but do not take into account any realisation costs. Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

5.3.4 Quoted Market Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

5.3.5 Alternative Takeover Offer

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

6. Valuation of SMC Shares

6.1 Valuation Method Adopted for SMC

The preferred valuation method used to value the shares of SMC is the net asset value method although consideration has also been given to the share price at which SMC shares have transacted in the one month and three month period before the announcement of the Takeover Offer. In order to determine the net asset value of SMC, we have instructed an independent technical expert, Ravensgate specialising in the valuation of Mineral Assets to provide a range of values for SMC's Mineral Assets ("the Ravensgate Valuation Report"). The Ravensgate Valuation Report dated 27 June 2014 is appended to this report as Appendix B.

The valuation of a target should be based upon a 100% interest in that target which should include a premium for control.

We have not considered the FME and DCF methods as appropriate to value the shares of SMC due to the lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity.

It is possible that a potential bidder for SMC could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no other current bids in the market place (other than the bid by QGold), thus the use of this valuation method is not relevant for the purposes of this report. There is always the possibility of another bid emerging however to 29 June 2014 no other Takeover Offer has been made.

We set out in section 7.3 a summary of the fully paid share prices of SMC trading on ASX (on extremely low volumes) since July 2013.

6.2 Adjusted Net Asset Value of SMC Shares

We set out below SMC's unaudited net assets as at 31 May 2014 based on SMC being a going concern after allowing for administration and corporate costs in June 2014 of approximately \$75,000. The low, preferred and high valuation figures have been adjusted for the technical valuations of the mineral tenement interests (Mineral Assets") of the SMC Group as noted below. As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We have been advised that SMC has not been involved in any significant (material) transactions subsequent to 31 May 2014 not already referred to in this report or the Target's Statement.

| | Ref | Unaudited 31 May 2014 \$000 | Low Valuation \$000 | Preferred Valuation \$000 | High Valuation \$000 |
|--------------------------------------------|-------|-----------------------------------|---------------------------|---------------------------------|----------------------------|
| Current Assets | | | | | |
| Cash assets | 6.3.1 | 4,462 | 4,132 | 4,132 | 4,132 |
| Trade and other receivables | | 41 | 41 | 41 | 41 |
| Total Current Assets | | 4,503 | 4,173 | 4,173 | 4,173 |
| Non -Current Assets | | | | | |
| Plant and equipment | | 114 | 114 | 114 | 114 |
| Deferred exploration expenditure | 6.3.3 | 19,061 | 17,647 | 21,729 | 25,811 |
| Available for sale financial assets | | 60 | 60 | 60 | 60 |
| Security bonds | | 19 | 19 | 19 | 19 |
| Total Non Current Assets | | 19,254 | 17,840 | 21,922 | 26,004 |
| Total Assets | | 23,757 | 22,013 | 26,095 | 30,177 |
| Current Liabilities | | | | | |
| Trade and other payables | | 645 | 645 | 645 | 645 |
| Provisions | | 105 | 105 | 105 | 105 |
| Total Current Liabilities | | 750 | 750 | 750 | 750 |
| Total Liabilities | | 750 | 750 | 750 | 750 |
| Net Assets | | 23,007 | 21,263 | 25,345 | 29,427 |
| Shares on Issue: | | 825,173,328 | 875,173,328 | 825,173,328 | 875,173,328 |
| Value of a SMC Share (in cents) | | 2.79 | 2.43 | 3.07 | 3.36 |

The unaudited 31 May 2014 contributed equity (as adjusted) is disclosed at approximately \$47,418,000, accumulated losses are approximately at \$27,468,000, reserves approximate \$3,063,000 and non controlling interests of approximately \$6,000 with total net assets of approximately \$23,007,000. Thus the net asset (book value) backing per fully paid share as at 31 May 2014 was approximately 2.79 cents per share. On an adjusted fair value basis, the technical value of a SMC share may fall in the range of **2.43 cents to 3.36 cents with a preferred technical value of approximately 3.07 cents.**

The following further adjustments were made to the 31 May 2014 (as adjusted) unaudited consolidated statement of financial position (balance sheet) of SMC to arrive at the range of valuations.

- 6.2.1 The cash balance was reduced to reflect the forecasted administration and corporate expenses of approximately \$330,000 for the period 1 June 2014 to 31 August 2014 (includes \$100,000 relating to the Target Statement). It ignores the forecasted exploration expenditure on Woolgar of approximately \$535,000 (the drilling programme commencing in early July 2014) and approximately \$150,000 on other exploration areas of interest to 31 August 2014. These have been excluded as independent valuations have been obtained on the Mineral Assets of the SMC Group by Ravensgate in June 2014.
- 6.2.2 The investments in available for sale assets (investments in other ASX listed companies) has not been adjusted to account for the value of the investments as last traded on the ASX as at 27 June 2014. The difference in value is immaterial and fluctuates daily.
- 6.2.3 Deferred exploration expenditure is adjusted to reflect the values indicated by the Ravensgate Valuation Report. Ravensgate was commissioned by us in June 2014 to provide a market valuation of SMC's Mineral Assets in order to assist us in assessing the market value of SMC when considering the Takeover Offer by QGold. Ravensgate has provided three market indications as to the potential value of the Mineral Assets, which have been disclosed in the table above. Accordingly, the consolidated statement of financial position has been adjusted to reflect the valuation ranges.

The Ravensgate Valuation Report attached as Appendix B to this report should be read in its entirety.

- 6.2.4 There have not been any other material changes in the values of other assets.

6.2.5 We have used and relied on the Ravensgate Valuation Report on the SMC Mineral Assets and have satisfied ourselves that:

- Ravensgate is a suitable geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal author of the report, Sam Ulrich is suitably qualified and experienced);
- Ravensgate is independent from SMC (and QGold); and
- Ravensgate have employed sound and recognised methodologies in the preparation of the Ravensgate Valuation Report on the SMC Mineral Assets.

6.2.6 Ravensgate has ascribed a range of market values for the SMC Group's Mineral Assets as follows:

| | Low \$000's | Preferred \$000's | High \$000's |
|------------------------------|------------------------|------------------------------|-------------------------|
| Woolgar Mineral Resources | 15,288 | 18,195 | 21,102 |
| Woolgar Exploration Tenure | 2,327 | 3,471 | 4,614 |
| Reaphook (7.5%) | 7 | 13 | 20 |
| Mt Frome (10%) | 25 | 50 | 75 |
| Mineral Assets of SMC | 17,647 | 21,729 | 25,811 |

6.2.7 The above table indicates the technical net asset value of a SMC share is between 2.43 cents and 3.36 cents, with a preferred value of 3.07 cents per SMC share.

6.3 Quoted Market Price Basis – SMC Share Price

6.3.1 In addition to the adjusted net asset valuation of SMC shares in Section 6.2 of this report, we normally consider the quoted market price of a share where the shares are quoted.

We set out below a summary of the fully paid share prices of SMC trading on ASX (on extremely low volumes) since 1 July 2013 to 17 June 2014, the day before the announcement of the Takeover Offer by QGold.

| | High Cents | Low Cents | Last Sale Cents | Volume Trade (000's) |
|----------------------------------|-------------------|------------------|----------------------------|---------------------------------|
| July 2013 | 2.29 | 2.29 | 2.29 | 90 |
| August 2013 | 2.64 | 2.12 | 2.12 | 428 |
| September 2013 | 2.40 | 1.70 | 2.20 | 393 |
| October 2013 | 2.20 | 2.00 | 2.00 | 344 |
| November 2013 | 2.80 | 2.30 | 2.50 | 230 |
| December 2013 | 2.60 | 2.30 | 2.60 | 131 |
| January 2014 | 3.39 | 2.60 | 2.83 | 123 |
| February 2014 | 4.00 | 3.40 | 3.40 | 3,783 |
| March 2014 | 4.00 | 2.50 | 2.50 | 2,182 |
| April 2014 | 3.00 | 2.50 | 2.70 | 7,276 |
| May 2014 | 2.80 | 2.60 | 2.80 | 2,284 |
| June 2014 (to 17 th) | 2.80 | 2.60 | 2.80 | 710 |

- (i) On 28 March 2014, the Company announced the proposed 1 for 4 entitlements issue and on 10 April 2014, the Company released the Non-Renounceable Entitlements Issue Prospectus;
- (ii) On 29 April 2014, the Company released its Quarterly activity Report and Cash Flow Statement for the quarter ended 31 March 2014 (with positive news on the Woolgar Gold Project);
- (iii) Between 11 April 2014 and 13 May 2014, the interests associated with Christopher Wallin acquired 140,604,210 of which the vast majority were acquired as a shareholder under the 1 for 4 entitlements issue and under the underwriting obligation (63,882,235 shares via the underwriting obligation).

6.3.2 The volume of trades in SMC shares to January 2014 was extremely low and the share price was affected by relatively small volumes. Since March 2014, the volumes of trades increased but many trades were as a result of the interests of Christopher Wallin acquiring shares on market. However, SMC is a listed entity and it would be remiss not to refer to the share prices in evaluating the fairness of the proposed Takeover Offer by QGold. It is noted that the net book asset backing per share as at 31 May 2014 approximates 2.79 cents (but ignoring the technical range of values of the mineral interests).

6.3.3 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between SMC and other parties. We also note it is not the present intention of the directors of SMC to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical.

The shareholders, existing and future, must acquire shares in SMC based on the market perceptions of what the market considers a SMC share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for SMC shares and the market is kept fully informed of the activities of the Company. SMC's market capitalisation as at 31 May 2014 approximates the book net equity position of around \$23 million as at 31 May 2014.

6.3.4 The future value of an SMC share will depend upon, inter alia:

- * The successful exploitation of the current Mineral Assets of SMC;
- * The state of the gold, uranium and base metal markets (and prices) in Australia and overseas;
- * The cash position of the SMC Group;
- * The state of Australian and overseas stock markets;
- * Membership and control of the Board and management of SMC;
- * General economic conditions; and
- * Liquidity of shares in SMC.

6.4 Conclusion on the Value of SMC Shares

6.4.1 In Sections 6.2 and 7.3 of our report we have discussed the adjusted net asset value and quoted market prices of SMC shares trading on ASX (based on the last four months of trading to 17 June 2014). The last traded price on 17 June 2014 was 2.8 cents and the 10 day volume weighted average share price ("VWAP") to 17 June 2014 approximated 2.784 cents. These values are summarised below:

| | Low value per share Cents | Preferred value per share Cents | High value per share Cents |
|-----------------------------------------------------------------------|------------------------------|------------------------------------|-------------------------------|
| Adjusted Net Asset Value basis (preferred basis) (Section 6.2) | 2.43 | 3.07 | 3.36 |
| Quoted Market Price basis (cents) (Section 7.3) | 2.60 | 2.80 | 4.00 |
| On Market Bid by QGold | 3.50 | 3.50 | 3.50 |

In assessing the fair value of SMC and a SMC share pre the On Market Takeover Offer of 18 June 2014, we have selected the net assets at fair market values on a going concern methodology as the preferred methodology as:

- SMC does not currently generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 31 December 2013 and 2012. Therefore the capitalisation of future maintainable earnings is not yet appropriate;
- SMC although has potential future net cash inflows if the Woolgar Project is commercialised (some way off before this may occur as it will depend on obtaining commercial resources/reserves and obtaining development finance, none of which are certain at this point of time), the Company still needs to raise significant cash funds to enter into the development and commercialisation mode and therefore the Discounted Cash Flow methodology is not considered appropriate; and

- There is not a sufficient “Deep Market” of share trading in SMC. However we have used share prices as a secondary market valuation methodology.

6.4.2 **As stated at paragraph 6.2 we have assessed the preferred value of an SMC share (100% interest) on a net asset basis as adjusted and on a going concern basis as being approximately 3.07 cents (low, 2.43 cents and high, 3.36 cents).**

6.4.3 It is noted that control of SMC is already in the hands of QGold (refer paragraph 1.4 above) in that it controls approximately 55.25% of the issued capital of SMC as at 26 June 2014. It is our view, taking into account the current shareholding of the interests of Christopher Wallin, is that a premium for control of 25% may be the preferred premium for control (when viewing share prices of SMC as traded on ASX). A premium is not applied in the case of a net asset technical value as this valuation is based on a 100% interest in the Company as compared with an the ASX share prices for SMC that are on a minority interest basis.

If we applied a control premium of between 20% and 30% (generally premiums offered on takeovers for small cap mineral companies are in the range of 20% to 30% although premiums can be less or more), then based on a range of share prices of an SMC share between 1 May and to 17 June 2014 (the day before the announcement of the On market Takeover Offer) as traded on ASX but on relatively low volumes, the adjusted SMC share price to reflect the premium may be in the range of:

| | |
|-------------|---------------------------------------------------|
| 20% premium | 3.12 cents to 3.36 cents (preferred, 3.24 cents) |
| 30% premium | 3.38 cents to 3.64 cents (preferred, 3.51 cents) |
| 25% premium | 3.25 cents and 3.50 cents (preferred, 3.38 cents) |

The share prices between 1 May 2014 and 17 June 2014 were in the range of 2.60 cents and 2.80 cents with a mid- point value of 2.70 cents (all on low volumes).

However, it should be noted that our preferred methodology is not a market based methodology (as noted above) due to the thinness of trades in SMC shares as traded on ASX.

6.4.4 In assessing the reasonableness of the Takeover Offer by QGold, we have considered the share prices of SMC share transactions as a guide as to reasonableness or otherwise. However the number of shares transacted on market has been low and the prices are not necessarily indicative of a market price. It is considered more suitable to assess a target’s underlying technical value in assessing whether a Takeover Offer is fair and reasonable. Therefore, it is considered appropriate to use the adjusted net asset value for SMC, ranging from 2.43 cents to 3.36 cents per share, with a preferred value of 3.07 cents per share (for 100% of the Company). Some shareholders may consider that technical values are just that and that a market based approach is more suitable. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between SMC and other parties, including dealings with Christopher Wallin’s companies (in relation to capital raisings). We also note it is not the present intention of the Directors of SMC to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical.

6.4.5 The shareholders’, existing and future, must acquire or sell shares in SMC based on the market perceptions of what the market considers a SMC share to be worth. The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years. However we note that as the shares are illiquid, the interests of QGold already controls approximately 51.75% of the SMC shares, a reliable market value is not readily ascertainable.

7. Value and Fairness of Consideration Compared To Value of Assets Acquired

7.1 Value of Consideration Compared to Value of Assets Acquired

The value of the share consideration offered by QGold being 3.50 cents cash for every one SMC shares is compared below:

| | Section Ref | Low Cents | Preferred Cents | High Cents |
|-----------------------------------------------------------|-------------|-------------|-----------------|-------------|
| <u>Technical Valuation Method</u> | | | | |
| Value of Consideration for 1 SMC share | | 3.50 | 3.50 | 3.50 |
| Value of a SMC share on a technical net asset value basis | 7.2 | 2.43 | 3.07 | 3.36 |
| Premium payable by QGold (cents) | | 1.07 | 0.43 | 0.14 |
| Premium payable by QGold (percentage) | | 44.0 | 14.0 | 4.17 |

QGold is thus paying a premium for control based on the low, preferred and high technical values for a SMC share.

7.2 Fairness of Consideration Compared to Value of Assets Acquired

The above table indicates that the Takeover Offer by QGold at 3.50 cents each is greater than the assessed preferred technical fair value of a SMC share. Therefore the Takeover Offer for all of the shares in SMC is considered to be fair as at the date of this report.

8. Reasonableness of the Takeover Offer to SMC Shareholders

8.1 Under RG 111, an offer may be considered 'reasonable' if despite being 'not fair', sufficient reasons exist for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In considering the reasonableness of the Takeover Offer, we have considered, inter-alia the following factors:

- Significant shareholdings in SMC;
- Cash position of SMC;
- Liquidity of the market in SMC's securities;
- Risks associated with developing the mineral projects of SMC;
- Any special value of SMC to QGold; and
- The value to an alternative bidder and likelihood of an alternative offer being made for the shares in SMC.

We set out below some of the advantages and disadvantages and other factors pertaining to the proposed On Market Takeover of SMC as they apply to the shareholders of SMC.

Advantages

8.2 Shareholders who accept the offer have certainty that they will receive a fixed sum of 3.50 cents for every one share in SMC (Takeover Offer expires 22 August 2014 unless extended further by QGold but QGold may withdraw the Takeover Offer before such date). The shares in SMC are thinly traded and the ability to sell shares in SMC (particularly a large volume) would be difficult. Between 1 April 2014 and 17 June 2014, only 10,270,989 shares (out of over 825 million shares on issue) were traded in SMC on the ASX and a majority of these shares were acquisitions by the interests of Christopher Wallin.

8.3 The current shareholders (26 June 2014) of SMC, other than the interests associated with Christopher Wallin (QGold), hold approximately 44.25% (was approximately 48.25% as at 18 June 2014) of the shares in SMC. These shareholders individually have a very limited ability to influence the control and direction of the Company. The Takeover Offer may further increase Christopher Wallin/QGold's effective control, which may increase the risks associated with being a minority shareholder. Should Christopher Wallin/QGold increase its shareholding in SMC to over 90%, QGold will have the ability to compulsorily acquire the remaining shareholding which it does not already control or have an interest in.

- 8.4 The premium paid payable by QGold for the remaining shares in SMC (the subject of the On Market Takeover Offer) based on the closing share price as at 17 June 2014 as traded on ASX approximates 25% and based on the last 10 day VWAP to 17 June 2014, the premium approximates 25.72%. However, it is noted that pre-announcement of the Takeover Offer trades on ASX were extremely low with many trades initiated by the interests of Christopher Wallin.
- 8.5 We are informed by SMC that the Takeover Offer is the only proposed transaction before the Company. This Takeover Offer provides a SMC shareholder an option to exit their investment in SMC with no transaction costs such as commissions and will no longer be exposed with the ongoing risks of holding an investment in SMC.
- 8.6 SMC's main project being the Woolgar Gold Project is still some way from generating cash flows and are subject to numerous risks including, gold prices, exchange rates, increases in costs, financing, legal and environmental. Currently, the Woolgar Gold Project has no announced resources and is a long way off from any potential commercialisation. Estimated annual costs relating to Woolgar are \$1,000,000 and for a junior mineral exploration company, this commitment is significant and material. It is noted that the ability of junior exploration companies to raise cash funds over the past year or so is extremely difficult and no guarantee can take place that SMC could raise further capital at a price above the range of share prices as traded on ASX over the past few months.

It is noted that the interests of Christopher Wallin have been the only significant financial supporter of SMC over the past several years. Between March 2012 and May 2014, the interests of Christopher Wallin have increased their shareholding in SMC from around 200 million to around 427 million, most of this being by subscription to rights issues (1 for 6 in March 2013 at 3.2 cents each and 1 for 4 in March 2014 at 2.4 cents each) and as fulfilling underwriting obligations to both right issues. The total gross amount raised from the two rights issues approximated \$6,970,000 and the interests of Christopher Wallin subscribed for approximately \$5,807,000. Without the support of the interests of Christopher Wallin, the Company may not have survived as a going concern and could not have spent and would not have the ability to spend large sums of money on the Woolgar Gold Project.

- 8.7 The share price of an SMC share post the announcement of the Takeover Offer has traded on ASX in the range of 3.50 cents to 3.90 cents (between 18 June 2014 and 30 June 2014 with a last sale on 30 June 2015 of 3.50 cents). The share price rose from around 2.7/2.8 cents pre-announcement of the Takeover Offer and shareholders can sell shares on market at process above the 3.50 cents Takeover Offer price. However, in the absence of the Takeover Offer or after the Takeover Offer expires (currently planned for 22 August 2014 but may be extended), the share price may well fall to pre-announcement Takeover Offer levels. However, the Company will be undertaking a drilling programme on the Woolgar Gold Project commencing around 2 July 2014 and this is expected to take place over a 5 week period (before 22 August 2014). If drilling results are positive, the share price as traded on ASX may well continue to exceed the 3.50 cents Takeover Offer price (but also may well fall if drilling results are not as positive as the market expects).
- 8.8 The Takeover Offer of 3.50 cents cash per SMC share represents a premium of 0.43 cents (14%) to our preferred technical valuation of a SMC share of 3.07 cents. QGold is not paying a premium for control based on the fair asset value basis that includes valuing the Mineral Assets of SMC. Further details are outlined in section 7 of this report. On a technical basis of a SMC share, the Takeover Offer by QGold is considered fair.

It is also noted that based on a market price basis for SMC shares (not a preferred methodology for the reasons outlined above), QGold is paying close to the share price of an SMC share after taking into account a range of premium for controls of between 20% and 30%. The actual range of share premiums or discounts is 0.14 cents to 0.38 cents premium (using a 20% premium for control) and a discount of between 0.01 cents and 0.14 cents using a 30% premium for control or a premium of around 0.12 cents using a low share price since 1 May 2014. Using a 25% premium for control and based on a share price of an SMC share of 2.8 cents (refer paragraph 7.3 above), the Takeover Offer price would be 3.50 cents and this is the actual Takeover Offer price. The premium range would be between nil cents and 0.25 cents. All discounts/premiums in cents noted above are after applying a 20% to 30% premium for control to the share price of an SMC share as traded on ASX between 1 May 2014 and 17 June 2014 (on low volumes of trades).

Disadvantages

- 8.9 SMC shareholders will be selling their interest in a company that has mineral exploration targets that may have potential value in excess of the current market capitalisation of SMC. Thus by accepting the Takeover Offer, the SMC shareholders (other than the interests of Christopher Wallin) will have no exposure to any potential upside in the value of SMC.
- 8.10 Should the Takeover Offer be accepted, SMC shareholders will no longer hold any shares in SMC. Accordingly they will have no exposure to any improved offers that may be made in future by QGold or any other party.

Other Factors

- 8.11 The Australian tax consequences for SMC shareholders who accept the Takeover Offer for all of their shares in SMC will depend on a number of factors, including:
- whether the SMC shareholder holds their SMC shares on capital account, revenue account or as trading stock;
 - the nature of the SMC shareholder (i.e. individual, company, trust, complying superannuation fund); and
 - the tax residency status of the SMC shareholder (i.e. Australian resident or not).

Each SMC shareholder should seek their own independent tax advice on the consequences of accepting the Takeover Offer and receiving cash in exchange for SMC shares. For further information on the taxation position, please refer to Section 8 – Taxation Implications in the Bidders Statement.

- 8.12 There are other risks associated with the Takeover Offer and these are outlined in SMC Target's Statement Sections 4.9 to 4.11 that will continue to be applicable to SMC if the Takeover Offer is not successful or if current SMC shareholders remain as shareholders of SMC.
- 8.13 There is uncertainty that SMC could achieve the full underlying value for its assets in an orderly disposal of its assets. SMC is an exploration and mining company and is obliged to fulfil minimum mineral expenditure conditions in order to maintain the exploration leases/licences. We have been advised that exploration commitments on an annual basis, is around \$1,000,000 and this is a large cash outlay for a small junior exploration company such as SMC. The ability of small cap exploration companies such as SMC to raise capital on commercial terms is very limited.
- 8.14 There are inherent risks involved in SMC pursuing other transactions to seek to unlock the value in SMC shares, and there can be no guarantees that any alternative transaction will be pursued or that SMC will have sufficient financial and other resources to pursue alternative transactions. Any new financing arrangements may result in significant dilution for existing shareholders. Further capital raisings will need to be undertaken some time in the future and there is no certainty that funds can be raised on commercial terms that do not dilute existing shareholders interests.
- 8.15 There is unlikely in the short to medium term to be an alternative takeover offer by another party. In the event that QGold does not achieve a 100% shareholding interest in SMC, the remaining shareholders (other than the interests of Christopher Wallin/QGold will be locked in as minority shareholders with reduced combined voting power.

8.16 Conclusion as to the Reasonableness of the Takeover Offer

It is noted that ultimately the advantages of accepting the Takeover Offer noted in Section 8 of this report, arguably exceed the disadvantages, although the financial effects cannot be determined with any degree of certainty. In the absence of an alternative offer that is deemed to have value in excess of 3.50 cents, in our view the Takeover Offer is reasonable.

9. Conclusion as to Fairness and Reasonableness of the Takeover Offer

9.1 **We have considered the terms of the Takeover Offer as outlined in the body of this report and in the absence of an alternative offer that is deemed to have value in excess of 3.50 cents, have concluded that the Takeover Offer by QGold to offer 3.50 cents cash for each share in SMC is, on balance, fair and reasonable to the non associated shareholders of SMC at the date of this report.**

9.2 SIS's opinion should not be construed to represent a recommendation as to whether or not SMC shareholders should accept the Takeover Offer by QGold. Shareholders uncertain as to the impact of accepting the Takeover Offer should seek separate advice from their financial and/or taxation adviser. Shareholders should be aware that other offers may be made by other parties after the preparation of this report. The shareholders of SMC will need to compare the current Takeover Offer and consider whether any other offer(s) are more superior.

10. Shareholder Decision

10.1 Stantons International Securities has been engaged to prepare an independent expert's report setting out whether in its opinion the Takeover Offer is fair and reasonable and state reasons for that opinion. Stantons International Securities has not been engaged to provide a recommendation to shareholders in relation to the Takeover Offer. The responsibility for such a recommendation lies with the directors of SMC.

10.2 In any event, the decision whether to accept or reject the takeover Offer is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Takeover Offer, shareholders should consult their own professional adviser.

10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SMC. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the Takeover Offer. Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

11.1 In making our assessment as to whether the Takeover Offer to SMC shareholders by QGold is fair and reasonable to the non associated shareholders we have reviewed relevant published available information and other unpublished information of the Company which is relevant to the current circumstances. In addition, we have held discussions with the management of SMC about the present and future operations of SMC. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of SMC.

11.2 Information we have received includes, but is not limited to:

- * Discussions with management and directors of SMC;
- * Details of historical market trading of SMC in 2013 and to 30 June 2014;
- * Shareholding details of SMC as supplied by the Company's share registry as at 18 June 2014 and 26 June 2014;
- * Audited annual reports of SMC for the years ended 31 December 2012 and 2013;
- * Half year reports of SMC for the half year ended 30 June 2013;
- * Announcements made by SMC for the period from 1 January 2012 to 30 June 2014 (2.45 pm);
- * Bidder's Statement dated 18 June 2014 (and served on SMC on 18 June 2014) produced by QGold relating to the Takeover Offer for SMC and the First Supplementary Bidders Statement dated 20 June 2014;
- * Draft unaudited financial statements of SMC prepared by SMC management as at 31 May 2014;
- * The Ravensgate Valuation Report on the Mineral Assets of SMC dated 27 June 2014 and discussions with Ravensgate management;

- * Drafts of the Target's Statement prepared by SMC and its legal advisers in June 2014 (to 26 June 2014); and
- * Cash flows (actual) from 1 July 2014 to 30 June 2015 on a monthly basis for both SMC.

11.3 Our report includes Appendices A, our Financial Services Guide and Appendix B being the Ravensgate Valuation Report attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

A handwritten signature in black ink, appearing to read 'John P Van Dieren', followed by a long horizontal flourish.

John P Van Dieren- FCA
Director

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 30 June 2014, relating to the proposed Takeover Offer by QGold of 3.50 cents cash for all of the shares in SMC which it already does not own or is associated with on the Record Date as stated in the Bidder's Statement dated 18 June 2014 and served on SMC on 18 June 2014.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with SMC other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$25,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren or Martin Michalik have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities does not hold any securities in SMC or QGold. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr John Van Dieren and Mr Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (No 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren FCA and Mr Martin Michalik CA, the person's responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the independent Directors of SMC in order to assist the shareholders of SMC to assess the merits of the Takeover Offer to which this report relates. This report has been prepared for the benefit of SMC and those persons only who are entitled to receive a copy for the purposes of Section 640 of the Corporations Act and does not provide a general expression of Stantons International Securities opinion as to the longer term values of SMC and its subsidiaries and assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of SMC, its subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the Takeover Offer (refer Shareholder Decision section of our independent expert's report).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by SMC and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), SMC has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which SMC may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by SMC; and
- (b) to indemnify Stantons International against any claim arising (wholly or in part) from SMC or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of SMC or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to SMC directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE DATED 30 JUNE 2014

1. STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities (ABN 42 128 908 289 and AFSL Licence No 448697) (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about

whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (trades as Stantons International) may provide professional services, including audit, accounting, probity management, corporate and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

APPENDIX B

**RAVENSGATE CONSULTING GEOLOGIST TECHNICAL VALUATION REPORT
(RAVENSGATE VALUATION REPORT) ON THE SMC MINERAL ASSETS DATED 27
JUNE 2014**



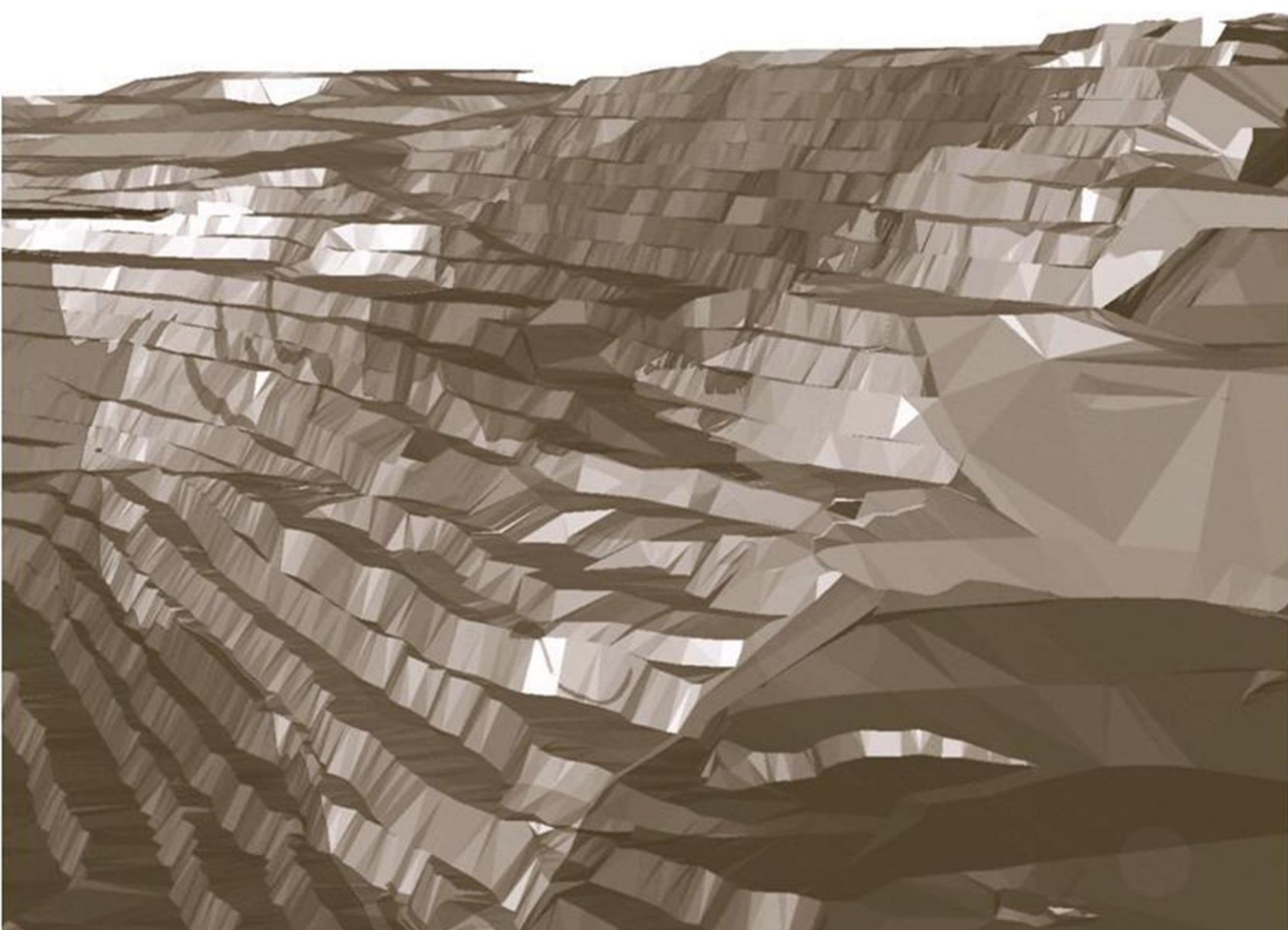
TECHNICAL PROJECT REVIEW

and

**INDEPENDENT VALUATION REPORT
STRATEGIC MINERALS CORPORATION N.L. - AUSTRALIAN
MINERAL ASSETS**

for

STANTONS INTERNATIONAL SECURITIES PTY LTD





TECHNICAL PROJECT REVIEW

and

INDEPENDENT VALUATION REPORT

**STRATEGIC MINERALS CORPORATION N.L. - AUSTRALIAN
MINERAL ASSETS**

for

STANTONS INTERNATIONAL SECURITIES PTY LTD

27 June 2014



TECHNICAL PROJECT REVIEW and INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

Stantons International Securities Pty Ltd

| | | | |
|-------------------|-------------------------------|--------------------------------|------------------------------------------------------------------------|
| Author(s): | Sam Ulrich | Principal Consultant | BSc (Hons) Geology, MAusIMM, MAIG, GDipAppFin, FFin |
| | Alan Hawkins | Principal Consultant | BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG, FSEG |
| | Don Maclean | Principal Consultant | MSc (Hons) Geol, MAIG, R.P. Geo (Mineral Exploration and Mining), MSEG |
| Reviewer: | Stephen Hyland | Principal Consultant, Director | BSc Geology, FAusIMM, CIMM, GAA, MAICD |
| Date: | 27 June 2014 | | |
| Copies: | Strategic Minerals Corp. N.L. | (2) | |
| | Ravensgate | (1) | |

Sam Ulrich
For and on behalf of:
RAVENSGATE

Alan Hawkins
For and on behalf of:
RAVENSGATE

Don Maclean
For and on behalf of:
RAVENSGATE

This report has been commissioned from and prepared by Ravensgate for the exclusive use of Stantons International Securities Pty Ltd. Each statement or opinion in this report is provided in response to a specific request from Stantons International Securities Pty Ltd to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading. Each statement or opinion contained within this report is based on information and data supplied by Strategic Minerals Corporation N.L. to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.



TABLE OF CONTENTS

| | | |
|-----------|------------------------------------------------------------------------|-----------|
| 1. | EXECUTIVE SUMMARY | 8 |
| 1.1 | Background..... | 8 |
| 1.2 | Project Review | 8 |
| 1.3 | Technical Valuation..... | 10 |
| 2. | INTRODUCTION | 12 |
| 2.1 | Terms of Reference..... | 12 |
| 2.2 | Tenement Status Verification..... | 12 |
| 2.3 | Site Investigation..... | 12 |
| 2.4 | Qualifications, Experience and Independence | 13 |
| 2.5 | Disclaimer | 14 |
| 2.6 | Consent | 15 |
| 2.7 | Principal Sources of Information | 15 |
| 2.8 | Competent Persons Statement | 15 |
| 2.9 | Background Information | 16 |
| 3. | WOOLGAR GOLD PROJECT | 17 |
| 3.1 | Introduction..... | 17 |
| | 3.1.1 <i>Project Location</i> | 17 |
| | 3.1.2 <i>Access</i> | 18 |
| | 3.1.3 <i>Supporting Infrastructure</i> | 18 |
| | 3.1.4 <i>Geopolitical Environment</i> | 18 |
| 3.2 | Ownership and Tenure | 18 |
| | 3.2.1 <i>Project Ownership and Relevant Interests</i> | 20 |
| | 3.2.2 <i>Agreements</i> | 20 |
| | 3.2.3 <i>Royalties and Taxes</i> | 20 |
| 3.3 | History | 20 |
| | 3.3.1 <i>Ownership History</i> | 20 |
| | 3.3.2 <i>Exploration History</i> | 20 |
| | 3.3.3 <i>Previous Mineral Resource Estimates</i> | 23 |
| | 3.3.4 <i>Previous Production</i> | 23 |
| 3.4 | Geological Setting | 23 |
| | 3.4.1 <i>Regional Geology and Mineralisation</i> | 23 |
| | 3.4.2 <i>Project Geology</i> | 24 |
| | 3.4.3 <i>Controls on Mineralisation</i> | 26 |
| 3.5 | Exploration Results and Potential..... | 30 |
| | 3.5.1 <i>Recent Exploration Activities</i> | 30 |
| | 3.5.2 <i>Exploration Potential</i> | 31 |
| | 3.5.3 <i>Constraints to Further Exploration Success</i> | 33 |
| 3.6 | Mineral Resources..... | 33 |
| | 3.6.1 <i>Drilling and Sampling Methods</i> | 35 |
| | 3.6.2 <i>Drill Hole Collar & Down hole Survey</i> | 36 |
| | 3.6.3 <i>Sampling, Assaying Data Handling and QA/QC</i> | 36 |
| | 3.6.4 <i>Geological Data Acquisition and Database Generation</i> | 38 |



| | | |
|-----------|---------------------------------------------------------------------------------|-----------|
| 3.6.5 | <i>Geological and Mineralisation Domain Interpretation and Continuity</i> | 38 |
| 3.6.6 | <i>Sample Geostatistics and Variography</i> | 40 |
| 3.6.7 | <i>Resource Modelling and Resource Estimation Methods</i> | 41 |
| 3.6.8 | <i>Resource Model Validation and Reconciliation</i> | 43 |
| 3.6.9 | <i>Resource Classification</i> | 43 |
| 3.6.10 | <i>Resource Estimation Risk Analysis</i> | 44 |
| 3.6.11 | <i>Conclusions</i> | 45 |
| 3.7 | Mining Studies | 45 |
| 3.7.1 | <i>Metallurgical Test Work</i> | 45 |
| 4. | REAPHOOK & MT FROME PROJECTS, SOUTH AUSTRALIA | 46 |
| 4.1 | Ownership and Tenure | 46 |
| 4.1.1 | <i>Project Ownership and Relevant Interests</i> | 46 |
| 4.1.2 | <i>Royalties and Taxes</i> | 46 |
| 5. | VALUATION | 48 |
| 5.1 | Introduction | 48 |
| 5.2 | Previous Mineral Asset Valuations..... | 50 |
| 5.3 | Material Agreements | 50 |
| 5.4 | Comparable Transactions..... | 51 |
| 5.4.1 | <i>Reported Market Transactions</i> | 51 |
| 5.4.2 | <i>Commodity Prices</i> | 63 |
| 5.5 | Mineral Asset Valuations | 64 |
| 5.5.1 | <i>Woolgar Gold Project, Queensland</i> | 64 |
| 5.5.2 | <i>Reaphook Project, South Australia</i> | 69 |
| 5.5.3 | <i>Mt Frome Project, South Australia</i> | 69 |
| 5.6 | Valuation Summary | 70 |
| 6. | REFERENCES | 71 |
| 7. | GLOSSARY | 73 |



LIST OF TABLES

| | | |
|----------|------------------------------------------------------------------------------------------------------------------------|----|
| Table 1 | Woolgar Project Mineral Resource Summary (JORC 2004) after Strategic 30 July 2013 | 9 |
| Table 2 | Summary Project Technical Valuation in Ownership Equity Percentage Terms..... | 11 |
| Table 3 | Woolgar Gold Project Tenement Details | 18 |
| Table 4 | Woolgar Gold Project: Exploration History | 22 |
| Table 5 | Woolgar Gold Project: Historical Mineral Resources: 1997 - 2012..... | 23 |
| Table 6 | Woolgar Project Mineral Resource Summary (JORC 2004) after Strategic 30 July 2013... | 34 |
| Table 7 | Reaphook Zinc Project Tenement Details | 46 |
| Table 8 | Mt Frome Project Tenement Details | 46 |
| Table 9 | Market Transactions Involving Gold Projects at the Exploration Stage in Queensland | 53 |
| Table 10 | Market Transactions Involving Gold Mineral Resources within Australia..... | 55 |
| Table 11 | Summary of Market Transactions Involving Gold Mineral Resources within Australia | 61 |
| Table 12 | Woolgar Mineral Resource Valuation Groups | 65 |
| Table 13 | Woolgar Project Mineral Resource Valuation..... | 66 |
| Table 14 | Tenement Type Value Ranges Breakdown..... | 67 |
| Table 15 | Comparable Transaction Valuation of Surrounding Woolgar Exploration Tenure and Mining Licences without resources | 69 |
| Table 16 | Valuation of the Reaphook Project..... | 69 |
| Table 17 | Valuation of the Mt Frome Project..... | 70 |
| Table 18 | Summary Project Technical Valuation in 100% Equity Terms..... | 70 |



LIST OF FIGURES

| | | |
|----------|------------------------------------------------------------------------------------------------------------------------------|----|
| Figure 1 | Location of the Woolgar Gold Project | 17 |
| Figure 2 | Strategic's Woolgar Gold Project Granted Tenements and Applications..... | 19 |
| Figure 3 | Woolgar Project Geology with Prospect Localities Indicated..... | 25 |
| Figure 4 | Distinct increase in mineralisation beneath previous low-grade intercepts at shallow levels, at Big Vein South | 27 |
| Figure 5 | Big Vein South long section showing gram x metre intersections increasing at depth. | 28 |
| Figure 6 | Distinct increase in mineralisation width beneath previous low-grade intercepts at shallow levels, at Big Vein Central | 29 |
| Figure 7 | Strategic's South Australian Free - carried Tenements | 47 |
| Figure 8 | Gold Five Year Monthly Average Price Chart to May 2014 | 63 |



1. EXECUTIVE SUMMARY

1.1 Background

Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate (Ravensgate) was commissioned by Stantons International Securities Pty Ltd (Stantons) and Strategic Minerals Corporation N.L. (Strategic) to provide a Technical Project Review on Strategic's Australian mineral assets and an Independent Technical Valuation over these assets. This Technical Project Review and Independent Valuation Report were prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by Stantons. The effective date of this Technical Project Review and Independent Valuation Report prepared by Ravensgate is the 24th of June 2014.

Strategic's mineral assets consist of three projects. The projects included in this report are listed below.

| <u>Mineral Asset</u> | <u>Strategic's Ownership %</u> |
|-----------------------------------|--------------------------------|
| Woolgar Project, Queensland | 100% |
| Reaphook Project, South Australia | 7.5% |
| Mt Frome Project, South Australia | 10% |

The Woolgar gold project is located ~365km west from Townsville and ~120km north of the town of Richmond in North Queensland, Australia.

1.2 Project Review

The Woolgar gold project in North Queensland has been explored by Strategic and various joint venture partners since the 1980's. The area has a history of prospector mining dating back to the 1880's with small scale production from various alluvial workings and shafts. Modern day exploration has mainly been focussed on the epithermal vein systems of Sandy Creek to the southeast of the project area and the Perseverance and Soapspar prospects to the north, with subsequent resources estimated for these areas. Strategic is currently targeting mesothermal gold structural trends containing historic mine workings in the west of the project area, testing the gold mineralisation within and adjacent to the Woolgar Fault zone. Ten priority prospects have been identified from the numerous prospects and occurrences along this trend. Drilling had been limited to the top 100m in the search for oxide resources, however more recently in 2013, deeper drilling has successfully identified broad high grade gold mineralisation below 100m depth at the Big Vein South prospect. Strategic plans to further test this new mineralisation which remains open at depth and along strike and apply findings to similar positions along the Woolgar Fault trend.

The most recent resource reported for the Woolgar project was reported as a JORC (2004) Resource in April 2013. A summary table of the resources for the various deposits is presented in Table 1. Ravensgate completed a high level review of the various resources for the project based on publically available information. Ravensgate did not review the source digital data or model estimates.

Ravensgate has elected to use the various resource estimates at Woolgar on *face value* in assisting with valuing the project. Ravensgate notes that many of the resources were not well publically documented and has some concerns with regards to estimation technique, classification, and material type reporting for some of the resource estimates. These considerations have been taken into account when selecting appropriate valuation ranges for the project's resources.



Table 1 Woolgar Project Mineral Resource Summary (JORC 2004) after Strategic 30 July 2013

| | Resources Estimated At Higher Cut-off Grades | | | | | Resources Estimated At Lower Cut-off Grades | | | |
|-----------------------------------------------|----------------------------------------------|--------------|-------------|----------------|--|---------------------------------------------|---------------|-------------|----------------|
| Classification | Cut-off Au g/t | Tonnes Kt | Grade (g/t) | Au (Oz) | | Cut-off | Tonnes Kt | Grade (g/t) | Au (Oz) |
| Big Vein South (Southern) Deposit | | | | | | | | | |
| Measured | 0.75 | 286 | 2.46 | 22,700 | | 0.75 | 286 | 2.46 | 22,700 |
| Indicated | 0.75 | 340 | 1.53 | 16,700 | | 0.75 | 340 | 1.53 | 16,700 |
| Inferred | 0.75 | 122 | 1.85 | 7,200 | | 0.75 | 122 | 1.85 | 7,200 |
| Subtotal | 0.75 | 748 | 1.94 | 46,600 | | 0.75 | 748 | 1.94 | 46,600 |
| Big Vein South (Central) Deposit | | | | | | | | | |
| Indicated | 0.75 | 50 | 2.09 | 3,400 | | 0.75 | 50 | 2.09 | 3,400 |
| Inferred | 0.75 | 51 | 1.56 | 2,600 | | 0.75 | 51 | 1.56 | 2,600 |
| Subtotal | 0.75 | 101 | 1.82 | 6,000 | | 0.75 | 101 | 1.82 | 6,000 |
| Big Vein #2 Deposit | | | | | | | | | |
| Indicated | 0.75 | 16 | 2.01 | 1,000 | | 0.75 | 16 | 2.01 | 1,000 |
| Inferred | 0.75 | 92 | 3.09 | 9,100 | | 0.75 | 92 | 3.09 | 9,100 |
| Subtotal | 0.75 | 108 | 2.93 | 10,100 | | 0.75 | 108 | 2.93 | 10,100 |
| Big Vein Deposit | | | | | | | | | |
| Inferred | 0.5 | 94 | 3.84 | 11,600 | | 0.5 | 94 | 3.84 | 11,600 |
| Subtotal | 0.5 | 94 | 3.84 | 11,600 | | 0.5 | 94 | 3.84 | 11,600 |
| Soapspar Deposit | | | | | | | | | |
| Measured | | | | | | 0.4 | 1,667 | 0.91 | 48,800 |
| Indicated | | | | | | 0.4 | 1,175 | 0.90 | 34,000 |
| Inferred | | | | | | 0.4 | 472 | 0.82 | 12,400 |
| Subtotal | | | | | | 0.4 | 3,314 | 0.89 | 95,200 |
| Lost World Deposit | | | | | | | | | |
| Measured | 0.8 | 4,357 | 1.43 | 200,300 | | 0.4 | 11,182 | 0.90 | 323,600 |
| Indicated | 0.8 | 722 | 1.36 | 31,500 | | 0.4 | 2,392 | 0.80 | 61,500 |
| Inferred | 0.8 | 574 | 1.23 | 22,700 | | 0.4 | 2,413 | 0.73 | 56,600 |
| Subtotal | 0.8 | 5,653 | 1.40 | 254,500 | | 0.4 | 15,987 | 0.86 | 441,700 |
| Grand Central & Camp Vein Deposits | | | | | | | | | |
| Indicated | | | | | | 0.4 | 2,157 | 1.18 | 81,600 |
| Inferred | | | | | | 0.4 | 607 | 1.02 | 19,700 |



| Table 1 Woolgar Project Mineral Resource Summary (JORC 2004) after Strategic 30 July 2013 | | | | | | | | | |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------------|--------------------|----------------|--|----------------------------------------------------|------------------|--------------------|----------------|
| | Resources Estimated At Higher Cut-off Grades | | | | | Resources Estimated At Lower Cut-off Grades | | | |
| Classification | Cut-off Au g/t | Tonnes Kt | Grade (g/t) | Au (Oz) | | Cut-off | Tonnes Kt | Grade (g/t) | Au (Oz) |
| Subtotal | | | | | | 0.4 | 2,764 | 1.14 | 101,300 |
| Explorer Deposit | | | | | | | | | |
| Measured | 1.0 | 395 | 3.68 | 46,800 | | 0.5 | 884 | 2.04 | 58,000 |
| Indicated | 1.0 | 149 | 2.10 | 10,000 | | 0.5 | 460 | 1.14 | 16,900 |
| Inferred | 1.0 | 30 | 1.97 | 1,900 | | 0.5 | 107 | 1.02 | 3,500 |
| Subtotal | 1.0 | 574 | 3.18 | 58,700 | | 0.5 | 1,451 | 1.68 | 78,400 |
| Explorer South Deposit | | | | | | | | | |
| Inferred | 1.0 | 321 | 1.41 | 14,600 | | 0.5 | 1,516 | 0.88 | 42,900 |
| Subtotal | 1.0 | 321 | 1.41 | 14,600 | | 0.5 | 1,516 | 0.88 | 42,900 |
| Shanghai & Finn Deposits | | | | | | | | | |
| Indicated | 0.8 | 104 | 3.29 | 11,000 | | 0.8 | 104 | 3.29 | 11,000 |
| Inferred | 0.8 | 29 | 3.44 | 3,200 | | 0.8 | 29 | 3.44 | 3,200 |
| Subtotal | 0.8 | 133 | 3.33 | 14,200 | | 0.8 | 133 | 3.33 | 14,200 |
| | | | | | | | | | |
| TOTAL | | 7,732 | 1.67 | 416,300 | | | 26,216 | 1.12 | 848,000 |

1.3 Technical Valuation

The valuation presented in this report was completed on behalf of Stantons. The valuation has been completed with information provided by and with the full support of Strategic. The applicable valuation date is 24 June 2014. The projects can be classified as Exploration Area and Advanced Exploration Area Mineral Assets. Mineral Resources as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) have been reported for the Woolgar project (Table 1).

Ravensgate carried out a site visit to the Woolgar project in producing this report from the 22nd to 25th June 2014. As part of the site visit Ravensgate completed a review of the project technical aspects, including previous work, geology, planned exploration and exploration potential in order to assist in the valuation. Ravensgate is of the opinion that on limited review, the site visit reasonably covered all significant areas for the purposes of this report. Ravensgate did not visit the Reaphook or Mt Frome projects and is satisfied that there is sufficient current information available to allow an informed appraisal to be made of these projects. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to these project areas at this stage.

To derive appropriate values for the various exploration tenements Ravensgate reviewed the exploration data and prospectivity for the various licences. The preferred value for each range was based upon a review of the prospectivity of each licence and the number and quality of exploration targets on each licence as described in Section 3. To derive the



valuations for the mineral resources, Ravensgate reviewed the resources and the values assigned reflect the confidence, grade and potential of the mineral resources.

Ravensgate has concluded that Strategic's Australian projects are of merit (although at varying stages of exploration and subsequent Mineral Asset classification), and worthy of further exploration. A summary of the projects valuation in ownership equity percentage terms is provided in Table 2. The applicable valuation date is 24 June 2014 and is derived from using the Comparable Transactions valuation method. The value of the Australian projects is considered to lie in a range from \$17.647M to \$25.811M; within this range Ravensgate has selected a preferred value of \$21.729M. As the technical valuation is based on comparable market transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).

| Table 2 Summary Project Technical Valuation in Ownership Equity Percentage Terms | | | | | | |
|-----------------------------------------------------------------------------------------|---------------------------|----------------|----------------------|---------------|---------------|---------------|
| Project | Mineral Asset | Equity % | Area km ² | Valuation | | |
| | | | | Low \$M | Preferred \$M | High \$M |
| Woolgar Mineral Resources | Advanced Exploration Area | 100% | NA | 15.288 | 18.195 | 21.102 |
| Woolgar Exploration Tenure | Exploration Area | 100% | 505 | 2.327 | 3.471 | 4.614 |
| Reaphook | Exploration Area | 7.5% | 88 | 0.007 | 0.013 | 0.020 |
| Mt Frome | Exploration Area | 10% | 249 | 0.025 | 0.050 | 0.075 |
| TOTAL | Various | Various | NA | 17.647 | 21.729 | 25.811 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.



2. INTRODUCTION

The objective of this report is to firstly provide a Technical Project Review of Strategic Mineral Corporation N.L.'s (Strategic) Australian projects. The second objective of this report is to provide a market valuation and technical assessment of these projects prepared in accordance with the guidelines of the VALMIN Code. The work has been commissioned by Stantons International Securities Pty Ltd (Stantons) and Strategic. The Independent Expert's Report (IER) will be included in Stantons' Target Statement.

This report does not provide a valuation of Strategic as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (24 June 2014). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005. The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Technical Project Review and Independent Technical Valuation report has been compiled based on information available up to and including the date of this report.

2.1 Terms of Reference

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by Stantons International Securities Pty Ltd (Stantons) and Strategic Minerals Corporation N.L. (Strategic) to provide an Independent Technical Project Review and Independent Technical Valuation on Strategic's Australian mineral assets.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition (JORC Code).

2.2 Tenement Status Verification

Ravensgate has not independently verified the status of all the tenements that are referred to in this report as set out in Sections 3.2 and 4.1 of this report. This is a matter for independent legal or tenement experts. Strategic commissioned an independent review of Strategic's tenement status. Tenement specialist Hetherington Exploration & Mining Title Services (QLD) Pty Ltd (Hetherington) completed this review and did not identify any material issues that would impact on Ravensgate's valuation.

Ravensgate is satisfied, based on Hetherington's review, that the tenements are in good standing and the values assigned to the tenements correctly reflect Strategic's ownership.

2.3 Site Investigation

Ravensgate carried out a site visit to the Woolgar project in producing this report from the 22nd to 25th June 2014 (Appendix A). As part of the site visit Ravensgate completed a review of the project technical aspects, including previous work, geology, planned exploration and exploration potential in order to assist in the valuation. Ravensgate is of the opinion that on limited review, the site visit reasonably covered all significant areas for the purposes of this report. Ravensgate did not visit the Reaphook or Mt Frome projects and is satisfied that there is sufficient current information available to allow an informed appraisal to be made of these projects. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to these project areas at this stage.



2.4 Qualifications, Experience and Independence

Ravensgate is an internationally recognised and respected minerals industry consultancy that has been serving the industry with excellence since 1997. Ravensgate provides world class technical expertise to the mining and resource sector globally. The company has worked for major clients globally, such as Freeport at Grasberg Mine, Ok Tedi Gold Mine in Papua New Guinea, Goldfields and Newmont in Ghana and many junior resource companies which are ASX (Australian Stock Exchange), TSX (Toronto Stock Exchange) or AIM (London Stock Exchange) listed. Ravensgate has focused upon providing resource estimations, valuations, independent technical documentation and has been involved in the preparation of Independent Reports for Canadian, Australian and United Kingdom companies.

Author: Sam Ulrich, Principal Consultant, BSc (Hons) Geology, GDipAppFin, MAusIMM, MAIG, FFin.

Sam Ulrich is a geologist with over 19 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Co-Author: Alan Hawkins, Principal Consultant, BSc (Hons) Geology, MSc Ore Deposit Geology, MAIG, FSEG

Alan Hawkins is a geologist with over 18 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams.

Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz Au Westside deposit, where he also worked as a resource modelling geologist before joining Newmont's regional exploration team in 2002. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.



Co-Author: Don Maclean, Principal Consultant and Director (NZ), MSc (Hons) Geology, MAIG, R.P Geo (Mineral Exploration and Mining), MSEG

Don Maclean is a geologist with more than 19 years' experience in the minerals industry. Don has worked in a number of different geological environments in Australasia, Africa, Central and Southeast Asia and Europe. He has a broad skill base, having worked in regional and near mine exploration, resource development and estimation, open pit and underground geology as well as in senior global management roles.

Don holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Peer Reviewer: Stephen Hyland, Principal Consultant and Director, BSc Geology, FAusIMM, CIMM, GAA, MAICD.

Stephen Hyland has had extensive experience of over 25 years in exploration geology and resource modelling and has worked extensively within Australia as well as offshore in Africa, Eastern and Western Europe, Central and South East Asia, modelling base metals, gold, precious metals and industrial minerals. Stephen's extensive resource modelling experience commenced whilst working with Eagle Mining Corporation NL in the diverse and complex Yandal Gold Province where for three and half years he was their Principal Resource Geologist. The majority of his time there was spent developing the historically successful Nimary Mine. He also assisted the regional exploration group with preliminary resource assessment of Eagle's numerous exploration and mining leases. Since 1997, Stephen has been a full time consultant with the mining industry consulting firm Ravensgate where he is responsible for all geological modelling and reviews, mineral deposit evaluation, computational modelling, resource estimation, resource reporting for ASX / JORC and other regulatory compliance areas. Primarily, Stephen specialises in Geological and resource block modelling generally with the widely used MEDSystem / MineSight® 3D mine-evaluation and design software. Stephen Hyland holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

2.5 Disclaimer

The authors of this report, and Ravensgate, have no prior association with Strategic in regard to the mineral assets and have no interest in the outcome of the technical assessment.

Ravensgate is independent of Strategic, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for review work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of \$35,000 to \$40,000.

The relationship with Strategic is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of Strategic or any group, holding or associated companies of Strategic.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional



relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the valuation date. The statements and opinions are based on the reference date of 24 June 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.6 Consent

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment is provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

2.7 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by Strategic and their partners or consultants, publically available information such as ASX releases, government reports and discussions with Strategic's technical and corporate management personnel. With the consent of Strategic, the report sections describing the geology, historical exploration and current exploration have been reproduced from their reports. A listing of the principal sources of information is included in the references attached to this report. The majority of the data and reports made available to Ravensgate for this technical review and valuation were in hardcopy format. A number of the historic mineral resource estimation reports were only made available on the last day during the preparation of this report. Had Ravensgate received these reports at the beginning of the review, a more comprehensive review could have been carried out.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Strategic prior to finalisation by Ravensgate, requesting that Strategic identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

2.8 Competent Persons Statement

The information in this report to which this statement is attached that relates to Exploration Targets or Exploration Results (Section 3.5) is based on information compiled by Alistair Grahame, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Grahame is a full-time employee of Strategic Mineral Corporation N.L. Mr Grahame has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Grahame consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that refers to the Woolgar mineral resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported (30 July 2013).

The information in the report to which this statement is attached that relates to Mineral Resources (Section 3.6) is based on information compiled by Kevin Richter, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Richter is a consultant retained by Strategic Mineral Corporation N.L. Mr Richter has sufficient experience that is relevant to the style of mineralisation and type of deposit under



consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Richter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

2.9 Background Information

The project discussed in this report is located in north Queensland Australia. A locality map of the project is presented in Figure 1 in Section 3.1.1, with a summary of the Woolgar Gold Project tenement details listed in Section 3.2. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the tenements held by Strategic are held in good standing. A brief overview of the project is outlined in Section 3. The Independent Valuation of the projects is outlined in Section 5.

Strategic also holds a 7.5% and 10% free carried interest in the Reaphook Zinc Project and the Mt Frome Project, respectively, located in South Australia. Due to the minor interest that Strategic holds, Ravensgate has only presented limited detail (tenement standing and location) on these projects in this report in Section 4, as these projects are non-core to Strategic and contribute a small portion of the total valuation.



3. WOOLGAR GOLD PROJECT

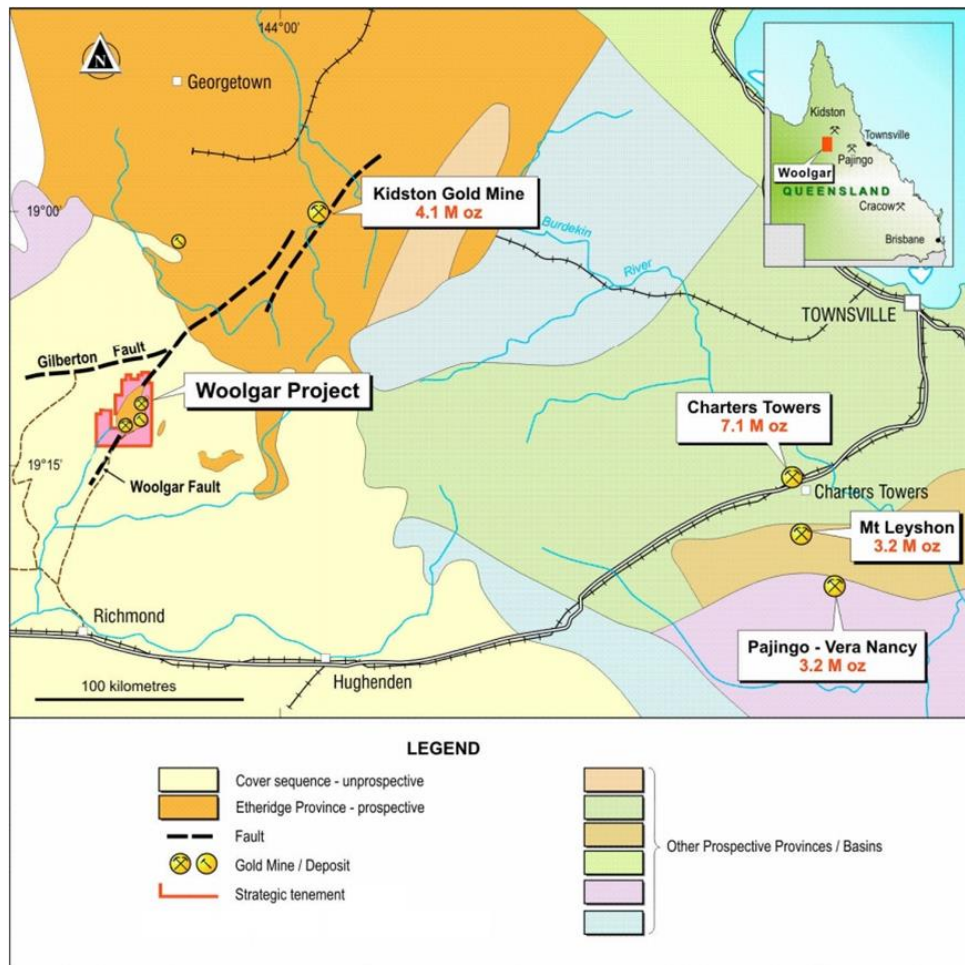
3.1 Introduction

The Woolgar gold project in North Queensland has been explored by Strategic and various joint venture partners since the 1980's. The area has a history of prospector mining dating back to the 1880's with small scale production from various alluvial workings and shafts. Modern day exploration has mainly been focussed on the epithermal vein systems of Sandy Creek to the southeast of the project area and the Perseverance and Soapspar prospects to the north, with subsequent resources estimated for these areas. Strategic is currently targeting mesothermal gold structural trends containing past mine workings to the west of the project area, testing the gold mineralisation within and adjacent to the Woolgar Fault zone. Ten priority prospects have been identified from the numerous prospects along this trend. Drilling had been limited to the top 100m in the search for oxide resources, however more recently in 2013, deeper drilling has successfully identified broad high grade gold mineralisation below 100m at the Big Vein South prospect. Strategic plans to further test this new mineralisation which remains open at depth and along strike and apply findings to similar positions along the Woolgar Fault trend.

3.1.1 Project Location

The Woolgar gold project is located ~365km west from Townsville and ~120km north of the town of Richmond in North Queensland, Australia (Figure 1).

Figure 1 Location of the Woolgar Gold Project





3.1.2 Access

Access to the Woolgar gold project is via the Flinders Highway to Richmond. From Richmond follow the main street (Goldring Street) northwest onto the sealed road heading to Croyden, then approximately 20km along turn right onto the dirt road to Woolgar. This is a good dirt road for most of the way, however a four wheel drive vehicle is recommended, although in wet weather the road should be avoided. No activity can be undertaken during periods of significant rain (such as the wet season) due to black soil plains and creek wash outs. After the wet season significant road works are usually needed to re-gain access to the EPM areas (Richter, 2013).

3.1.3 Supporting Infrastructure

Infrastructure at the project location is minimal consisting of an exploration camp and associated storage sheds for exploration activities.

3.1.4 Geopolitical Environment

Australia is a politically stable, liberal democracy. According to the IntierraRMG website, Political, Security and Terrorism ratings are all categorised as low risk, with Operational rating categorised as insignificant risk.

3.2 Ownership and Tenure

The Woolgar gold project comprises eight mining licences which contain the majority of the historical resources at the project and five exploration licences that form a contiguous package (with minor gaps due to reductions) around the mining licences. The Woolgar gold project tenements cover an area of 533.86km². A new mining licence was applied for on the 9th November 2012 covering the strike of the Woolgar Fault from Mowbray NE to Big Vein South. The licence which will be referred to as *North Star* has yet to be granted. Tenement details are presented below in Table 3 and spatially in Figure 2.

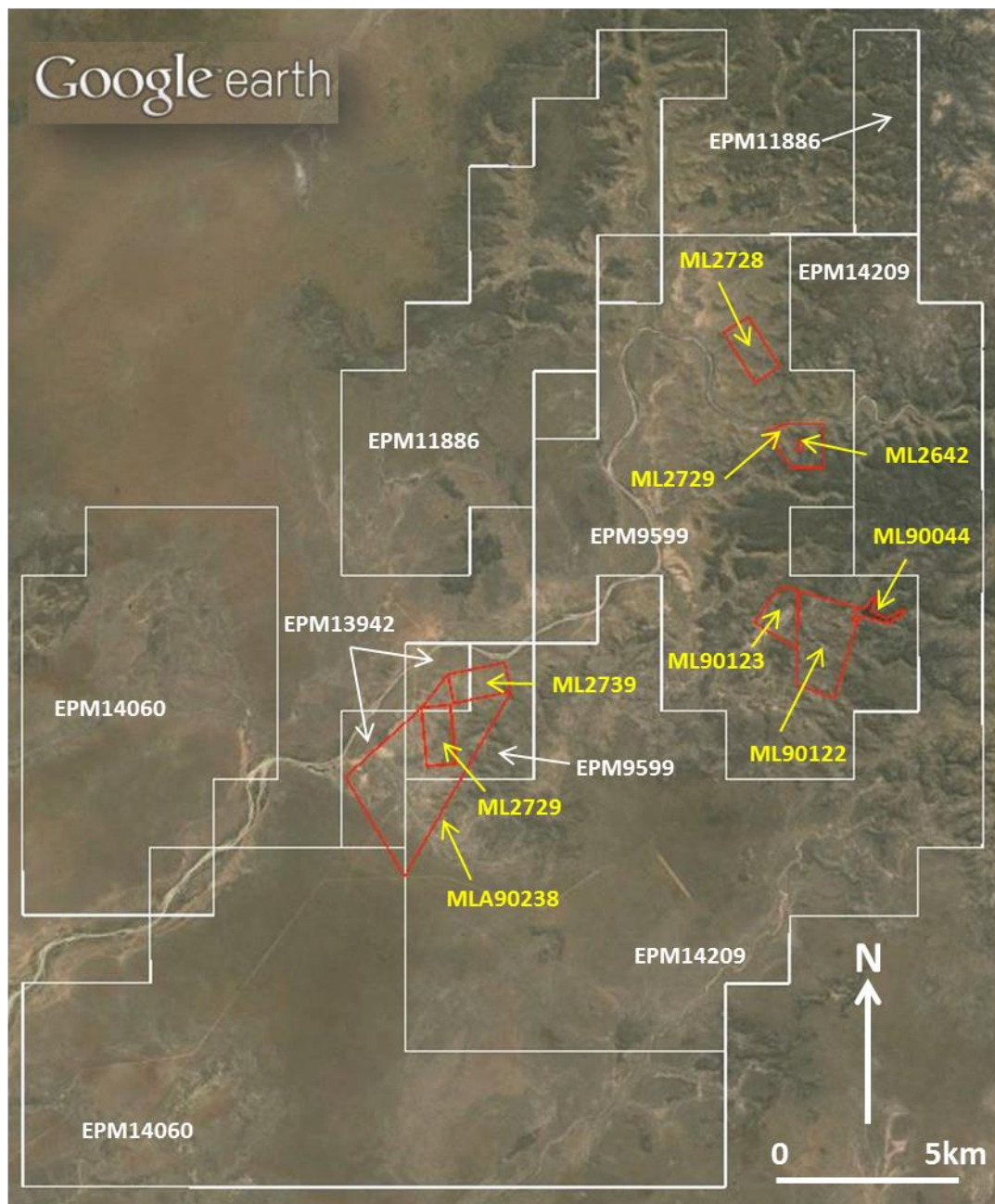
Table 3 Woolgar Gold Project Tenement Details

| Exploration Licence | Area (km ²) | Grant Date | Expiry Date | Owner and Equity |
|---------------------|-------------------------|------------|-------------|--------------------------------------------|
| EPM 9599 | 103.4 | 02/09/1993 | 1/09/2017 | Strategic Minerals Corporation N.L. (100%) |
| EPM 11886 | 74.4 | 21/04/2004 | 20/04/2016 | Strategic Minerals Corporation N.L. (100%) |
| EPM 13942 | 9.7 | 9/11/2006 | 8/11/2016 | Strategic Minerals Corporation N.L. (100%) |
| EPM 14060 | 177.7 | 21/04/2004 | 20/04/2016 | Strategic Minerals Corporation N.L. (100%) |
| EPM 14209 | 158.3 | 21/04/2004 | 20/04/16 | Strategic Minerals Corporation N.L. (100%) |
| ML2728 | 1.28 | 25/05/1989 | 31/08/2029 | Strategic Minerals Corporation N.L. (100%) |
| ML2729 | 1.26 | 25/05/1989 | 31/08/2029 | Strategic Minerals Corporation N.L. (100%) |
| ML2739 | 1.28 | 25/05/1989 | 31/08/2029 | Strategic Minerals Corporation N.L. (100%) |
| ML2642 | 0.04 | 31/01/1974 | 31/08/2029 | Strategic Minerals Corporation N.L. (100%) |
| ML2793 | 1.45 | 8/08/1991 | 31/08/2029 | Strategic Minerals Corporation N.L. (100%) |
| ML90044 | 0.29 | 27/04/1995 | 30/04/2016 | Strategic Minerals Corporation N.L. (100%) |
| ML90122 | 3.51 | 2/09/2004 | 30/09/2029 | Strategic Minerals Corporation N.L. (100%) |



| Exploration Licence | Area (km ²) | Grant Date | Expiry Date | Owner and Equity |
|---------------------|-------------------------|------------|--------------|--------------------------------------------|
| ML90123 | 1.25 | 23/11/2004 | 30/11/2029 | Strategic Minerals Corporation N.L. (100%) |
| MLA90238 | 8.75 | 9/11/2012* | *Application | Strategic Minerals Corporation N.L. (100%) |

Figure 2 Strategic's Woolgar Gold Project Granted Tenements and Applications





3.2.1 Project Ownership and Relevant Interests

The tenements of the Woolgar gold project are 100% owned by Strategic.

3.2.2 Agreements

During 2007, a subsidiary company of Strategic, Alpha Uranium Limited, was established as a new and independently funded company to be dedicated to identifying and exploring the uranium projects acquired by Strategic (described above). Alpha Uranium Limited lodged a prospectus with ASIC in August 2007 to raise \$10,000,000 via an Initial Public Offering for quotation on the ASX, with Strategic retaining a major interest in Alpha. The agreement was to allow for the exploration and assessment of the uranium potential of the Queensland and South Australian tenements, while Strategic could remain focused on developing its gold assets at Woolgar. Alpha's principal project is the Uranium rights to Strategic's Woolgar tenements, which were the focus of previous uranium exploration by other companies between 1977 and 1982 (refer to section 3.3.2). Investor interest in Uranium IPO's declined commensurate with the lack of liquidity on the market, and the Alpha offering was not fully subscribed. The IPO successfully raised over \$3.4 million of the minimum subscription sought; however market sentiment toward uranium projects declined and the Directors elected to withdraw the IPO until market conditions were more favourable.

Strategic retains 100% ownership of its uranium assets through its subsidiary Alpha, and intends to conduct further exploration programs over the tenements in the future.

3.2.3 Royalties and Taxes

There are no royalties or taxes associated with the tenements of the Woolgar gold project.

3.3 History

Gold was first reported in the Woolgar area in 1879. Alluvial and small scale reef mining was in progress from the 1880's to 1889. The main producers were the Perseverance, Try Again, Soap spar, Mowbray, Roman Crown, Blue Jacket and Aurora Mines (Bartsch, 2000). The vein system in the Lower Camp area of the Woolgar gold project was first reported to have been worked by prospectors from 1882 to 1883. The vein system was later recorded in 1933, as Big Reef, when it was worked by Sibley and Party (Veale, 2012). These prospectors sunk a shaft to 8m where a 2m wide gold mineralised reef was intersected.

3.3.1 Ownership History

Refer to the following section for ownership history.

3.3.2 Exploration History

In 1969, Kennecott Exploration Australia Ltd carried out stream geochemical surveys for copper. During 1973-74, Auric Minerals Exploration N.L. conducted drilling for gold at Soap spar.

Uranium mineralisation was discovered at Woolgar from 1977 to 1982. Past Uranium exploration in the region by Central Coast Exploration, Esso Exploration NL, and AFEMCO recorded ore grade rock chip and drill intercepts. Uranium mineralisation was initially identified near the Perseverance - Shamrock gold mines. Abundant green and yellow uranium phosphate ochres were noted at surface, where outcrop sampling returned spot rock chip assays to 6,800ppm U₃O₈ (0.68%) and drilling conducted by ESSO returned a best result of 6m @ 0.25% eU₃O₈. Following the initial discovery of Uranium at Perseverance, broader regional exploration was conducted over numerous tenements in the Woolgar project area. Initial airborne surveys identified 22 radiometric anomalies.

During 1982-84, Sovereign Mining Pty Ltd explored for gold in the Soap spa area. Since 1986, the area has been explored for gold by Strategic, often in association with a joint venture partner, primarily focussing on the epithermal mineralisation of the Sandy Creek area, exploring and advancing prospects such as Explorer, Lost World, Shanghai and Grand Central,



as well as Soapstar and Perseverance to the north. These joint venture partners included Billiton / Central Coast Exploration (1986-88), Battle Mountain Gold Company (1994), Pacific Energy Ltd (1998-9), Barrick (2003) and Oxiana (2006), with varying amounts of drilling and geophysical surveying being carried out during this time.

Although Strategic had drilled three holes over the area that hosts the Big Vein mineralisation in 1997, the area was not drilled again until the Oxiana JV, where a further four holes were drilled. In 2008, Strategic explored the project on a 100% basis where the focus turned to the mesothermal mineralisation of the 18km long Woolgar fault trend.

Drilling was not followed up until 2010, after a mapping and soil sampling program, carried out by Strategic indicated the area to be a prime target area. Eleven holes were drilled on the prospect in 2010 by Strategic and then a further 45 holes drilled in 2011. This drilling showed that a portion of the mineralisation was wider than 30m. An initial resource was declared after the 2011 drilling, and the Company decided to drill further holes at the prospect in 2012.

A large proportion of the 2012 drilling program was directed to this prospect to further define and expand the resource. The Strategic drilling in 2012, concentrated upon infill and along strike, and some down dip drilling of the identified gold mineralisation.

Table 4 outlines the exploration history for this subsequent period.



| Table 4 Woolgar Gold Project: Exploration History | | |
|----------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Year | Company | Findings |
| 2008 | Strategic Minerals Corporation | <p>Rock chip sampling focused on the Mowbray NE area returning assays up to 12.9g/t Au. A 100m line spaced soil sampling survey defining a gold anomalous area with a peak of 0.52ppm Au, over a large aeromagnetic anomaly.</p> <p>Eleven RC holes were drilled at Big Vein, Big Vein #2, Mowbray and Mowbray NE for 765m. 5m @ 39.3 g/t Au was intersected in the first hole at Big Vein, from 40m down hole. Intersections at Big Vein #2 included 12m @ 2.63g/t Au and 5m @ 1.32g/t Au.</p> |
| 2009 | Strategic Minerals Corporation | <p>Sixteen RC holes for 1,148m were drilled at Big Vein, Big Vein #2, Big Vein South and Mowbray NE. Intersections at Big Vein returned 10m @ 5.14g/t Au and 7m @ 2.45g/t Au. Mowbray NE returned 17m @ 1.34g/t Au.</p> |
| 2010 | Strategic Minerals Corporation | <p>35 RC holes for 2,700m were drilled at Big Vein #2 and Big Vein South. Intersections at Big Vein included 8m @ 28.2g/t Au and 2m @ 13.6g/t Au. Mapping and paragenetic geology studies of the historical Woolgar workings area. Rock chip sampling and Soil sampling surveys.</p> |
| 2011 | Strategic Minerals Corporation | <p>106 holes for 8,363m were drilled Big Vein South, Big Vein #2 and the Middle / Upper Camp prospects. Significant intersections at Brien Shear in the Middle Camp included 5m @ 1.14 g/t Au from 46 to 51m down hole, 10m @ 1.4 g/t Au (including 3m @ 3.49g/t Au) from 24 to 34m down hole, 2m @ 11.2 g/t Au, from 16 to 18m. Mapping and soil sampling was also carried out along the Woolgar Fault Zone.</p> |
| 2012 | Strategic Minerals Corporation | <p>133 holes for 8,770m were drilled at Big Vein South, Big Vein #2 and the Middle / Upper Camp prospects.</p> <p>The drilling focussed upon extending on the results of the 2010 and 2011 drilling programs. It was designed to further delineate and extend on the resources previously identified. The objective being, to locate sufficient near surface resource potential within the mesothermal zones, to help advance the project towards mining feasibility stage.</p> <p>The holes drilled from north to south comprised of;</p> <p>MCRC Series (Middle Camp):</p> <p>Union South (6 holes), Brien Shear North (1 hole), Brien Shear (6 holes), Brien Shear South (5 holes), Belle Brandon (6 holes)</p> <p>LCRC Series (Lower Camp):</p> <p>Mowbray NE (2 holes), Big Vein North (5 holes), Big Vein (10 holes), Big Vein 2 (12 holes), Big Vein South (80 holes)</p> <p>Intersections at Big Vein South included 17m @ 3.33g/t Au (inc 4m @ 11.9g/t Au), 13m @ 1.48g/t Au from surface and 27m @ 4.85g/t Au for 48 to 75m.</p> |
| 2013 | Strategic Minerals Corporation | <p>Details of the 2013 exploration campaign and drill results are shown in section 3.5.1.</p> <p>Further soil sampling and mapping was also carried out.</p> |



3.3.3 Previous Mineral Resource Estimates

Previous historical mineral resource estimates have been tabulated below in Table 5.

| Prepared by | Tonnage (Mt) | Grade (g/t Au) | Ounces (Koz Au) | Date |
|-----------------------------|--------------|----------------|-----------------|------------|
| Strategic Minerals Corp. NL | 25.583 | 0.98 | 808 | 31/03/2012 |
| SRK & Bartsch Geoscience | 21.851 | 0.97 | 679 | 24/04/2008 |
| Strategic Minerals & Oxiana | 7.060 | 1.78 | 404 | 31/03/2005 |
| Strategic Minerals & SRK | 6.773 | 1.69 | 370.9 | 30/09/2004 |
| Strategic Minerals Corp. NL | 6.077 | 1.52 | 297 | 31/12/2001 |
| Strategic Minerals Corp. NL | 5.653 | 1.40 | 254.5 | 31/03/2001 |
| Pacific Energy Ltd | 4.374 | 1.43 | 201 | 30/04/1998 |
| Strategic Minerals Corp. NL | 4.454 | 1.52 | 216.6 | 30/06/1997 |

3.3.4 Previous Production

The main production was obtained from the Woolgar Goldfield between 1882 and 1887, when 567kg (15,000 oz) of gold was won, including 150kg (4,000 oz) of alluvial gold. Production declined after this period, and up to the time of Saint-Smith's inspection in 1922 only 113kg (3,000 oz) of gold, averaging 50 grams/tonne (1.33 oz/tonne), were produced. The main producing mines were the Perseverance-Try Again, Soapspar, and Mowbray. The Soapspar and Redjacket mines were the only mines working in 1958 (Treasure Enterprises, 2014). According to Bartsch (2000), during the main period of activity in the goldfield up to 1937, recorded reef production totalled 24,256t of ore, for 23,143oz Au (Keid, 1937).

3.4 Geological Setting

3.4.1 Regional Geology and Mineralisation

The Woolgar inlier is situated on the 1:250,000 geological series map Gilberton, Queensland Sheet SE/54-16 (White, 1960). According to Digweed (1990), geologically the inlier can be thought of as an extension to the Georgetown inlier. This is a block of mainly Proterozoic metamorphics intruded by numerous bodies of late Proterozoic and Palaeozoic igneous rocks. It is separated from the Mid Palaeozoic Hodgkinson basin to the north east by the north-northwest trending Palmerville fault. The Burdekin River fault zone forms the southeastern contact with the Ordovician - Carboniferous Broken River Province. The western side of the block is unconformably overlain by Jurassic to Tertiary sediments of the Great Artesian basin.

The Georgetown inlier has been divided by Withnall *et al.*, (1980) into three sub-provinces. The Greenvale sub-province in the east is separated from the Forsayth sub-province by the north-northeast trending Balcooma mylonite zone. The Croyden sub-province to the west is thought to unconformably overlie the Forsayth sub-province but gradational and faulted contacts are seen in places (Day *et al.*, 1983). The Woolgar inlier is separated from the southern part of the Forsayth sub-province by the Mesozoic and Cainozoic rocks of the Gregory Range.

The Forsayth sub-province is dominated by the metasediments of the Etheridge Group. This group includes the high grade Einasleigh metamorphics and the Juntala schist. On the original 1:250,000 geological map by White (1960) the whole of the Woolgar inlier is mapped as Einasleigh metamorphics with two small intrusions of Upper Palaeozoic rhyolite/quartz



porphyry. However, Oversby et al., (1976) revised the Pre-Mesozoic geology of the Woolgar River area during a helicopter reconnaissance.

Structurally the Woolgar inlier is situated at the southwest limit of the major northeast trending Gilberton fault zone. This is a recognised metallogenic structure along which Kidston and Mount Hogan are also situated (Digweed, 1990).

At Woolgar Jurassic sandstone has been eroded in a series of steep-sided valleys and gorges to uncover Proterozoic metasediments and in places a sequence of gently dipping Permo-Carboniferous sediments are exposed between the Jurassic sandstones and the Proterozoic metasediments. The Proterozoic metasediments consist of a sequence of pelitic schists and interbedded metasandstones which have undergone tight to isoclinal folding. Fold axial planes, cleavage and schistosity trend east - west to east northeast - west southwest. The metasediments are formed as a result of low-grade metamorphism of a relatively invariant sequence of sediments consisting of pelites and lesser interbedded sandstone.

The metasediments have been intruded by dolerite and pegmatite dykes. Three clusters of intrusions have been identified namely:

- Pegmatites intruding approximately along east-northeast - west-southwest trends, parallel to the schistosity.
- Large dolerite intrusions intruding along east-southeast - west-northwest axis, following structural trends.
- Pegmatites intruding along both east-southeast - west-northwest and east-northeast - west-southwest axes.

These intrusions occurred late in the metamorphic history as they have no cleavage and transect the tight folding in the sediments. They may have been subjected to a more open style of folding in the deformation history of the area. The Proterozoic units have been intruded by a younger north-northeast trending dolerite dyke.

Several faults cut the sequence with dominant trends of east - west, to east-southeast - west-northwest and northwest - southeast.

3.4.2 Project Geology

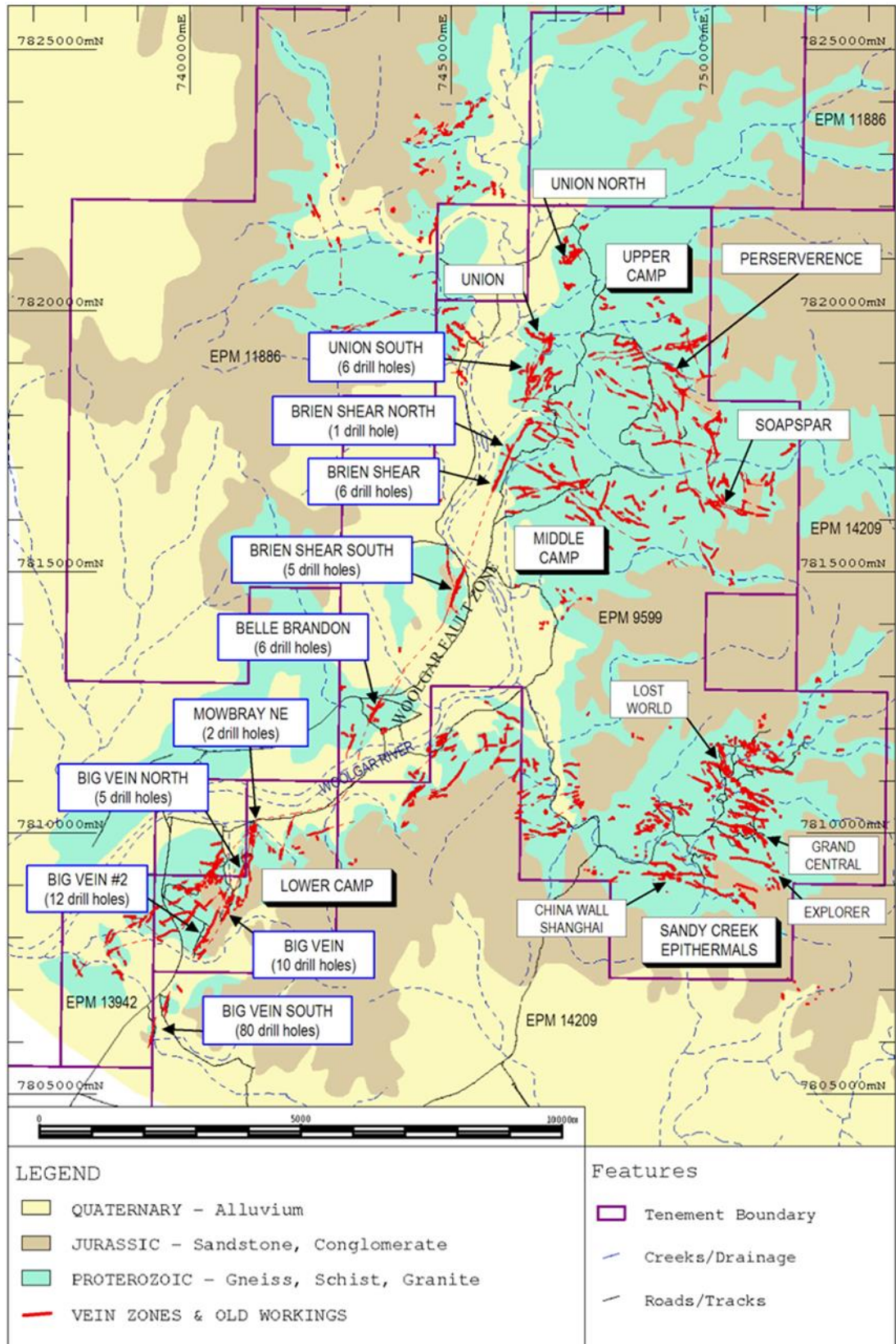
Proterozoic basement rocks have been intruded by a large granite system of which only the upper reaches are exposed. The granite related gold mineralisation, has intruded into both the granite and the host Proterozoic basement rocks, along quartz structures in faults and fractures. Portions of this granite system are exposed at both the Big Vein and Big Vein South prospects. A significant amount of younger cover rocks are also present in the area including Jurassic sandstone and alluvium. Mesothermal gold systems are capable of containing large, high grade ore shoots, reaching to considerable depth. To date the known mineralisation associated with the Woolgar Fault has only been tested below 100m in a few limited places. The main focus of interest for Strategic, are the following trends that can be seen on Figure 3.

- The Big Vein and Mowbray trends, located within the Lower Camp area are approximately 8km to the west of the Sandy Creek epithermal vein system deposits. This trend of prospects has proved to be by far the most important area of the project, returning wide high grade intervals at depth on the Big Vein South structure.
- The Brien Shear trend, located within the Middle Camp area further to the northeast along the Woolgar Fault zone approximately 6km to the northwest of the Sandy Creek epithermal vein system.
- The Union and Union North trend, located north of the Woolgar River approximately 9kms to the north-northwest of the Sandy Creek epithermal system.

Cross vein structures associated with the Woolgar Fault zone, including the Perseverance and Roman Crown prospects are also (lower priority) targets.



Figure 3 Woolgar Project Geology with Prospect Localities Indicated





3.4.3 Controls on Mineralisation

Paragenetic studies show there are two distinct gold bearing systems within the host Proterozoic rocks at Woolgar. These are the Sandy Creek epithermals, and the Woolgar Fault zone mesothermals (granite related gold mineralisation). The Sandy Creek region is characterised by a series of predominantly east-west, to east-southeast - west-northwest, trending veins. The veins are best developed where they cross more competent units such as dolerites, pegmatites and quartzose sandstones. The dolerites are the principal host for the northwest - southeast vein systems. The Woolgar Fault zone mineralisation is a medium temperature mineralisation assemblage, which in older terminology would be referred to as 'mesothermal'. The Woolgar Fault zone is a major fault splay of the Gilberton fault zone. The historical Woolgar workings vein systems associated with the faults and fractures are hosted within metamorphic Proterozoic basement rocks, exposed as windows through younger, relatively flat lying sedimentary cover rocks (Figure 3). Gold is the dominant mineralisation. Additional elements of interest include Silver, Lead, Zinc and Cadmium. However these elements occur in relatively lower grades and are not considered as primary targets.

The distribution of mineralisation exhibits the following characteristics:

- The mineralisation appears to get steeper and continues at depth;
- Both the average grades and widths are increasing with depth;
- The high-grade shoots are seen to have a southerly plunge within the plane of the structure;
- The alteration associated with the mineralisation is stronger with depth, although this maybe a false interpretation caused by weathering overprints near surface.

The mesothermal mineralisation appears to consist of several different styles and phases:

- The mineralisation at depth occurs as disseminated pyrite and fine sulphides in intensely clay altered wall rock, silicified wall rock, and in veins and silicified breccias;
- The mineralisation often occurs as multiple sub-structures within a lower-grade envelope.
- Phyllic alteration is concentrated within the 40 to 60m wide structural corridor;
- The alteration is locally strong to intense around the mineralisation, with a silicified zone overlying the best mineralisation in Big Vein South;
- The vein material includes high-grade silica with fine disseminated sulphides;
- Quartz veins are secondary to these and show multiple phases of brecciation;
- The vein and silicified breccia occur within a broad corridor of sheared, brecciated and altered schist;
- The main outcropping structures are a silicified fault breccia;
- This brecciation appears to be mostly tectonic, although it may be hydrothermal locally, however strong alteration masks the protolith.

3.4.3.1 Big Vein South

The mineralisation appears to be plunging increasingly steeply with depth. It is currently unclear whether this ore shoot is actually plunging more steeply or broadening of the ore body within the footwall. It may also be due to an unrecognised change in the style and geometry of the mineralisation, such as the intersection of the near-surface mineralisation with a different style of mineralisation. There is some evidence for either of the latter two options and the planned further drilling should resolve this. On average, both widths and grades appear to improve with depth which may be interpreted to mean that the current drilling is still above the main potential for bulk tonnage Au mineralisation. In several sections, significant widths and grades of mineralisation have been intersected beneath near-surface, low grade or barren drill holes, as can be seen in Figure 4 and Figure 5 below.



Figure 4 Distinct increase in mineralisation beneath previous low-grade intercepts at shallow levels, at Big Vein South

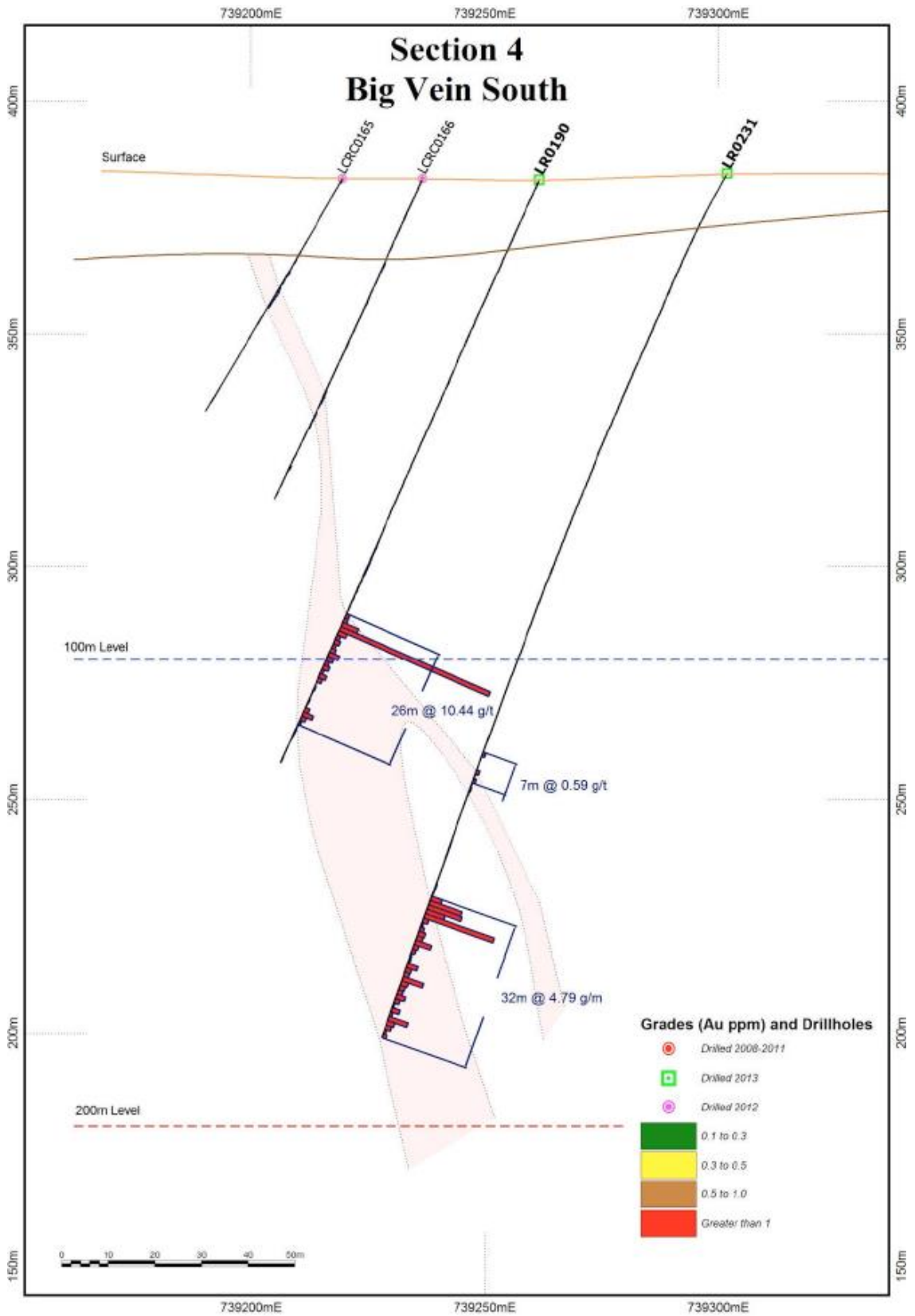
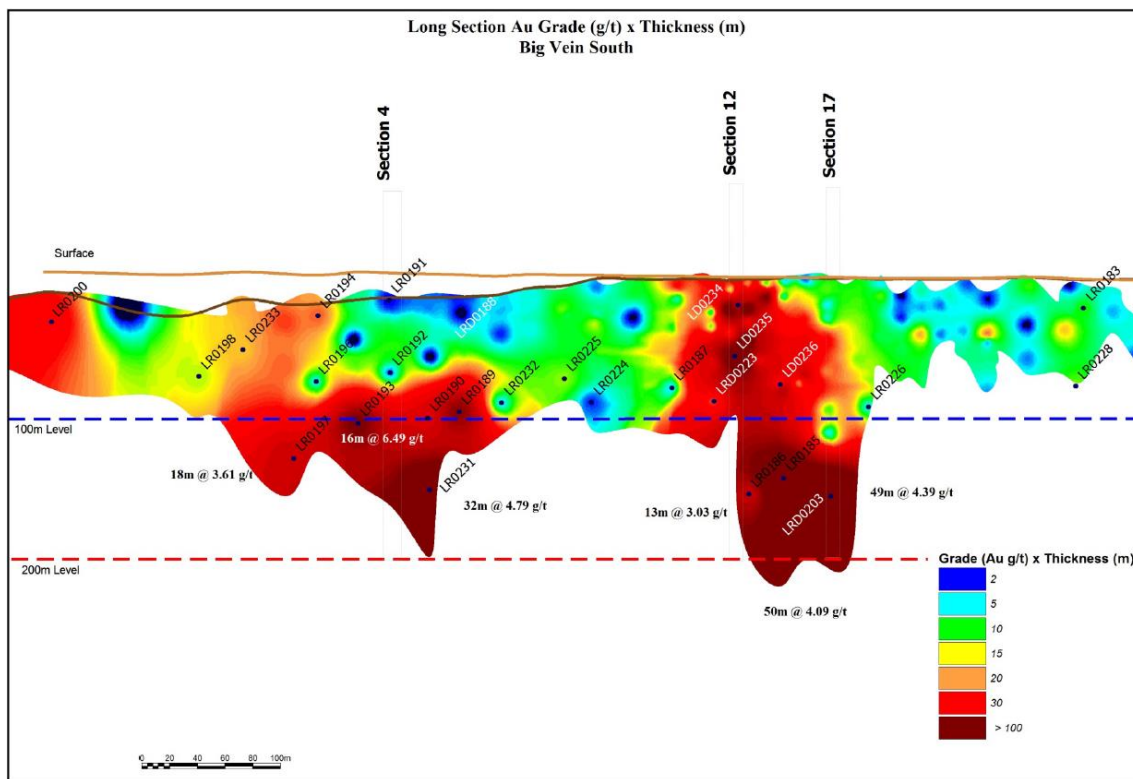




Figure 5 *Big Vein South long section showing gram x metre intersections increasing at depth.*



3.4.3.2 *Big Vein Central*

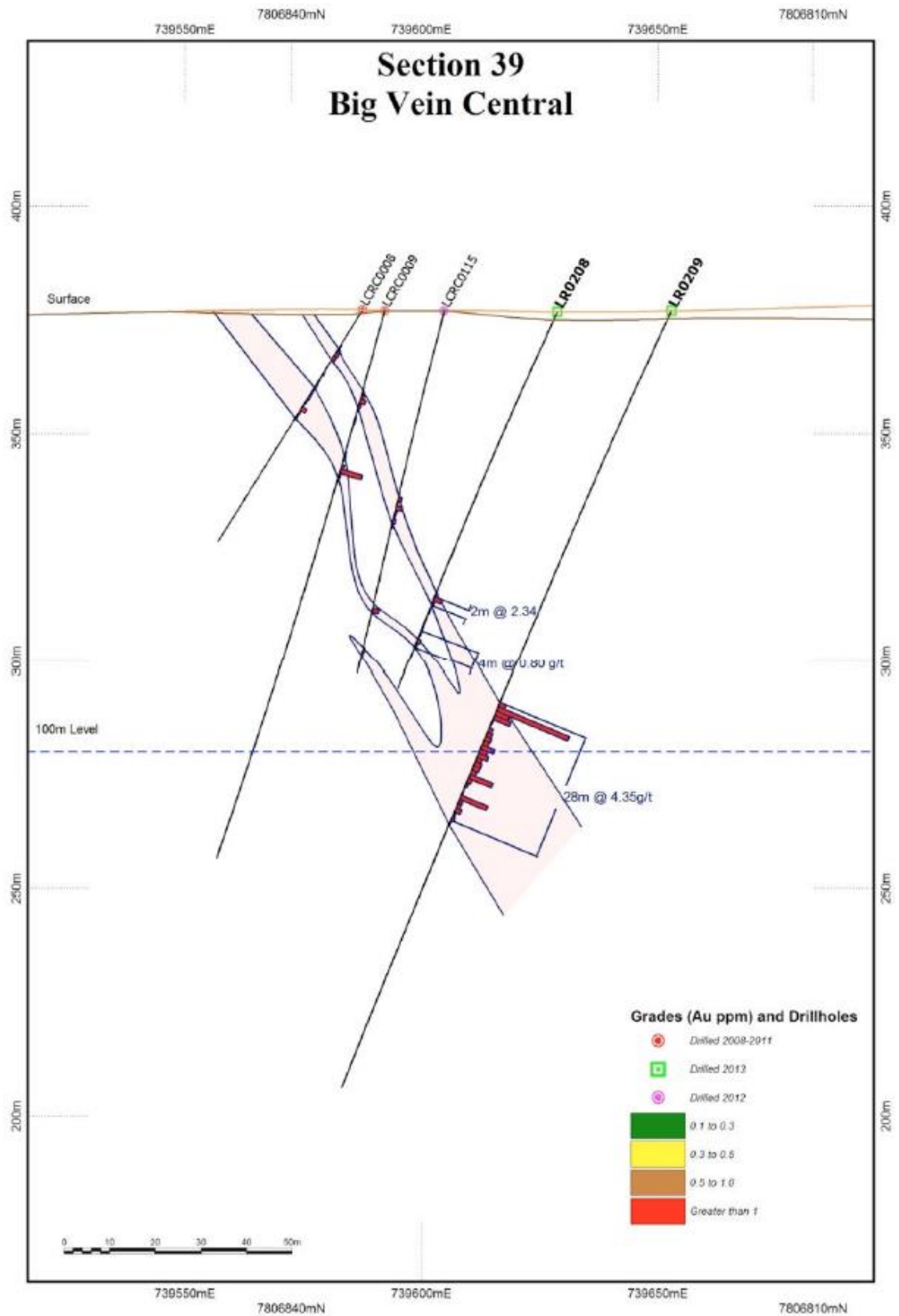
Overall, grades and widths in Big Vein Central are lower than at Big Vein South, however the drilling is on average shallower due to less drilling, but is considered broadly comparable to those at similar depths in Big Vein South.

The style and distribution of the mineralisation, and related lithology's and alteration are also similar to Big Vein South, with numerous broad, lower-grade intersections containing higher grade sections or multiple narrow intersections within a broader envelope. The mineralisation at Big Vein Central also appears to be both open and improving with depth, implying that there still remains significant depth potential at this prospect (Figure 6).

The drill testing along strike in Big Vein Central was less successful. Neither the mineralisation nor the strongly altered structure was intersected in the two holes drilled on the most northerly section. This implies that the mineralisation is either cut-off, or that the drilling targeted the hanging wall to the structure. Ambiguous cross-cutting and tangential orientations in the southern end of the outcropping mineralisation could be interpreted as either of these scenarios.



Figure 6 Distinct increase in mineralisation width beneath previous low-grade intercepts at shallow levels, at Big Vein Central





3.4.3.3 *Sandy Creek Epithermal Veins*

Epithermal veins typically show strong horizontal zonation's with respect to gold, and study of vein textures by workers such as Taylor (2010) suggest that the Sandy Creek epithermal veins may be from deeper levels within an epithermal system (i.e. moving out of the gold enrichment zone) which downgrades the depth potential somewhat.

3.5 **Exploration Results and Potential**

The 2013 Drill Program at Big Vein South (refer to Table 4) achieved its objectives by confirming the depth potential of the known gold mineralisation with broad significant drill intersections at depth. In addition, new apparent high-grade areas were intersected beneath low-grade near surface mineralisation within the Big Vein South structure. The program has indicated the tonnage potential at depth due to increasing widths and grades, whilst also confirming the strike potential of Big Vein South along its southern extension, beyond the limits of the outcrop and beneath cover. The program has also in-filled the previous RC drilling with DDH for resource purposes.

3.5.1 *Recent Exploration Activities*

Below is a summary of the recent drill results, which have been published fully in the JORC2012-compliant report QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 31st DECEMBER 2013, issued 30th January 2014, available at www.stratmin.com.au

Three consecutive phases of RC drilling and diamond drilling were completed between late September and early December 2013. The program concentrated on the three prospects at the southern end of the previously identified mineralised trend along the Woolgar Fault Zone: Big Vein South, Big Vein Central and Big Vein #2.

6,581m were drilled in 55 holes over the three prospects, including:

- 5,753m of RC drilling in 45 holes and 7 pre-collars; and
- 828m of DDH drilling in 3 holes plus 7 pre-collared diamond-holes.

Wide intersections were encountered in multiple holes:

- Significant intersections encountered beneath lower grade shallow mineralisation;
- Both the average width and grade of these intersections appear to increase at depth;
- The broad intersections often contain higher-grade cores; and
- The mineralisation appears more continuous at depth.
- The program successfully tested the depth potential and along-strike continuity of the known mesothermal-style mineralisation.

The decision was taken to concentrate on the two most prospective Southern prospects in order to fully test the potential, rather than spreading the drilling over a larger number of prospects with lesser targeting criteria. The drilling successfully tested the depth potential and strike continuity of the mineralisation identified at shallow levels in the previous campaigns.

Phase 1: RC drilling consisted of 4,675m in 43 holes within the Big Vein South and Big Vein Central prospects. These were aimed at depth extensions below the existing resources or strike extensions to the north and south of the prospects.

Phase 2: The remainder of the RC drilling focused on infilling or stepping back on anomalies following initial positive indications from the logging of the Phase 1 holes, especially within the Big Vein South prospect.

Phase 3: Diamond drilling mainly consisted of continuing the pre-collared holes from the first two phases A further three DDH holes were drilled within the main ore shoot to improve the quality of geological knowledge and assay data. The 2013 drill program itself was principally aimed at expanding the known mineralisation and to test for potential larger mineralised targets.



The 2013 drill programs successfully identified the extension of high-grade gold mineralisation to depth and along strike, beneath lower-grade near surface intersections at Big Vein South. Intersections included:

- LR0189 50m @ 4.09g/t Au from 156m, (inc.4m at 8.22g/t; & 4m @ 10.33g/t Au).
- LR0189 35m @ 2.87g/t Au from 89m, (inc.9m at 6.75g/t Au).
- LR0190 26m @ 10.44g/t Au from 102m, (inc.1m @ 219g/t Au).
- LR0193 16m @ 6.49g/t Au from 124m, (inc.10m @ 9.03g/t Au).
- LRD0203 49m @ 4.39g/t Au from 165m, (inc.14m @ 8.51g/t & 4m at 9.63g/t Au).
- LR0231 32m @ 4.79g/t Au from 168m, (inc.4m @ 17.5g/t Au).
- LD0234 15.4m @ 4.44g/t Au from 19.5m, (inc.3.7m @ 15.41g/t Au).
- LD0235 21.4m @ 8.74g/t Au from 54m, (inc.9.24m @ 17.39g/t Au).

Significant intersection at Big Vein Central included:

- LR0209 28m @ 4.35g/t Au, from 94m, (inc.3m @ 15.97g/t Au)
- LRD0212 14.6m @ 2.02g/t Au, from 91.9m, (inc.6m @ 3.32g/t Au).
- LR0214 9m @ 2.61g/t Au, from 90m, (inc.5m @ 4g/t Au).

In order to follow-up and progress the encouraging results from the 2013 program, a 5,000m RC drilling program is scheduled to commence in the new financial year to further test deeper mineralisation and positions along strike throughout the Woolgar Fault trend. Given the success at Big Vein South, the potential to drill deeper beneath other prospects of the Lower Camp to test for similar depth potential, will be carried out. Additional geophysical programs are proposed to increase targeting criteria, with petrographic and metallurgical studies of the new high grade mineralisation scheduled.

3.5.2 Exploration Potential

The Woolgar Project hosts two main styles of gold mineralisation, epithermal gold mineralisation within the Sandy Creek Epithermal system to the southeast and mesothermal metamorphic related gold mineralisation with the Proterozoic basement rocks.

The epithermal style mineralisation has been the main focus of exploration at the project from the 1990's until the late 2000's. Substantial drilling programs have been completed by SMC and their Joint Venture partners with work largely focused on the upper parts of the epithermal system (<100m depth) testing for high grade shoots analogous to those at the Vera Nancy at Pajingo. A number of extensive veins which appear to be best developed in more competent dolerite and quartz sandstone units within the metamorphic host rocks have been identified. JORC resources have been estimated at a number of these prospects, however most of these resources are of low/moderate grade, and high grade shoots appear to be of limited spatial extent.

Epithermal veins typically show strong horizontal zonation's with respect to gold, and study of vein textures by workers such as Taylor (2010) suggest that the Sandy Creek epithermal veins may be from deeper levels within an epithermal system (i.e. moving out of the gold enrichment zone) which downgrades the depth potential somewhat.

There is some potential to identify extensions to veins beneath the cover sequence, identify new veins and identify extensions to veins at depth. However epithermal systems can be quite complex and drilling intensive to explore. Given that the upper portions of the system, that has potential to be developed as an open pit has been well explored, Ravensgate is of the opinion that the value of this part of the project largely lies in the currently defined resources. Exploration potential appears to be relatively limited based on the current understanding of the deposits. Only small high grade shoots have been identified to date that would be at grades amenable to underground mining.

In more recent times (2008 - present) SMC has moved its focus from the epithermal style mineralisation to the mesothermal related gold mineralisation within the Proterozoic



basement rocks. This was the target of historic mining from the 1880's until the 1980's. These styles of deposits are typically strongly structurally controlled and can be relatively laterally/vertically extensive. The mesothermal veins had received little exploration attention prior to this apart from the Soapspar prospect where a small low grade resource had been identified.

SMC's initial work on the mesothermal style mineralisation has included mapping, sampling, ground magnetics and soil geochemistry which was followed up by shallow (<100m) drilling. This work has resulted in the identification of a number of prospects and targets and the identification of new resources from the Big Vein system. More recently SMC have begun systematic deeper testing of prospective structures. This deeper drilling has identified substantial down dip extensions to the Big Vein South prospect, which enhances prospectivity on other mesothermal prospects.

The Woolgar goldfield area has further target potential with only a very small proportion of the potential vein-hosting areas having been explored to date. The combined mapping, soil sampling and general prospecting to date has succeeded in identifying a large number of vein occurrences across a wide area and in many different orientations. These exploration targets need to be ranked and explored in a systematic way in order to prioritise future exploration expenditure. Geological/structural/textural mapping, appropriate multi-element geochemistry to recognise indicative signatures, alteration studies and geophysical techniques such as magnetics and gravity would assist in this.

In developing the valuation of the exploration potential for the Woolgar Gold Project tenement package, Ravensgate considered the following when assigning each tenements prospectivity and strategic landholding:

EPM 9599:

- This tenement covers the majority of the project area with well exposed outcrop and is host to the majority of the project including the broader Sandy Creek Epithermal, and the mesothermal Upper and Middle Camps and parts of the Lower Camp areas.
- Mapping, soil sampling and drilling has identified a number of major prospects including major prospects containing numerous prospects and mineralised occurrences, including the majority of targets that Strategic have identified as part of their priority prospects, including Belle Brandon and Perseverance to the north, with Mowbray and the Big Vein system to the southwest.
- The Big Vein and Big Vein North are currently the highest priority exploration targets
- Soil geochemistry has identified a number of prospective areas that warrant follow up, particularly in the Upper Camp area
- The tenement has strategic importance as it surrounds the majority of the existing mining licences.

EPM 11886:

- The tenement is largely composed of Quaternary and Jurassic cover, but does contain some areas of Proterozoic basement with mapped veins to the north. These areas have received little exploration and follow up sampling programs are needed to assess the areas potential
- The area does not contain prospects identified by Strategic as current priorities.

EPM 13942:

- This tenement hosts the newly discovered southerly extensions to Big Vein South on the border with EPM14209 and there is potential at depth and also to identify strike extensions to the south below the cover sequence.
- This is a high priority target. The license also covers the southwest extension of the Mowbray trend, which has not been drilled by SMC but contains several historic workings.



EPM 14060:

- The tenement is largely composed of Quaternary and Jurassic cover which is of low prospectivity.
- The central north area covers the southern extension to Big Vein South trend where there may be potential for this system to extend below the cover sequence.

EPM 14209:

- The bulk of this tenement is composed of Quaternary and Jurassic cover which is of low prospectivity. There may be some potential to identify blind targets within basement - but these are considered low priority.
- Proterozoic basement outcrop and veining has been mapped in the central northern portion of the license, however this has had no modern exploration and no prospects have currently been identified. Further work is needed.
- The most prospective portion is the western margin of the licence which hosts parts of the Big Vein South and Big Vein Central prospects. These have potential to be linked together and are high priority targets to test at depth.
- A conceptual target (the Deflation Zone) also lies in this area where the Big Vein trend is intersected by an interpreted cross cutting structure. This may have created a favourable zone of dilation/gold mineralisation.

ML 2728:

- This mining licence surrounds the historic Perseverance workings. A resource was historically reported in 1997, but no recent JORC resources have been reported. Further exploration is warranted.

3.5.3 Constraints to Further Exploration Success

The results of metallurgical test work programs will influence future exploration strategies. To date very little metallurgical test work has been completed on the mesothermal style gold mineralisation. Initial petrological work has identified free gold grains in polished sections, which is encouraging, but more test work is needed on the various ore types (oxide, transitional, fresh) to determine their metallurgical recoveries.

Parts of the project are covered by varying thicknesses of Jurassic cover that masks basement geology. Geophysical surveys (gravity, magnetics) and geochemical methods such as MMI may be needed assist in identifying *blind* targets for drilling.

On identifying the primary priority target, the exploration effort should be solely focused on testing the concept thoroughly and developing the target, rather than isolated drill programs testing a number of targets to an inadequate level.

The use of orientated drill core at every opportunity, with the subsequent gathering of structural (dip / dip-direction, or strike and dip) measurements (in addition to alpha and beta measurements) is highly recommended to develop the structural understanding in the field at the earliest opportunity.

3.6 Mineral Resources

The information in this report that refers to the Woolgar mineral resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported (30 July 2013). A summary table of the resources for the various deposits is presented in Table 6.

Ravensgate has taken the reported resources at *face value* due to time constraints in preparing this report and limited time to review the various mineral resource estimation reports. Ravensgate did not review the source digital data or model estimates.

Ravensgate has reviewed the publically available data for the various resources which is summarised in the following sections.



**Table 6 Woolgar Project Mineral Resource Summary (JORC 2004)
after Strategic 30 July 2013**

| | Resources Estimated At Higher Cut-off Grades | | | | Resources Estimated At Lower Cut-off Grades | | | |
|-----------------------------------------------|----------------------------------------------|--------------|-------------|----------------|---------------------------------------------|---------------|-------------|----------------|
| Classification | Cut-off Au g/t | Tonnes Kt | Grade (g/t) | Au (Oz) | Cut-off | Tonnes Kt | Grade (g/t) | Au (Oz) |
| Big Vein South (Southern) Deposit | | | | | | | | |
| Measured | 0.75 | 286 | 2.46 | 22,700 | 0.75 | 286 | 2.46 | 22,700 |
| Indicated | 0.75 | 340 | 1.53 | 16,700 | 0.75 | 340 | 1.53 | 16,700 |
| Inferred | 0.75 | 122 | 1.85 | 7,200 | 0.75 | 122 | 1.85 | 7,200 |
| Subtotal | 0.75 | 748 | 1.94 | 46,600 | 0.75 | 748 | 1.94 | 46,600 |
| Big Vein South (Central) Deposit | | | | | | | | |
| Indicated | 0.75 | 50 | 2.09 | 3,400 | 0.75 | 50 | 2.09 | 3,400 |
| Inferred | 0.75 | 51 | 1.56 | 2,600 | 0.75 | 51 | 1.56 | 2,600 |
| Subtotal | 0.75 | 101 | 1.82 | 6,000 | 0.75 | 101 | 1.82 | 6,000 |
| Big Vein #2 Deposit | | | | | | | | |
| Indicated | 0.75 | 16 | 2.01 | 1,000 | 0.75 | 16 | 2.01 | 1,000 |
| Inferred | 0.75 | 92 | 3.09 | 9,100 | 0.75 | 92 | 3.09 | 9,100 |
| Subtotal | 0.75 | 108 | 2.93 | 10,100 | 0.75 | 108 | 2.93 | 10,100 |
| Big Vein Deposit | | | | | | | | |
| Inferred | 0.5 | 94 | 3.84 | 11,600 | 0.5 | 94 | 3.84 | 11,600 |
| Subtotal | 0.5 | 94 | 3.84 | 11,600 | 0.5 | 94 | 3.84 | 11,600 |
| Soapspar Deposit | | | | | | | | |
| Measured | | | | | 0.4 | 1,667 | 0.91 | 48,800 |
| Indicated | | | | | 0.4 | 1,175 | 0.90 | 34,000 |
| Inferred | | | | | 0.4 | 472 | 0.82 | 12,400 |
| Subtotal | | | | | 0.4 | 3,314 | 0.89 | 95,200 |
| Lost World Deposit | | | | | | | | |
| Measured | 0.8 | 4,357 | 1.43 | 200,300 | 0.4 | 11,182 | 0.90 | 323,600 |
| Indicated | 0.8 | 722 | 1.36 | 31,500 | 0.4 | 2,392 | 0.80 | 61,500 |
| Inferred | 0.8 | 574 | 1.23 | 22,700 | 0.4 | 2,413 | 0.73 | 56,600 |
| Subtotal | 0.8 | 5,653 | 1.40 | 254,500 | 0.4 | 15,987 | 0.86 | 441,700 |
| Grand Central & Camp Vein Deposits | | | | | | | | |
| Indicated | | | | | 0.4 | 2,157 | 1.18 | 81,600 |
| Inferred | | | | | 0.4 | 607 | 1.02 | 19,700 |



Table 6 Woolgar Project Mineral Resource Summary (JORC 2004) after Strategic 30 July 2013

| Classification | Resources Estimated At Higher Cut-off Grades | | | | Resources Estimated At Lower Cut-off Grades | | | | |
|-------------------------------------|----------------------------------------------|--------------|-------------|----------------|---------------------------------------------|---------------|-------------|----------------|--|
| | Cut-off Au g/t | Tonnes Kt | Grade (g/t) | Au (Oz) | Cut-off | Tonnes Kt | Grade (g/t) | Au (Oz) | |
| Subtotal | | | | | 0.4 | 2,764 | 1.14 | 101,300 | |
| Explorer Deposit | | | | | | | | | |
| Measured | 1.0 | 395 | 3.68 | 46,800 | 0.5 | 884 | 2.04 | 58,000 | |
| Indicated | 1.0 | 149 | 2.10 | 10,000 | 0.5 | 460 | 1.14 | 16,900 | |
| Inferred | 1.0 | 30 | 1.97 | 1,900 | 0.5 | 107 | 1.02 | 3,500 | |
| Subtotal | 1.0 | 574 | 3.18 | 58,700 | 0.5 | 1,451 | 1.68 | 78,400 | |
| Explorer South Deposit | | | | | | | | | |
| Inferred | 1.0 | 321 | 1.41 | 14,600 | 0.5 | 1,516 | 0.88 | 42,900 | |
| Subtotal | 1.0 | 321 | 1.41 | 14,600 | 0.5 | 1,516 | 0.88 | 42,900 | |
| Shanghai & Finn Deposits | | | | | | | | | |
| Indicated | 0.8 | 104 | 3.29 | 11,000 | 0.8 | 104 | 3.29 | 11,000 | |
| Inferred | 0.8 | 29 | 3.44 | 3,200 | 0.8 | 29 | 3.44 | 3,200 | |
| Subtotal | 0.8 | 133 | 3.33 | 14,200 | 0.8 | 133 | 3.33 | 14,200 | |
| | | | | | | | | | |
| TOTAL | | 7,732 | 1.67 | 416,300 | | 26,216 | 1.12 | 848,000 | |

3.6.1 Drilling and Sampling Methods

At the Big Vein deposits the drilling method used was reverse circulation (RC) drilling using a 5.5 inch face sampling hammer. Samples were collected every metre using an on board or attached sampling splitter. Sample return was very good, with poor or no sample return occurring rarely and in these instances was recorded on the data logging sheets.

The Big Vein mineral resources are based on 300 RC holes.

Soapspar

There are 16 different phases of drilling on the Soapspar deposit, from 1983 to 2006 comprising of RC, percussion and diamond drill holes. This included in 2006 a series of RC holes that were drilled to attempt to twin some of the 1988 Billiton RC holes with the aim of validating the 1988 work. RC samples were collected as 1m riffle split samples. Samples were sent to various laboratories and analysed predominantly by 50g fire assay method with screen fire assay checks done on samples with visible gold or high gold fire assay results.

Lost World

The Lost World mineral resource is based on 274 percussion, RC and diamond holes. The drill holes are spaced at approximately 25m x 15m within most of the resource area; with broader spacing at the western and eastern end of the mineralisation zone and down dip. Generally the holes are drilled at a high angle to the ore zone (~60-90°) except in one key zone where



they are sub parallel to one major mineralised structure. No information was available on the sampling methods undertaken.

Shanghai and Finn North

At Shanghai and Finn North, drill programs were conducted in a staged manner through from 2003 to 2005. All RC drilling was completed using a 5.5" face sampling hammer. Samples were collected from a splitter mounted immediately beneath/on the cyclone in numbered calico sample bags. A minimum sample size was 2 - 3 kg was achieved (at various stages through the program sample size has been as much as 7kg and samples were split (riffle split) in the laboratory, prior to pulverising). Standard numbering techniques were used: bags were numbered with sample numbers, from - to depths, and hole numbers, with tickets from ticket books inserted into the bags as a numbering check. All holes were started on a sample number ending in 1, so that at any point the last digit of the sample number, to/drill rod depth matched, providing a quick and easy check for mistakes during drilling.

Grand Central and Camp Vein

At Grand Central and Camp Vein, 197 RC and 13 diamond drill holes were completed, in addition to extensive surface mapping and rockchip and trench sampling. RC drilling was completed using a 5.5" face sampling hammer, although early programs probably did not use face sampling hammers, crossovers behind the hammers were often still used during this period. Samples were collected from a splitter mounted immediately beneath/on the cyclone in numbered calico sample bags. A minimum sample size was 2 - 3 kg was achieved (at various stages through the program sample size has been as much as 7kg and samples were split (riffle split) in the laboratory, prior to pulverising).

Explorer

Drilling and sampling techniques at the Explorer deposit were carried out to the same procedure and standards to that described above for the Shanghai and Finn North deposits.

3.6.2 Drill Hole Collar & Down hole Survey

Big Vein Resources

The drill holes used in the Big Vein deposit resource estimations were picked up using a survey grade differential GPS unit (DGPS) with sub decimetre accuracy. At the same time the outcrop of the mineralised zones were also picked up where visible.

Down hole survey information (azimuth and dip) was collected at approximately 30m intervals down hole.

Soapspar

The SRK, 2007 report does not provide any detail on the surveying of drill collar locations or the frequency of down hole surveying if undertaken.

Lost World

Bartsch 2001, notes that some drill hole positions in the database need verification, however does not provide any further detail on the surveying of drill collar locations or frequency of down hole surveying if undertaken.

Down hole survey information was not supplied in the reports for the Explorer, Shanghai, Finn North, Grand Central and Camp Vein deposits.

3.6.3 Sampling, Assaying Data Handling and QA/QC

Big Vein Resources

At the Big Vein deposits samples were split using the drilling rigs attached or on board splitter system. Geological targeted samples were also resplit using a riffle splitter and submitted for assay as repeats/duplicates to determine the representivity of the original splits on potentially gold bearing intervals. Analysis of the samples was conducted by SGS Australia Pty Ltd (SGS).



The laboratory assayed for gold using a 50g Fire Assay. Other elements assayed included copper, lead and zinc, which were assayed by Atomic Absorption Spectral analysis (AAS). SGS carried out its own internal QA/QC checking, using random internal repeat and split samples to verify its own assay quality. Strategic also inserted its own repeat and certified reference materials (standards). Strategic's repeats and standards along with the SGS laboratory internal random repeats and splits were used to verify the quality of the assay data. Correlation coefficients between the originals and splits or duplicates showed excellent correlation with only a very small percentage of average difference between the datasets over the areas of the resource estimations.

This QA/QC analysis of the assay data has indicated an acceptable level of precision in the drilling splits for the Big Vein deposits. They also indicated that the SGS laboratory has an acceptable level of precision and an acceptable overall level of assay accuracy.

No significant amount of verification of significant intersections has been carried out to date. One near twin hole (~5 metres apart) has been carried out on Big Vein South deposit on a hole that stopped short due to a drilling problem. These holes are LCRC0029 and LCRC0036 which display very similar results.

Shanghai and Finn North

Samples were routinely assayed at SGS's Townsville Laboratory. Samples were fine pulverised using method S022 (1.5 -3.5 kg bowl pulverisation to nominal 75um). Au was assayed using method F650 (a standard 50g fire assay, AAS finish Au; 0.01ppm Detection Limit). Samples with Au values over ~5ppm were regularly checked by the laboratory using method F617 (50g Fire Assay, Gravimetric Finish Au; 3ppm detection limit). Through the ore zones, the sample reject was also collected from the splitter in large polyweave bags. 2 to 4 sample intervals from most holes were selected as representative of weakly to strongly mineralised samples; a second split of these intervals (using a riffle splitter) was taken from the polyweave bags as field duplicates, and submitted with a blank sample and standard as part of the sample batch, with the rest of the drill hole samples. Blanks comprised what were thought to be unmineralised sections of previous holes. Internal laboratory standards are captured and reviewed in the Strategic database for additional quality control.

Grand Central and Camp Vein

The techniques and processes for RC samples listed above are also applicable for the Grand Central and Camp Vein deposits. For diamond drilling core sizes were either NQ2 with either RC or HQ precollars. Half core was split and sent for assaying (assaying techniques as per RC samples). QA/QC samples were routinely submitted, with a second quarter core split sample submitted as field duplicates. Remaining half and quarter core for all the diamond drilling conducted on the project is stored in stacked and racked core trays on site.

The techniques and processes for RC samples listed above for the Shanghai and Finn North deposits are also applicable for the Explorer deposit.

Soapspar

At Soapspar only 10 standards were assayed and there is no evidence of any blank samples having been submitted. Field duplicates were taken as a separate riffle split for RC samples and as ¼ core for diamond core samples of the sample intervals.

SRK completed a comparison on 6 pairs of twin holes, on average the 1988 holes have a higher grade (0.80 ppm vs 0.73 ppm gold) concluding that they were not considered significantly different as the two averages lie within the 95% confidence interval.

Comparisons between fire assay (FA) and screen fire assay (SFA) analysis were undertaken for selected intervals, overall these methods were well correlated and showed no significant bias.

SRK, 2007 concluded that "Despite the lack of any standards or blanks and the multiple phases of drilling, sufficient checks have been carried out via the twinning of holes and the check assaying of the recent FA results with SFA repeat assays. As for any high nugget gold deposit repeatability of the assays is poor but overall no biases are evident. For all analyses a



few samples in the upper tail of the distribution have a very large influence on the statistics and this should be kept in mind when examining any of the QA/QC data. The actual values these high grade samples are very difficult to determine accurately however their influence will be much reduced with compositing and block estimation.”

Lost World

Bartsch states that for the historical drilling in the mineral resource that no routine quality control assaying (standards and blanks) was undertaken. Bartsch 2001, does not provide any further detail on the sampling, assay data handling or QA/QC.

3.6.4 Geological Data Acquisition and Database Generation

The digital drilling and assay data is stored in a Micromine database.

All reported data for Grand Central and Camp Vein have been compiled and validated into a coherent DATASHED database by Strategic. The data included any QA/QC samples where available. Database data entry was validated against original logs and assay reports by Strategic staff (Richard Simmons, 2006).

3.6.5 Geological and Mineralisation Domain Interpretation and Continuity

Big Vein Resources (2013)

Interpretation of the gold mineralisation was first carried out sectionally across strike with comparisons made from section to section. A general sectional cut-off of 0.4 g/t Au was used with an overall intersectional cut-off of 1.0 g/t Au. The sectional interpretation was wireframed together. However geological factors, internal dilution zones, and a minimum width of the mineralised zone were also used to develop the wireframes. Intersections less than 1.0 g/t Au were also included where necessary for the purposes of continuity and where the mineralisation was finishing.

The resource was not reported by ore type so it is unclear if regolith geology was modeled.

Soapspar (2007)

Mineralisation was domained into two distinctly different adjacent lodes, Puzzle and Jons as well as background mineralisation. The Puzzle lodes do not have well defined edges (soft boundary). The Jons lode is a well-defined discrete planar lode with a distinct *hard* boundary and contains a noticeable wobble at the extension of the Puzzle lode.

An alteration domain based on silicification was also modeled, but could only be defined with any confidence by the most recent drilling due to differences in logging over the many different drill programs.

Two surfaces were modelled from sectional interpretations, base of oxidation and top of primary, breaking it down by weathering, domaining it into oxide, transitional and fresh material.

Lost World (2001)

A digital 3D solid model representing the interpreted structural boundaries of the ore zone was constructed for block modelling purposes. The solid model was created from 25m spaced geological sections. Detailed outcrop mapping was integrated with drilling and trenching data to constrain the geological model. A single broad quartz-stock work envelope (solid) was constructed; corresponding with the mapped and drilled extent of the veined Lost World fault zone. In the drill sections the envelope approximately corresponded to a zone bound by domains of >5% epithermal quartz, which appeared to be a natural break corresponding to the mapped boundaries of the fault zone at surface. The solids were extended beyond the depth of current drilling to enable conceptual deposit modelling. Where supported by the data the solids were extended to a minimum RL of 300m (approx. 100-125m depth from surface).

The model was divided into two domains with contrasting mineralisation shoot continuity and geometries:



- The Eastern Domain is characterised by veining and faulting sub parallel to the stratigraphic/structural grain; and
- The Western Domain is characterized by veining and faulting predominantly sub parallel to the stratigraphic/structural grain.

Based on Strategic's 2004 Annual Report, the resource has been broken into oxide and fresh material domains, but such a break down was not in Bartsch 2001 report.

Grand Central and Camp Vein (2008)

Geological domains were constructed based on detailed surface mapping and drill hole log data. Mineralised domains were outlined for estimation purposes based on alteration envelopes and veining. Where more detailed logging data was available for the Camp Vein, and locally for the Grand Central Vein, mineralised domains were defined on the basis of strong alteration zones (generally including, at least in part, silica-sericite-adularia pyrite alteration zones) and/or zones of >5% epithermal veining that form well defined envelopes to major 0.5 - 2m thick zones veins. These domains generally correspond to the 0.3 - 0.4 g/t Au grade contour around the main through going structures. Mineralisation was modelled based on a nominal 0.4 g/t Au cut off in conjunction with the logged percentage of quartz veining, the presence and degree of alteration and proximity to stratigraphic boundaries. Where older data was inadequate, gold grade contours were used in conjunction with geological structural interpretations to constrain the mineralisation domain boundaries.

The Camp Vein and Grand Central prospect has been modelled as three intersecting structures dipping between -30 and -70 degrees. All structures are sub divided into weathered and fresh for specific gravity purposes but not for estimation as the quantity of data in the weathered material is insufficient for variography and the average grade is not significantly different to the fresh material. All domains can form branches, splits and joins parallel lodes and may cross over other domains. Each domain has been modelled so that its volume is reasonably consistent in dip and strike overall.

Soapspar (2007)

Mineralisation was domained into two distinctly different adjacent lodes, Puzzle and Jons, as well as background mineralisation. Additionally it was broken down by weathering, domaining it into oxide, transitional and fresh material.

Explorer (2004)

The Explorer prospect consists of two intersecting structures dipping between -45 and -70 degrees. These can be divided into three areas (northern, southern and linking) based principally on geometry. All structures are sub divided into weathered and fresh for specific gravity purposes but not for estimation as the quantity of data in the weathered material is insufficient for variography and the average grade is not significantly different to the fresh material. The bulk density of the weathered (oxidized and semi-oxidised) material was 2.59 t/m³ and the bulk density in the un-weathered material was 2.68 t/m³, based on data provided by Strategic.

Lost World (2001)

The full extent of the drilled Lost World fault zone was modelled. A mineralisation solid/envelope was constructed representative of mapped structurally controlled boundaries to the mineralisation zone. The mineralisation solid was divided into two domains (West and East) for modelling, based on their structural character. Based on Strategic's 2004 Annual Report, the resource has been broken into oxide and fresh material domains.



3.6.6 Sample Geostatistics and Variography

Explorer (2004)

All drill data was composited to 1m intervals. A top cut of 6ppm was used for the second and third passes in the low grade domains. The 6ppm top cut was chosen in order to prevent smearing of very high grades into the surrounding background mineralisation.

Experimental variography was attempted using the oxide and fresh data combined for the north structure low grade, north structure high grade shoot and the southern structure. Using a raw experimental variogram none of these data sets were able to be modelled. A Gaussian transform was computed for the north low grade structure and a variogram model was able to be fitted to this. This was then back transformed to form the raw variogram model. The high grade shoot, southern structure and the linking structure variogram models were then created using their respective strike and dip orientations, their respective total sills, and the ranges and the proportioned partial sills of the north structure variogram. A down hole variogram was computed for all data within the mineralisation showing a nugget of approximately 65% and a range of about 5m.

Grand Central and Camp Vein (2008)

Experimental directional variography was calculated using the oxide and fresh data combined for the three domains. The experimental variograms showed very poor structure and were difficult to model. Both Pairwise Relative and Gaussian transforms were examined with neither showing any improvement in structure over the raw experimental variogram structure. Omni directional experimental variography gave some structure and was used as the default for range modelling with all domains showing similar ranges of around 15m. Downhole experimental variography was calculated to guide the fitting of nugget values and first structure ranges. Nuggets at 0m ranged from 30% to 60% with a very rapid rise in the first 1m to 3m to 60% to 80%. The smaller domains assume the ranges and proportional sills from their associated major domain.

Soapspar

Due to the distinctly different nature of the Jons and Puzzle lodes two sets of composites were generated by SRK starting from the collar of the hole. For Jons 1m composites were calculated and for Puzzle 5m composites, matching the vertical block dimension, were calculated. The composites were flagged by majority length from the lode and weathering solids. SRK completed statistics on the declustered composites.

SRK completed variogram modelling, carried out utilising top cuts of around 10 g/t Au in order to reduce the adverse influence of extreme values. Pairwise relative experimental models were also examined in order to check if a Gaussian transform would assist variographic analysis, but showed no improvement in the experimental models.

Lost World

Bartsch 2001, composited the assays to 1m intervals in order to give each sample equal support. Statistics were run for the total ore envelope and separately for the Western and Eastern domains, which make up the total. The population distributions approximate log normality. Mean and median statistics for the two domains differ slightly, with the Eastern zone characterised by a wider spread of data with a higher variability.

Variograms were calculated for the Western and Eastern Domains based on the geological observations and detailed variography conducted previously in 1996 by Snowdens. The variogram results for the Eastern Domain confirmed the mapped orientation of the mineralised structure with the maximum continuity corresponding to strike, intermediate continuity down dip and least continuity normal to the fault zone. Because of the complex interplay between, vein arrays with similar strikes but opposing dips, and stratigraphy typically normal to the veining, the variogram results for the Western Domain are poor. The results indicate a high degree of geometric anisotropy. The best results correspond with the orientation of the main NNE dipping structure (~120/-80/NNE) and reflecting plunges predicted from the mapped geology.



3.6.7 Resource Modelling and Resource Estimation Methods

Big Vein Resources (2013)

The block model was completed using Micromine software.

The block dimensions used within the block model are 5m (X) by 5m (Y) by 5m (Z).

A bulk density of 2.40 t/m³ was assumed for all the Big Vein mineral resource estimates, which Richter, 2013 considered to be a close but a conservative figure for this type of rock insitu.

A minimum mining width of 2m was assumed.

The gold grades within the blocks were estimated by inverse distance to the power of 3 (ID³) using a 60m search radius. Assays were filtered from within the wireframed zones for the resource estimation.

Inspections of the created grade blocks were made against the sectional and long section views, which reflected a close fit with the grade fluctuations in the drilling. A 0.75 g/t Au block grade cut-off (0.5g/t gold for Big Vein) was used to restrict any sub-grade blocks caused due to internal waste blocks below such a cut-off grade. The resource model wireframe was used to allocate the proportions of the blocks that lie within the wireframe, to allow an accurate estimation of the tonnes and grade.

A block grade upper cut-off of 30 g/t Au was used in the block model estimates, which only affecting the Big Vein mineral resource estimate. At Big Vein, high grade mineralisation of this type is known to consist of small high grade zones within a broader zone of low grade mineralisation.

Soapspar (2007)

The resource was estimated with open cut mining and heap leach processing in mind with block sizes and estimation techniques as appropriate (Strategic, 2007).

SRK assigned the following bulk densities; oxide material - 2.30t/m³, transitional material - 2.60t/m³ and fresh material - 2.70t/m³.

Blocks were estimated by ordinary kriging utilising a single pass for each domain. Puzzle was estimated using a soft boundary where all of the 5m composites for Puzzle and Background, excluding those belonging to Jons were available. The Background material was estimated utilising only the Background 5m composites excluding both Jons and Puzzle. The Background estimation used the same variogram defined for Puzzle (rescaled to fit the Background sill). Jons was estimated using only the 1m composites from Jons.

Explorer (2004)

Two different block sizes were used in the model, one for explorer north and one for explorer south. This reflects the drilling density, structure orientations and estimation accuracy for each area. The model was oriented along strike at an azimuth of 300 degrees. Block sizes of 20 x 10 x 3m (model framework x,y,z) for the south and 10 x 5 x 3m (x,y,z) for the north were used. Block discretisation was set at 6 x 6 x 3m (x,y,z) for both sizes of block model. The 3 points in the z direction reflect the use of 1m composites with 3m high blocks.

The estimation was carried out using ordinary kriging. Percentages of the mineralised domains were assigned to blocks that did not fall wholly within the mineralised domains.

The total resource for the Explorer deposit, including Measured, Indicated and Inferred categories, was broken down by North and South areas and by Resource category for cut offs at 0.5 g/t Au, 1.0 g/t Au and 1.5 g/t Au.

Lost World (2001)

The block dimensions used within the block model were 5m (X) by 5m (Y) by 5m (Z) and were chosen to reflect the likely mining selectivity achievable.

Ordinary kriging, using parameters derived from the variograms was used to interpolate grades into blocks. No upper grade cuts were applied, however the influence of extreme outliers were constrained spatially. A minimum of 2 samples were used to interpolate each



block. A search ellipse, corresponding to the maximum range parameters for the three principle directions modelled in the variography, was used to select the samples to estimate a particular block. The mineralisation solid envelope was treated as a hard boundary as it maps the sharp structurally controlled transition bounding shears and quartz veining forming the fault zone. The resources were estimated at a lower cut-off of 0.4 g/t Au and 0.8 g/t Au.

Bartsch applied a bulk density of 2.6t/m^3 , which was provided by Strategic Minerals and used for the Lost World resource estimation. Bartsch notes that the source of the bulk density data was not sighted and is reportedly based on test work on several samples.

Shanghai and Finn North (2004)

Resource estimates for both Shanghai and Finn were calculated using a simple x-sectional polygonal methodology. Sections and plans were generated and interpreted using Gemcom software. The estimations were calculated using a 0.8 g/t lower cutoff grade; in the case of Shanghai a top cut of 20 g/t was applied (i.e. values >20 g/t cut to 20 g/t) no top cut was applied to the Finn resource. The estimations were carried out by Roland Bartsch in September 2004.

Grand Central and Camp Vein (2008)

The block models are *percentage models* and are not sub blocked. A percentage of the modelled geological structure is calculated within each block and this percentage applied to the block volume for reporting tonnages. Therefore the exact volume of the modelled wireframes is reported and not a multiple of the block size. The model was oriented along strike at an azimuth of 300 degrees. Block sizes of 20 x 10 x 5m (model framework x,y,z) were used. Block discretisation was set at 5 x 5 x 5 (x,y,z). The 5 points in the z direction reflect the use of 1m composites with 5m high blocks.

A single pass was used to estimate all domains due to the relative uniformity of drill spacing. A restricted high grade neighbourhood was used during estimation for all domains except the High Grade domain. Grades over 10 g/t Au had their influence restricted to a maximum distance of 10m. No top cuts or restricted neighbourhoods were used during the estimation of the High Grade domain.

SRK (2008), state that there was insufficient density data available from the Camp Vein and Grand Central area. Bulk densities were applied to the estimation results based on weathering within the mineralised zones as per data supplied by Strategic gathered from the adjacent Explorer deposit. The bulk density of the weathered (oxidised and semi-oxidised) material was applied at 2.59 t/m^3 and the bulk density in the un-weathered material was applied at 2.68 t/m^3 .

The estimation was carried out using ordinary kriging. Percentages of the mineralised domains were assigned to blocks that did not fall wholly within the mineralised domains. The kriging procedure for the individual domains was allowed to see all composites except the HG composites. This was done to allow all relevant data to be accessed in the areas where domains intersect.

Individual variography and search neighbourhoods were used for each domain.

The estimate was completed at a 0.0 g/t Au cut-off within a nominal 0.4 g/t Au mineralisation shell.

SRK (2008) concluded that the Resource is classified on a global basis due to the poor continuity shown in the variography where ranges are generally less than the average drill spacing. Any mining studies using this resource should be based on bulk mining of the entire modelled mineralisation as the drill spacing is insufficient to accurately define local block grades above a zero cut off. A drill spacing of 10m or less would likely be required to enable classification of Measured material.



3.6.8 Resource Model Validation and Reconciliation

Big Vein Resources

Richter 2013 carried out an inspection and comparison of the created block grades against cross and long sections, with a close fit between them observed. Polygonal wireframe estimates were used to cross check the block model resource figures.

Soapspar

SRK completed a check estimate using a hard boundary for Puzzle.

SRK also completed an examination of block graded from cross section to cross section, stating that they matched the drill hole composite grades well.

Lost World

Block model validation was carried out visually by means of viewing cross sections and level plans through the block model. Bartsch concluded that the model compared reasonably with the interpreted geological controls.

Explorer

Validation was carried out on plans and sections showing kriged block values overlaid on the mineralised domains, high grade domain and drilling data. It was noted that the southern area blocks have been regularised from 20m x 10m x 3m to 10m x 5m x 3m retaining the same grade as the larger block for display purposes.

Grand Central and Camp Vein

Statistical validation was carried out on a block and composite average comparison.

Other Deposits

No publically available information is available for Shanghai and Finn North.

3.6.9 Resource Classification

Big Vein Resources

The primary method of resource classification undertaken for the Big Vein deposits was that of using drill hole spacing criteria, which were:

- Measured - Holes approximately 15 metres (along strike) by 20 metres, or less.
- Indicated - Holes approximately 30 metres (along strike) by 30 metres, or less.
- Inferred - Holes approximately 120 metres (along strike), or less.

The inferred category may also include stand alone holes for an extension if it conforms with the current geological interpretation.

At the Big Vein deposit all of the zones that could have been classified as indicated by spacing criteria were instead classified as inferred due to other factors including, a narrow vein zone (which limited the number of data points) and inconsistencies in the mineralisation both along strike and down dip.

Soapspar

SRK adopted the following methodology in classifying the Soapspar mineral resource.

Puzzle: Inside the wireframes has been classified as Measured and the adjacent Puzzle background as Indicated.

Jons: Inside and outside the wireframe has been classified mainly as Indicated due to the sparser drilling, very high nugget, very low range (4m) and unknown extent of existing excavations with some Inferred down dip and at the strike extremities.

Lost World

Bartsch applied the following conditions in classifying the Lost World mineral resources, where allowing blocks to be considered as:



- Measured at sample separations (between holes) of approximately 25m or less (two thirds the total sill);
- Indicated at approximately 37m or less (total sill); and
- Inferred greater than 37m.

Explorer (2004)

The SRK (2004) resource estimate report classifies the northern section of Explorer as Inferred with no drill spacings given. The linking structure and parts of the northwest area are classified as Indicated based on that they are reasonably well drilled, with no drill spacings given. The central northern section is classified as Measured, as it is densely drilled and well understood in terms of geological controls, however no drill spacings given.

Grand Central and Camp Vein (2008)

The Camp Vein and Grand Central deposits include Indicated and Inferred categories with no material classified as Measured. No drill spacings were given in the mineral resource estimate. According to SRK (2008), contiguous areas of blocks where the geology is expected to be continuous but the individual blocks do not contain any drillholes are classified as Inferred. They will generally have a slope of regression of zero indicating that it is not possible to estimate the block grades to anything better than the average of the sample distribution as their distance from informing data is greater than the variogram ranges.

All remaining material was classified as Indicated and typically contained blocks with regression slopes of 0.1 to 0.2 which indicates very poor levels of local confidence in the block value.

Other Deposits

At the time of writing no publically available information was available on how the Shanghai and Finn North mineral resources were classified.

3.6.10 Resource Estimation Risk Analysis

Ravensgate has conducted limited risk analysis of the resource estimations completed at the Woolgar project based on the publically available information and has identified the following areas of concern:

- Limited resource breakdown has been provided by ore type (oxide/transitional/fresh). Publically available data suggest that several deposits (Explorer/Lost World) have poor recoveries in fresh.
- It is unclear how much bulk density data was obtained at the various prospects and in some instances if appropriate densities have been applied to the various material types.
- The use of the polygonal estimation technique was used as the primary estimation method for the Shanghai and Finn deposits and as a cross check to the Big Vein deposits. The polygonal estimation technique can overestimate the tonnage and grade of a mineral resource as it does not fully account for the three dimensional distribution of gold grades. This method is not considered industry best practice.
- The resources were reported using JORC (1999) and JORC (2004) guidelines. Significantly improved public reporting of the model data and assumptions for the various resources is needed for them to conform with current JORC (2012) guidelines.
- Based on the current understanding of the geology, the data available and the mineralisation styles at the project, Ravensgate has some concerns on the JORC classification of the various resources. Classification criteria for Measured, Indicated and Inferred Resources need to be reviewed and reported. In particular the Measured category requires a very high level of confidence which, based on the publically available data, is unclear if this is an appropriate classification for some parts of the Woolgar Resource.



3.6.11 Conclusions

Ravensgate has reviewed the publically available data for the various resources reported at Woolgar. Ravensgate has elected to use the various resource estimates at *face value* in assisting with valuing the project. The resources are reported at cut-offs which are appropriate. Ravensgate notes that many of the resources are not well publically documented and has a number of concerns outlined in section 3.6.10. These considerations have been taken into account when selecting appropriate valuation ranges for the project resources.

3.7 Mining Studies

3.7.1 Metallurgical Test Work

In 2004, metallurgical test-work on the Explorer and Shanghai oxide, semi oxide and sulphide mineralisation styles was carried out by Hydrometallurgy Research Laboratories of QLD.

These data have been collated with the work from the Soapspar and Lost World deposits.

In summary, the results show:

- Shanghai Vein: Oxide / semi oxide material: CIL: 98.8%, Sulphide material - CIL: 72.5%
- Explorer: Oxide material: CIL: 94%, Sulphide material: CIL: 42-84%, Flotation, pressure oxidation and CIL: 90-98%
- Soapspar: Oxide / semi oxide material - CIL: 94%, Sulphide material: CIL: 88%
- Lost World: Surface (oxide material) CIL: 74.6%, Sulphide - CIL: 54-64%

Prefeasibility assessment of a stand-alone heap leach style mine development of the Soapspar gold deposit, which is located 8km to the north of the main epithermal gold resources at Sandy Creek, was initiated in 2006. The initial assessment of the Soapspar deposit conducted in 2006/7, demonstrated that the ore at Soapspar would require fine crushing and agglomeration to achieve the desired gold recoveries from heap leach processing. As a consequence it was evident that the development economics would be greatly improved by integration of Soapspar with the Woolgar global resource base.

Pre-feasibility work in 2007 was focused on metallurgy. The metallurgical test requirements were greater than initially anticipated and were contradictory to numerous previous rounds of tests.

Previous test work focused on the higher grade (i.e. >1g/t Au) sections of the deposit, therefore it was deemed prudent to run additional test work on the lower grade portion of the deposit as part of the pre-feasibility study. The initial additional test work suggested the low grade background mineralisation is not as readily treatable, which is contrary to the historical test work that was conducted. Several additional programs of metallurgical test work have now been conducted, which have produced better and more encouraging results. More tests are required and underway.



4. REAPHOOK & MT FROME PROJECTS, SOUTH AUSTRALIA

Strategic holds a 7.5% and 10% free carried interest in the Reaphook Zinc Project and the Mt Frome Project, respectively, located in South Australia. Due to the minor interest that Strategic holds, Ravensgate has only presented limited detail (tenement standing and location) on these projects in this report, as these projects are non-core to Strategic and contribute a small portion of the total valuation.

4.1 Ownership and Tenure

Tenement details for the Reaphook Zinc Project and Mt Frome Project are presented below in Table 7 and Table 8 respectively, and spatially in Figure 7.

| Table 7 Reaphook Zinc Project Tenement Details | | | | |
|-------------------------------------------------------|------------------------------|-------------------|--------------------|------------------------------------------------------------------------------------------|
| Exploration Licence | Area (km²) | Grant Date | Expiry Date | Owner and Equity |
| EL5234 | 88 | 27/09/2012 | 26/09/2014 | Signature Resources Pty Ltd (7.5%) Perilya Ltd (85%) Paladin Energy Limited (8.5%) |

Note: Signature Resources Pty Ltd is a wholly owned subsidiary of Strategic Mineral Corporation N.L.

| Table 8 Mt Frome Project Tenement Details | | | | |
|--------------------------------------------------|------------------------------|-------------------|--------------------|----------------------------------------------------------------------------|
| Exploration Licence | Area (km²) | Grant Date | Expiry Date | Owner and Equity |
| EL4597 | 249 | 4/11/2010 | 3/11/2014 | Signature Resources Pty Ltd (10%) Perilya Freehold Mining Pty Ltd (90%) |

Note: Signature Resources Pty Ltd is a wholly owned subsidiary of Strategic Mineral Corporation N.L.

4.1.1 Project Ownership and Relevant Interests

In September 2005 Strategic acquired 100% of the issued capital of Signature Resources N.L. (Signature) an unlisted public company, which held free carried interests in the Reaphook and Mt Frome projects.

Reaphook project joint venture: Perilya Limited 85% and Paladin Resources Limited 7.5%. Signature has a 7.5% free carried interest to bankable feasibility.

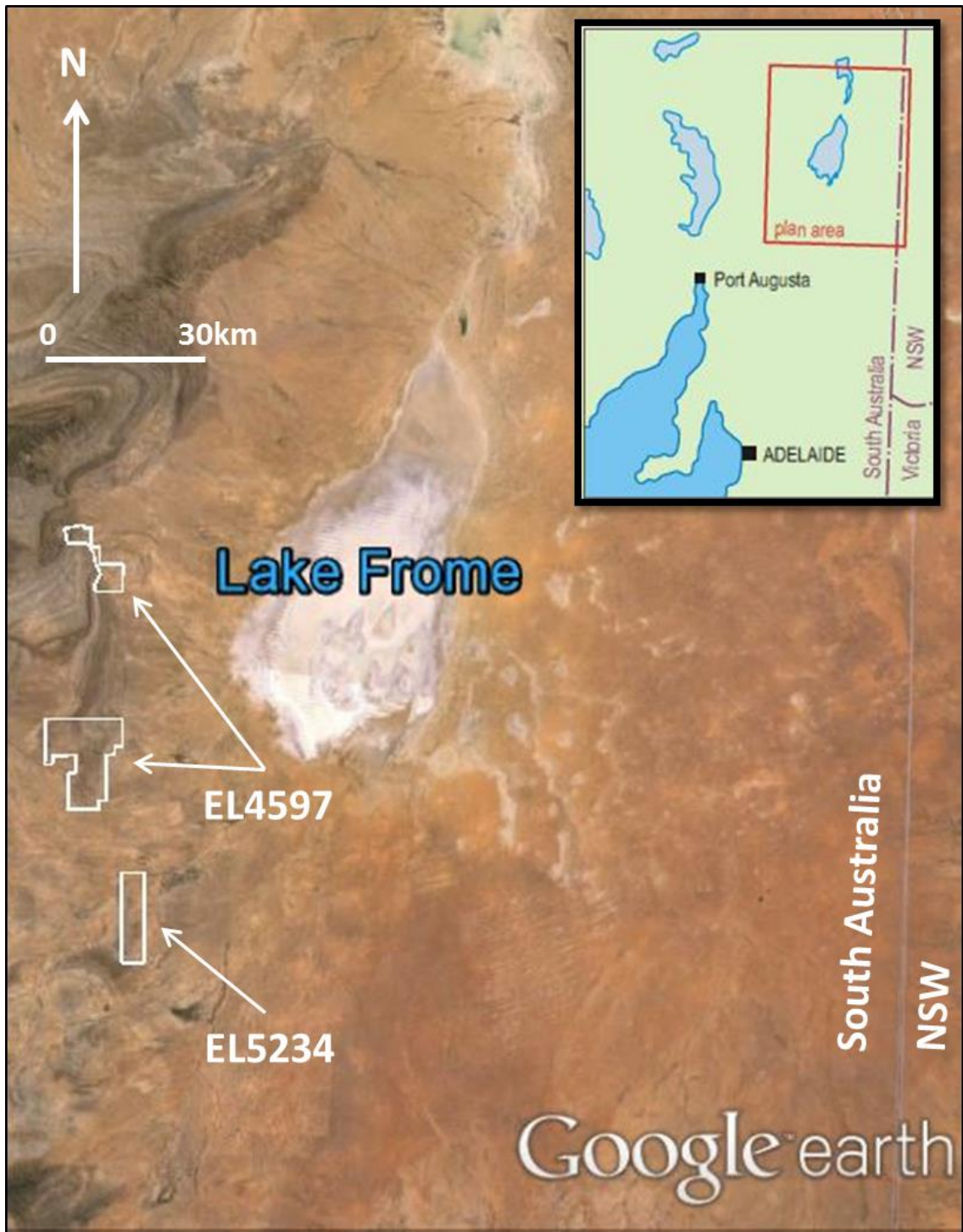
Mt Frome project joint venture: Perilya Limited 90%. Signature has a 10% free carried interest until completion of a bankable feasibility study.

4.1.2 Royalties and Taxes

There are no royalties or taxes associated with the tenements of the Reaphook and Mt Frome Projects.



Figure 7 Strategic's South Australian Free - carried Tenements





5. VALUATION

5.1 Introduction

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

The VALMIN Code, which is binding upon Experts and Specialists involved in the valuation of mineral assets and mineral securities, classifies mineral assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a Mineral Resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified Mineral Resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (MEE) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (EB) through application of a Prospectivity Enhancement Multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a grass roots project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.



Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably *arm's length* in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of, valuation. This method (termed Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at *arm's length* between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company's cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D} \left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

- V_{100} = Value of 100% equity in the project (\$)
- D = Deemed equity of the farminor (%)
- CP = Cash equivalent of initial payments of cash and/or stock (\$)
- CE = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
- EE = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
- I = Discount rate (% per annum)
- t = Term of the Stage (years)
- P = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where Mineral Resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances it is considered appropriate to use the 'in-situ' Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the Mineral Resource.



In the case of Pre-development, Development and Mining Projects, where Measured and Indicated Mineral Resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012) sets out minimum standards, recommendations and guidelines. A Mineral Resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral Resources are sub-divided into Inferred, Indicated and Measured to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

5.2 Previous Mineral Asset Valuations

Ravensgate is not aware, nor have we been made aware, of any valuations over Strategic's projects. Exploration tenements have not been included in the valuation where tenure or permits have not been granted to the relevant company and the company does not therefore have any ownership over tenement mineral assets or any exploration value within the tenements. Whilst ground is under application, there are uncertainties as to whether the tenement will be granted in its entirety or only part due to specific exclusions or if at all, due to environmental or Native Title considerations. There could be competing applications for the same ground with no guarantee that Strategic would be successful in its application.

5.3 Material Agreements

Ravensgate has been commissioned by Stantons to provide an Independent Technical Project Review and Valuation Report. The Technical Project Review and Valuation report encompasses Strategic's Woolgar, Reaphook and Mt Frome projects. The Technical Valuation report provides an assessment of their *Exploration Area* and *Advanced Exploration Area* mineral assets listed below with Strategic's effective ownership percentage.

| <u>Mineral Asset</u> | <u>Strategic Ownership %</u> |
|----------------------------------------|------------------------------|
| Woolgar Gold Project, Queensland | 100% |
| Reaphook Zinc Project, South Australia | 7.5% |
| Mt Frome Project, South Australia | 10% |

Ravensgate understands all active mining and exploration tenements that are granted at this point in time are in good standing.

In September 2005 Strategic acquired 100% of the issued capital of Signature Resources NL (Signature) an unlisted public company, which held free carried interests in the Reaphook and Mt Frome projects.

Reaphook project joint venture: Perilya Limited 85%, Paladin Resources Limited 7.5% and Signature has a 7.5% free carried interest to bankable feasibility.

Mt Frome project joint venture: Perilya Limited 90% and Signature has a 10% free carried interest until completion of a bankable feasibility study.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.



5.4 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving gold projects, without resources within Queensland and gold resources in Australia. Ravensgate targeted its search for gold resource transactions involving undeveloped gold resources with greater than 100,000 ounces of contained gold. The comparable dataset does not include transactions for gold resources with associated plant and equipment on care and maintenance, gold resources being developed or operating mines. Transactions for gold resources throughout Australia were considered to provide a larger comparable dataset in addition to just Queensland transactions as there were not many transactions for similar resources in Queensland. Ravensgate considers other states and territories in Australia to be a similar mining destination to Queensland in terms of operational and political risks.

Ravensgate did not conduct a search for publically available market transactions to value the South Australian Reaphook and Mt Frome projects due to Strategic only having a minority interest within these projects. Ravensgate has drawn on its experience in valuing exploration tenure without mineral resources in determining the value of the Reaphook and Mt Frome projects.

Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the mineral assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per metal unit or dollar per square kilometre of tenement holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 5.4.1 by commodity and region. Based on the limited information available Ravensgate have done their best to only use transactions between willing buyers and sellers in arm's length transactions.

Publicly available market transactions have been separated to reflect transactions on a dollar per square kilometre of tenement holding or on a dollar per metal unit for a more advanced Exploration Target or Mineral Resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project tenements. In general terms, exploration projects may start with a relatively large tenement holding where a lack of detailed geological sampling and knowledge renders the use of the *in-situ* yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these particularly early-stage exploration areas comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, tenement areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or Mineral Resources require estimation, comparable transactions on a dollar per metal unit basis may be more appropriate (i.e. an "Advanced Exploration Area Mineral Asset or Pre-Development Project at early assessment").

To compare the mineral resource transactions of the gold projects, they are normalised to take into account the change in the gold price and variations in exchange rates. This is done by taking the implied value per ounce of gold and dividing it by the gold price in Australian dollars at the time of the transaction and expressing the resultant value as a percentage.

5.4.1 Reported Market Transactions

5.4.1.1 Market Transactions for Exploration Area Gold Projects in Queensland

Ravensgate's analysis of Queensland market transactions for Exploration Area Mineral Asset gold projects (Table 9) indicates an implied value between \$155 and \$735,219 per km² for Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance with the JORC Code 2012. The implied value per km² is dependent on the type of licence, whether it is an Exploration Permit for Minerals (EPM), Mineral Development Licence (MDL) or Mining Lease



(ML). With lower implied values per km² for EPM's compared to MDL's and ML's. The implied value was also affected by the strategic importance of the licences and the presence of known gold mineralisation and potentially other commodities upon them and the grade of the mineralisation.

5.4.1.2 Market Transactions for Gold Mineral Resources in Australia

Ravensgate's analysis of market transactions for gold projects with mineral resources in Australia (Table 10) indicates an implied value between \$3.06 and \$78.20 per resource ounce of gold. The implied value per ounce is dependent on the resource category (Measured, Indicated or Inferred) and the average gold grade of the mineral resource. The implied value was also affected by the strategic importance of the resources to the purchaser.

To take into account the change in the gold prices over time, for each transaction in Table 10 the implied value per ounce of gold has been divided by the gold price in Australian dollars at the time of the transaction then expressed as a percentage (Table 11) and ranked from highest to lowest in terms of percentage.



Table 9 Market Transactions Involving Gold Projects at the Exploration Stage in Queensland

| Date | Vendor | Purchaser/Farminnee | Transaction Type | Prospective Commodities ¹ | Value ² \$M | Area km ² | Cost per km ² A\$ |
|-----------|--------------------------------------|------------------------------------------|------------------|--------------------------------------|------------------------|----------------------|------------------------------|
| 14-Apr-14 | Eclipse Metals Limited | Laura Exploration Pty Ltd | Acquisition | Au | 0.125 | 167.1 | 748 |
| 10-Apr-14 | Elementos Limited | Below Ground Technology Pty Ltd | Joint Venture | Au-BM | 1.020 | 109.5 | 9,315 |
| 9-Dec-13 | Santana Mineral Limited | Midas Resources Limited | Acquisition | Au-Cu-Mo-Re | 0.337 | 70.5 | 4,778 |
| 19-Nov-13 | Newcrest Mining Limited | ActivEX Limited | Acquisition | Au-Cu | 0.200 | 189.9 | 1,053 |
| 17-Sep-13 | Elementos Limited | Chinalco Yunnan Copper Resources Limited | Joint Venture | Au-Cu-Co | 2.236 | 329.3 | 6,788 |
| 30-Jul-13 | Private Vendor | Silver City Minerals Limited | Joint Venture | Au-Cu | 1.783 | 200.0 | 8,913 |
| 3-Jun-13 | Falcon Minerals Limited | Minotaur Exploration Ltd | Joint Venture | Au-Cu | 0.446 | 165.0 | 2,701 |
| 30-May-13 | Snowmist Pty Ltd | Arc Exploration Limited | Joint Venture | Au | 1.151 | 1.6 | 735,219 |
| 29-Apr-13 | Superior Uranium Pty Ltd | Krucible Metals Limited | Acquisition | Au-Cu | 0.480 | 54.2 | 8,850 |
| 15-Oct-12 | Pepinnini Minerals Limited | JKO Mining Pty Limited | Acquisition | Au | 0.844 | 310.0 | 2,723 |
| 9-Oct-12 | Adept Solutions Limited | Forte Consolidated Limited | Acquisition | Au | 0.050 | 321.9 | 155 |
| 19-Jul-12 | Global Resources Corporation Limited | Gold Anomaly Limited | Acquisition | Au | 0.213 | 97.9 | 2,173 |
| 16-May-12 | Premier Minerals Ltd | Tellus Resources Ltd | Acquisition | Au | 2.000 | 100.0 | 20,000 |
| 20-Apr-12 | MAuB Pty Ltd | Integrated resources Group Limited | Acquisition | Au-Cu | 2.670 | 2,478.0 | 1,078 |



Table 9 Market Transactions Involving Gold Projects at the Exploration Stage in Queensland

| Date | Vendor | Purchaser/Farminnee | Transaction Type | Prospective Commodities ¹ | Value ² \$M | Area km ² | Cost per km ² A\$ |
|-----------|--------------------------------------|---------------------------|------------------|--------------------------------------|------------------------|----------------------|------------------------------|
| 26-Mar-12 | Callabonna Uranium Limited | Planet Metals Limited | Acquisition | Au | 0.065 | 201.7 | 322 |
| 22-Dec-11 | Mt Isa Metals Limited | Xstrata Mt Isa Mines | Joint Venture | Au-Cu | 1.700 | 650.0 | 2,615 |
| 03-Nov-11 | Global Resources Corporation Limited | Sandfire Resources NL | Joint Venture | Au-BM | 4.334 | 41.1 | 105,500 |
| 24-Oct-11 | ActiveEX Limited | Coppermoly Limited | Joint Venture | Au-Cu | 5.099 | 386.5 | 13,192 |
| 15-Sep-11 | Callabonna Uranium Limited | Planet Metals Limited | Joint Venture | Au-BM | 1.285 | 345.2 | 3,722 |
| 13-Jul-11 | Deep Yellow Limited | Syndicated Metals Limited | Joint Venture | Au-Cu | 0.826 | 650.0 | 1,271 |

1. Commodities: Au = Gold, Cu = Copper, BM = Base Metals, Co = Cobalt, Mo = Molybdenum, Re = Rhenium

2. Value is on a 100% equity basis.



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Halls Creek (Biscay) Gold Project, Western Australia | 10 February 2014: Pacific Nuigini Limited entered into an acquisition agreement with Bulletin Resources Limited for the Halls Creek Gold Project. The project has gold resources of 1.77Mt @ 5.20g/t Au for 0.294Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$5.71M (notional \$19.44 A\$/metal ounce on 100% terms). | 0.294 | 5.71 | 19.44 |
| Plutonic Dome Gold Project, Western Australia | 19 November 2013: Ord River Resources Limited entered into an acquisition agreement with Dampier Gold Limited for the Plutonic Dome Project. The project has gold resources of 5.54Mt @ 3.80g/t Au for 0.683Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$6.43M (notional \$9.42 A\$/metal ounce on 100% terms). | 0.683 | 6.43 | 9.42 |
| Boundary, Bungarra & Stirling Gold Projects, Western Australia | 10 October 2013: A private purchaser entered into an acquisition agreement with Korab Resources Limited for the Boundary, Bungarra & Stirling Gold Projects. The project has gold resources of 6.56Mt @ 1.61g/t Au for 0.339Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$1.50M (notional \$4.42 A\$/metal ounce on 100% terms). | 0.339 | 1.50 | 4.42 |
| Bird In Hand Gold Project, South Australia | 19 July 2013: Terramin Australia Limited entered into an acquisition agreement with Maximus Resources Limited for the Bird In Hand Gold Project. The project has gold resources of 0.6Mt @ 12.30g/t Au for 0.237Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$3.95M (notional \$16.67 A\$/metal ounce on 100% terms). | 0.237 | 3.95 | 16.67 |
| Wattle Dam Gold Project, Western Australia | 1 July 2013: ERO Mining Limited entered into an acquisition agreement with Ramelius Resources Limited for the Wattle Dam Gold Project. The project has gold resources of 0.23Mt @ 18.00g/t Au for 0.131Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$0.40M (notional \$3.06 A\$/metal tonne on 100% terms). | 0.131 | 0.40 | 3.06 |



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| White Dam Gold Project, South Australia | 28 May 2013: Washington H Soul Pattinson & Company Ltd entered into an acquisition agreement with Polymetals Mining Limited for the White Dam Gold Project. The project has gold resources of 6.01Mt @ 0.98g/t Au for 0.189Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$2.88M (notional \$15.26 A\$/metal ounce on 100% terms). | 0.189 | 2.88 | 15.26 |
| Youanmi Gold Project, Western Australia | 11 February 2013: Infinity Fame Limited entered into an acquisition agreement with Apex Minerals NL for the Youanmi Gold Project. The project has gold resources of 8.23Mt @ 3.60g/t Au for 0.951Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$15.00M (notional \$15.77 A\$/metal ounce on 100% terms). | 0.951 | 15.00 | 15.77 |
| McPhillamys Gold Project, New South Wales | 9 August 2012: Regis Resources Limited entered into an acquisition agreement with Alkane Resources Limited and Newmont Exploration Pty Ltd for the McPhillamys Gold Project. The project has gold resources of 91.94Mt @ 1.00g/t Au for 2.956Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$150.00M (notional \$50.74 A\$/metal tonne on 100% terms). | 2.956 | 150.00 | 50.74 |
| Dalgaranaga Gold Project, Western Australia | 6 August 2012: Gascoyne Resources Limited entered into an acquisition agreement with a private vendor for the Dalgaranga Gold Project. The project has gold resources of 7.54Mt @ 1.58g/t Au for 0.382Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$1.94M (notional \$5.07 A\$/metal ounce on 100% terms). | 0.382 | 1.94 | 5.07 |
| Mt Henry Gold Project, Western Australia | 26 June 2012: Panoramic Resources Limited entered into a joint venture agreement with Matsa Resources Limited for the Mt Henry Gold Project. The project has gold resources of 26.43Mt @ 1.72g/t Au for 1.459Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$18.44M (notional \$12.64 A\$/metal ounce on 100% terms). | 1.459 | 18.44 | 12.64 |
| Mt Jewell Gold Project, Western Australia | 13 March 2012: Pioneer Resources Limited entered into an acquisition agreement with Carrick Gold Limited for the Mt Jewell Gold Project. The project has gold resources of 3.78Mt @ 1.50g/t Au for 0.186Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$7.41M (notional \$39.92 A\$/metal ounce on 100% terms). | 0.186 | 7.41 | 39.92 |



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Vivien Gold Project, Western Australia | 9 February 2012: Ramelius Resources Limited entered into an acquisition agreement with Gold Fields Limited for the Vivien Gold Project. The project has gold resources of 0.58Mt @ 8.30g/t Au for 0.154Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$8.76M (notional \$56.91 A\$/metal ounce on 100% terms). | 0.154 | 8.76 | 56.91 |
| Geko Gold Project, Western Australia | 25 January 2012: Bullabulling Gold Limited entered into an acquisition agreement with Gekogold Pty Ltd for the Geko Gold Project. The project has gold resources of 3.48Mt @ 1.30g/t Au for 0.145Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$3.06M (notional \$21.02 A\$/metal ounce on 100% terms). Note transaction was not completed. | 0.145 | 3.06 | 21.02 |
| Mt Gibson Gold Project, Western Australia | 11 January 2012: Extension Hill Pty Limited entered into an acquisition agreement with Legend Mining Limited for the Mt Gibson Gold Project. The project has gold resources of 8.76Mt @ 1.99g/t Au for 0.559Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$7.00M (notional \$12.52 A\$/metal ounce on 100% terms). | 0.559 | 7.00 | 12.52 |
| Tunkillia Gold Project, South Australia | 5 December 2011: Mungana Goldmines Limited entered into an acquisition agreement with Minotaur Exploration limited for the Tunkillia Gold Project. The project has gold resources of 15.6Mt @ 1.60g/t Au for 0.834Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$10.91M (notional \$13.08 A\$/metal ounce on 100% terms). | 0.834 | 10.91 | 13.08 |
| Mt Gibson Gold Project, Western Australia | 22 November 2011: Top Iron Pty Ltd entered into an acquisition agreement with Legend Mining Limited for the Mt Gibson Gold Project. The project has gold resources of 8.76Mt @ 1.99g/t Au for 0.559Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$7.00M (notional \$12.52 A\$/metal tonne on 100% terms). Note transaction was not completed. | 0.559 | 7.00 | 12.52 |



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Red Dam Gold Project, Western Australia | 31 October 2011: Phoenix Gold Limited entered into an acquisition agreement with Carbine Resources Limited for the Red Dam Gold Project. The project has gold resources of 1.87Mt @ 2.45g/t Au for 0.147Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$1.94M (notional \$13.16 A\$/metal ounce on 100% terms). | 0.147 | 1.94 | 13.16 |
| Rothsay Gold Project, Western Australia | 12 August 2011: Auricup Resources Limited entered into an acquisition agreement with Silver Lake Resources Limited for the Rothsay Gold Project. The project has gold resources of 0.59Mt @ 7.00g/t Au for 0.133Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$1.20M (notional \$9.03 A\$/metal tonne on 100% terms). | 0.133 | 1.20 | 9.03 |
| Mt Martin Gold Project, Western Australia | 4 August 2011: Alacer Gold Corp entered into an acquisition agreement with Australian Mines Limited for the Mt Martin Gold Project. The project has gold resources of 2.86Mt @ 2.29g/t Au for 0.211Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$7.16M (notional \$33.88 A\$/metal tonne on 100% terms). | 0.211 | 7.16 | 33.88 |
| Bounty Gold Project, Western Australia | 01 June 2011: AFL Resources Limited entered into an acquisition agreement with Convergent Minerals Limited for the Bounty Gold Project. The project has gold resources of 13.54Mt @ 1.72g/t Au for 0.748Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$4.10M (notional \$5.48 A\$/metal tonne on 100% terms). Note transaction was not completed. | 0.748 | 4.10 | 5.48 |
| Blackburn/Katanning Gold Project | 29 April 2011: Ausgold Limited entered into an acquisition agreement with Great Southern Resources Pty Ltd for the Blackburn/Katanning Gold Project. The project has gold resources of 6.24Mt @ 1.06g/t Au for 0.212Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$16.59M (notional \$78.20 A\$/metal tonne on 100% terms). | 0.212 | 16.59 | 78.20 |



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Gidgee Gold Project, Western Australia | 31 January 2011: Panoramic Resources Limited entered into an acquisition agreement with Apex Minerals NL for the Gidgee Gold Project. The project has gold resources of 1.84Mt @ 5.20g/t Au for 0.310Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$15.50M (notional \$50.00 A\$/metal tonne on 100% terms). | 0.310 | 15.50 | 50.00 |
| Spring Hill Gold Project, Northern Territory | 21 January 2011: Thor Mining PLC entered into a joint venture agreement with Western Desert Resources Limited for the Spring Hill Gold Project. The project has gold resources of 3.60Mt @ 2.04g/t Au for 0.274Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$6.78M (notional \$24.75 A\$/metal tonne on 100% terms). | 0.274 | 6.78 | 24.75 |
| Bullant Gold Project, Western Australia | 9 December 2010: US Nickel Limited entered into an acquisition agreement with Argent Minerals Limited for the Bullant Gold Project. The project has gold resources of 0.89Mt @ 5.16g/t Au for 0.149Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$6.82M (notional \$45.71 A\$/metal tonne on 100% terms). | 0.149 | 6.82 | 45.71 |
| Blackburn/Katanning Gold Project, Western Australia | 10 August 2010: Ausgold Limited entered into a joint venture agreement with Great Southern Resources Pty Ltd for the Blackburn/Katanning Gold Project. The project has gold resources of 6.24Mt @ 1.06g/t Au for 0.212Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$0.69M (notional \$3.27 A\$/metal tonne on 100% terms). | 0.212 | 0.69 | 3.27 |
| Bullant Gold Project, Western Australia | 28 July 2010: Argent Minerals Limited entered into an acquisition agreement with Barrick Gold Corporation for the Bullant Gold Project. The project has gold resources of 0.89Mt @ 5.16g/t Au for 0.149Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$5.35M (notional \$35.83 A\$/metal tonne on 100% terms). | 0.149 | 5.35 | 35.83 |



Table 10 Market Transactions Involving Gold Mineral Resources within Australia

| Project | Transaction Details & Type | Contained Au Metal Ounces (Moz) | Purchase Price 100% Basis (A\$M) | Implied Value / Metal Ounce (A\$) |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Kalgoorlie North Gold Project, Western Australia | 25 June 2010: Excelsior Gold Limited entered into an acquisition agreement with Kalgoorlie Mining Associates Pty Ltd for the Kalgoorlie North Gold Project. The project has gold resources of 10.71Mt @ 1.47g/t Au for 0.505Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$5.13M (notional \$10.17 A\$/metal tonne on 100% terms). | 0.505 | 5.13 | 10.17 |
| Burnakura Gold Project, Western Australia | 1 April 2010: Junka Minerals Limited entered into an acquisition agreement with ATW Gold Corp for the Burnakura Gold Project. The project has gold resources of 3.23Mt @ 2.90g/t Au for 0.301Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$4.25M (notional \$14.15 A\$/metal tonne on 100% terms). | 0.301 | 4.25 | 14.15 |
| Bullabulling Gold Project, Western Australia | 11 February 2010: Central China Goldfields PLC entered into an acquisition agreement with Auzex Resources Limited for the Bullabulling Gold Project. The project has gold resources of 9.31Mt @ 1.44g/t Au for 0.432Moz of contained gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$8.01M (notional \$18.55 A\$/metal tonne on 100% terms). | 0.432 | 8.01 | 18.55 |



Table 11 Summary of Market Transactions Involving Gold Mineral Resources within Australia

| Transaction Date | Project Name | Transaction Value \$M | Contained Gold Moz | Cost per oz of Gold at Transaction Date A\$ | Au Price ¹ on Trans Date A\$/oz Au | Cost per oz as a % of the gold Price |
|------------------|----------------------|--------------------------|-----------------------|------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| 29-Apr-11 | Blackburn/Katanning | 16.586 | 0.212 | 78.20 | 1,408 | 5.55% |
| 31-Jan-11 | Gidgee | 15.500 | 0.310 | 50.00 | 1,414 | 3.54% |
| 9-Feb-12 | Vivien | 8.764 | 0.154 | 56.91 | 1,619 | 3.52% |
| 9-Aug-12 | McPhillamys | 150.000 | 2.956 | 50.74 | 1,525 | 3.33% |
| 09-Dec-10 | Bullant | 6.820 | 0.149 | 45.71 | 1,410 | 3.24% |
| 28-Jul-10 | Bullant | 5.346 | 0.149 | 35.83 | 1,293 | 2.77% |
| 13-Mar-12 | Mt Jewell | 7.409 | 0.186 | 39.92 | 1,601 | 2.49% |
| 04-Aug-11 | Mt Martin | 7.155 | 0.211 | 33.88 | 1,576 | 2.15% |
| 21-Jan-11 | Spring Hill | 6.781 | 0.274 | 24.75 | 1,362 | 1.82% |
| 11-Feb-10 | Bullabulling | 8.008 | 0.432 | 18.55 | 1,211 | 1.53% |
| 10-Feb-14 | Halls Creek (Biscay) | 5.714 | 0.294 | 19.44 | 1,430 | 1.36% |
| 25-Jan-12 | Geko Gold | 3.057 | 0.145 | 21.02 | 1,569 | 1.34% |
| 19-Jul-13 | Bird In Hand | 3.950 | 0.237 | 16.67 | 1,411 | 1.18% |
| 01-Apr-10 | Burnakura | 4.253 | 0.301 | 14.15 | 1,226 | 1.15% |
| 28-May-13 | White Dam | 2.880 | 0.189 | 15.26 | 1,427 | 1.07% |
| 11-Feb-13 | Youanmi | 15.000 | 0.951 | 15.77 | 1,604 | 0.98% |
| 26-Jun-12 | Mt Henry | 18.443 | 1.459 | 12.64 | 1,571 | 0.80% |
| 31-Oct-11 | Red Dam | 1.940 | 0.147 | 13.16 | 1,639 | 0.80% |
| 11-Jan-12 | Mt Gibson | 7.000 | 0.559 | 12.52 | 1,589 | 0.79% |



Table 11 Summary of Market Transactions Involving Gold Mineral Resources within Australia

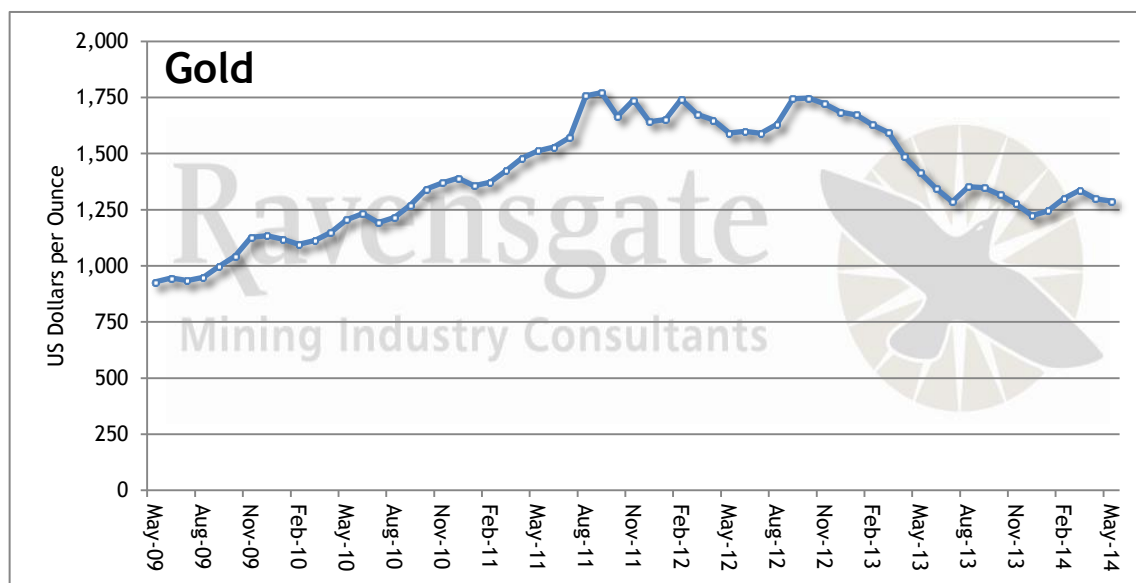
| Transaction Date | Project Name | Transaction Value \$M | Contained Gold Moz | Cost per oz of Gold at Transaction Date A\$ | Au Price ¹ on Trans Date A\$/oz Au | Cost per oz as a % of the gold Price |
|------------------|-------------------------------|--------------------------|-----------------------|------------------------------------------------|--------------------------------------------------|-----------------------------------------|
| 05-Dec-11 | Tunkillia | 10.909 | 0.834 | 13.08 | 1,707 | 0.77% |
| 22-Nov-11 | Mt Gibson | 7.000 | 0.559 | 12.52 | 1,726 | 0.73% |
| 25-Jun-10 | Kalgoorlie North | 5.133 | 0.505 | 10.17 | 1,454 | 0.70% |
| 19-Nov-13 | Plutonic Dome | 6.433 | 0.683 | 9.42 | 1,359 | 0.69% |
| 12-Aug-11 | Rothsay | 1.200 | 0.133 | 9.03 | 1,687 | 0.54% |
| 01-Jun-11 | Bounty | 4.100 | 0.748 | 5.48 | 1,427 | 0.38% |
| 6-Aug-12 | Dalgaranaga | 1.938 | 0.382 | 5.07 | 1,522 | 0.33% |
| 10-Oct-13 | Boundary, Bungarra & Stirling | 1.500 | 0.339 | 4.42 | 1,382 | 0.32% |
| 10-Aug-10 | Blackburn/Katanning | 0.693 | 0.212 | 3.27 | 1,308 | 0.25% |
| 1-Jul-13 | Wattle Dam | 0.400 | 0.131 | 3.06 | 1,352 | 0.23% |



5.4.2 Commodity Prices

Ravensgate has examined the historical commodity chart for gold Figure 8 for general trends over time. A general analysis of the five year monthly average price chart for gold in Figure 8 shows a continuous steady rise culminating in a significant rise in late 2011 interpreted to be partly a response to the European Debt Crisis. The gold price remained relatively steady until October 2012, from where it has declined to June 2013, from where it has been trading in a range from US\$1,280 to US\$1,350. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.

Figure 8 Gold Five Year Monthly Average Price Chart to May 2014



Source: Indexmundi.com



5.5 Mineral Asset Valuations

5.5.1 Woolgar Gold Project, Queensland

For valuing the Woolgar gold project, Ravensgate has split it into two parts, the mining tenure containing the gold mineral resources and the surrounding exploration tenure.

5.5.1.1 Selection of Valuation Method

The Woolgar Gold Project, in which Strategic has a 100% interest in, the mining tenure containing the mineral resources can be classified as an *Advanced Exploration Area* mineral asset as defined in Section 5.1 and the surrounding exploration tenure purchase can be classified as an *Exploration Area* mineral asset as defined in Section 5.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been reported for the Woolgar Gold Project. In valuing the mineral asset of the Woolgar Gold Project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the project, with it not expected to be in production in the near term (1 to 2 years) therefore not allowing a reasonable estimate of technical mining and economic parameters.

Ravensgate has elected to apply the Comparable Transaction method to value the project after consideration of the various valuation methods outlined in Section 5.1 and the geological / exploration information outlined in Section 3. Multiples of Exploration (MEE) and other cost based methods were not thought to be appropriate to apply in this case due to the substantial historic expenditures.

5.5.1.2 Project Analysis - Comparable Transactions Method

Ravensgate has subdivided the Woolgar Gold Project into two parts, the mining licences containing all the mineral resources and the surrounding exploration tenements to be valued on their exploration potential.

Woolgar Gold Project - Mineral Resources

Ravensgate's analysis of market transactions of gold resources in Australia (Table 10) indicates that the implied value of projects with undeveloped gold mineral resources, generally range from \$3.06 to \$78.20 per contained resource ounce of gold. The average and median cost per ounce of gold for all the transactions were \$22.40 and \$15.26, respectively. Analysing the transactions on a normalised basis, which takes into account the change in the commodity prices over time (Table 11), the above range can be expressed as a percentage of the gold price being 0.23% to 5.55%. The average and median of these transactions were 1.53% and 1.07%, respectively.

To value the Woolgar project mineral resources Ravensgate has divided the total mineral resources up between the individual mineral resources that Strategic has 100% equity in. Ravensgate has reviewed these resources and has broken them up into three different groups based on the quality/confidence of the mineral resource estimates to assign baseline value ranges and the preferred values. These three groups are outlined in Table 12. These baseline value ranges and preferred values have been modified where applicable based on the potential for a mineral resource to improve either in tonnes, grade or confidence.



Table 12 Woolgar Mineral Resource Valuation Groups

| Group | Mineral Resources | Breakdown with Baseline Ranges |
|-------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 1 | Big Vein & Explorer South Deposits | Mineral resources consisting entirely of inferred mineral resources. (\$13.94 to \$19.52 per Au oz) |
| 2 | Big Vein South (Central), Big Vein #2, Grand Central and Camp Vein & Shanghai and Finn Deposits. | Mineral resources with indicated and inferred mineral resource. (\$18.12 to \$25.09 per Au oz) |
| 3 | Big Vein South (Southern), Soapspars, Lost World & Explorer Deposits | Mineral resources with measured, indicated and inferred mineral resources. (\$20.21 to \$27.18 per Au oz) |

Ravensgate has selected a range and preferred values lower than the average of the normalised comparative transactions for the mineral resources associated with Group 1. The mineral resources in Group 2 have had a range and preferred value selected surrounding the average of the normalised comparative transactions value. The resources in Group 3 have had a range and preferred value selected above the average normalised comparative transactions value.

The following resources were modified for the following reasons:

- The Shanghai and Finn deposit mineral resources have had their value range and preferred values modified lower due to the resource estimation technique undertaken being polygonal, due to the risks related to using this technique. The polygonal technique does not truly account for the three dimensional distribution of gold grades in a deposit and generally leads to an over estimation of tonnes and grade.
- The Lost World and Explorer deposit mineral resources have had their value range and preferred values modified lower due to most of the resources being in fresh material (Strategic Annual Report 2004), as it was noted that based on some metallurgical test work recoveries from fresh mineralised material was poor. The Lost World deposit was modified lower than the Explorer deposit due to having an overall average resource grade of only 0.86g/t Au.
- The Soapspars deposit mineral resource was modified lower due to the overall average grade of the resource being only 0.89g/t Au.

Ravensgate has derived implied ranges with a preferred value per ounce of contained gold to apply to the individual mineral resources listed in Section 3.6, using the gold spot price at 24 June 2014 of \$1,393.93 (US\$1,313.50) see Table 13 below. These derived values are based on the dollar value per ounce of gold expressed as a percentage of the gold price. These ranges reflect the confidence and gold grade of the mineral resources. These values relate to approximately \$15.288M to \$21.102M for the total contained metal within the current mineral resource estimates (848,000oz Au metal). From this range a preferred value of \$18.195M has been selected which reflects the outcome of the exploration to date and the quality of the mineral resources.



Table 13 Woolgar Project Mineral Resource Valuation

| Resource Area | Cut-off | Tonnes Kt | Grade (g/t) | Ounces | Normalised % of Gold Price at 24 June 2014 ¹ | | | Equivalent Cost Per Ounce | | | Valuation \$M | | |
|---------------------------|-----------|---------------|-------------|----------------|---------------------------------------------------------|-----------|-----------|---------------------------|-----------|-----------|---------------|---------------|---------------|
| | | | | | Min | Preferred | Max | Min | Preferred | Max | Min | Preferred | Max |
| Big Vein South (Southern) | 0.75 | 748 | 1.94 | 46,600 | 1.45 | 1.70 | 1.95 | 20.21 | 23.70 | 27.18 | 0.942 | 1.104 | 1.267 |
| Big Vein South (Central) | 0.75 | 101 | 1.82 | 6,000 | 1.30 | 1.55 | 1.80 | 18.12 | 21.61 | 25.09 | 0.109 | 0.130 | 0.151 |
| Big Vein #2 | 0.75 | 108 | 2.93 | 10,100 | 1.30 | 1.55 | 1.80 | 18.12 | 21.61 | 25.09 | 0.183 | 0.218 | 0.253 |
| Big Vein | 0.5 | 94 | 3.84 | 11,600 | 1.00 | 1.20 | 1.40 | 13.94 | 16.73 | 19.52 | 0.162 | 0.194 | 0.226 |
| Soapspar | 0.4 | 3,314 | 0.89 | 95,200 | 1.35 | 1.60 | 1.85 | 18.82 | 22.30 | 25.79 | 1.791 | 2.123 | 2.455 |
| Lost World | 0.4 | 15,987 | 0.86 | 441,700 | 1.30 | 1.55 | 1.80 | 18.12 | 21.61 | 25.09 | 8.004 | 9.543 | 11.083 |
| Grand Central & Camp Vein | 0.4 | 2,764 | 1.14 | 101,300 | 1.30 | 1.55 | 1.80 | 18.12 | 21.61 | 25.09 | 1.836 | 2.189 | 2.542 |
| Explorer | 0.5 | 1,451 | 1.68 | 78,400 | 1.35 | 1.60 | 1.85 | 18.82 | 22.30 | 25.79 | 1.475 | 1.749 | 2.022 |
| Explorer South | 0.5 | 1,516 | 0.88 | 42,900 | 1.00 | 1.20 | 1.40 | 13.94 | 16.73 | 19.52 | 0.598 | 0.718 | 0.837 |
| Shanghai & Finn | 0.8 | 133 | 3.33 | 14,200 | 0.95 | 1.15 | 1.35 | 13.24 | 16.03 | 18.82 | 0.188 | 0.228 | 0.267 |
| Total | NA | 26,216 | 1.12 | 848,000 | NA | NA | NA | NA | NA | NA | 15.288 | 18.195 | 21.102 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

1. On the 24 June 2014 the spot gold price was US\$1,313.50 and the foreign exchange rate AUD/USD was 0.9423



Woolgar Gold Project Surrounding Exploration Tenure

Ravensgate's analysis of Queensland market transactions for Exploration Area mineral assets (Table 9) suggests an implied value between \$155 and \$735,219 per km² for Exploration Area mineral assets, with no estimated mineral resources in accordance of the JORC Code 2012. The value ranges differ between the different licence types, where generally ML's are worth more than EPM's on a cost per km² basis (Table 14).

| Table 14 Tenement Type Value Ranges Breakdown | |
|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost per km² Range | Comments |
| Exploration Permit for Minerals (EPM) | |
| \$100 - \$1,500 | Grass roots early stage exploration, with limited work or limited exploration potential. |
| \$1,500 - \$4,500 | Average exploration stage, early stage prospects with gold mineralisation for follow up. Mature exploration ground that has been well explored. |
| \$4,500 - \$8,000 | Advanced stage exploration with good potential, defined gold targets ready for resource drilling. |
| \$8,000 - \$50,000+ | Advanced stage exploration with good potential and/or strategic to the purchaser. |
| Mining Lease (ML) | |
| \$50,000 - \$500,000+ | Value varies due to quality of gold mineralisation and how strategic it is to the purchaser. |

Ravensgate has derived implied ranges and preferred values varying on the tenements prospectivity per km² to apply to the area of the granted exploration licences (Table 15), which have a total combined area of 505.48km². These values relate to approximately \$2.327M to \$4.614M. From this range a preferred value of \$3.471M has been selected, which reflects the outcome of successful exploration to date, the quality of the exploration ground and the impediments to future exploration success outlined in Section 3.5.3.

To derive appropriate values for the various exploration tenements Ravensgate reviewed the exploration data and prospectivity for the various licences and selected an appropriate range based on Table 14. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 3.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

EPM 9599:

- This tenement covers the majority of the project area with well exposed outcrop and is host to the majority of the project including the broader Sandy Creek Epithermal, and the mesothermal Upper and Middle Camps and parts of the Lower Camp areas.
- Mapping, soil sampling and drilling has identified a number of major prospects including major prospects containing numerous prospects and mineralised occurrences, including the majority of targets that Strategic have identified as part of their priority prospects, including Belle Brandon and Perseverance to the north, with Mowbray and the Big Vein system to the southwest.
- The Big Vein and Big Vein North are currently the highest priority exploration targets
- Soil geochemistry has identified a number of prospective areas that warrant follow up, particularly in the Upper Camp area



- The tenement has strategic importance as it surrounds the majority of the existing mining licences.

EPM 11886:

- The tenement is largely composed of Quaternary and Jurassic cover, but does contain some areas of Proterozoic basement with mapped veins to the north. These areas have received little exploration and follow up sampling programs are needed to assess the areas potential
- The area does not contain prospects identified by Strategic as current priorities.

EPM 13942:

- This tenement hosts the newly discovered southerly extensions to Big Vein South on the border with EPM14209 and there is potential at depth and also to identify strike extensions to the south below the cover sequence.
- This is a high priority target. The license also covers the southwest extension of the Mowbray trend, which has not been drilled by SMC but contains several historic workings.

EPM 14060:

- The tenement is largely composed of Quaternary and Jurassic cover which is of low prospectivity.
- The central north area covers the southern extension to Big Vein South trend where there may be potential for this system to extend below the cover sequence.

EPM 14209:

- The bulk of this tenement is composed of Quaternary and Jurassic cover which is of low prospectivity. There may be some potential to identify blind targets within basement - but these are considered low priority.
- Proterozoic basement outcrop and veining has been mapped in the central northern portion of the license, however this has had no modern exploration and no prospects have currently been identified. Further work is needed.
- The most prospective portion is the western margin of the licence which hosts parts of the Big Vein South and Big Vein Central prospects. These have potential to be linked together and are high priority targets to test at depth.
- A conceptual target (the Deflation Zone) also lies in this area where the Big Vein trend is intersected by an interpreted cross cutting structure. This may have created a favourable zone of dilation/gold mineralisation.

ML 2728:

- This mining licence surrounds the historic Perseverance workings. A resource was historically reported in 1997, but no recent JORC resources have been reported. Further exploration is warranted.



| Tenement | Area* km ² | Equity % | Values Per km ² | | | Valuation | | |
|--------------|--------------------------|-------------|----------------------------|-----------------|------------|--------------|------------------|--------------|
| | | | Low \$ | Preferred \$ | High \$ | Low \$M | Preferred \$M | High \$M |
| EPM 9599 | 90.59 | 100 | 16,000 | 20,000 | 24,000 | 1.449 | 1.812 | 2.174 |
| EPM 11886 | 74.4 | 100 | 2,000 | 4,000 | 6,000 | 0.149 | 0.298 | 0.446 |
| EPM 13942 | 5.37 | 100 | 16,000 | 20,000 | 24,000 | 0.086 | 0.107 | 0.129 |
| EPM 14060 | 177.48 | 100 | 1,500 | 3,000 | 4,500 | 0.266 | 0.532 | 0.799 |
| EPM 14209 | 156.36 | 100 | 2,000 | 4,000 | 6,000 | 0.313 | 0.625 | 0.938 |
| ML 2728 | 1.28 | 100 | 50,000 | 75,000 | 100,000 | 0.064 | 0.096 | 0.128 |
| TOTAL | 505.48 | 100 | NA | NA | NA | 2.327 | 3.471 | 4.614 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

*Notes: The area of the EPM's 9599, 13942, 14060 and 14209 have all been reduced by 12.81km², 4.33km², 0.22km² and 1.94km² respectively, to account for the area of the EPM's that are covered by the mining licences, and mining lease application that encompasses the Big Vein South deposits, therefore ensuring multiple values are not applied to the same area of land.

5.5.2 Reaphook Project, South Australia

The Reaphook project, in which Strategic has a 7.5% interest in can be classified as an *Exploration Area* mineral asset as defined in Section 5.1. A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Reaphook project.

In valuing the mineral asset of the Reaphook Project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the project.

Due to Strategic having only a minority interest in the Reaphook project a full analysis of comparable transactions was not undertaken. Ravensgate has applied a range and preferred value, based on its extensive experience in valuing exploration tenure to apply to the area of the granted exploration licence (Table 16).

| Tenement | Area km ² | Equity % | Values Per km ² | | | Valuation | | |
|----------|-------------------------|-------------|----------------------------|-----------------|------------|------------|------------------|-------------|
| | | | Low \$ | Preferred \$ | High \$ | Low \$M | Preferred \$M | High \$M |
| EL5234 | 88 | 7.5 | 1,000 | 2,000 | 3,000 | 0.007 | 0.013 | 0.020 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

5.5.3 Mt Frome Project, South Australia

The Mt Frome project, in which Strategic has a 10% interest in, can be classified as an *Exploration Area* mineral asset as defined in Section 5.1. A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Reaphook Project.



In valuing the mineral asset of the Mt Frome Project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the project.

Due to Strategic having only a minority interest in the Mt Frome project a full analysis of comparable transactions was not undertaken. Ravensgate has applied a range and preferred value, based on its extensive experience in valuing exploration tenure to apply to the area of the granted exploration licence (Table 17).

| Tenement | Area km ² | Equity % | Values Per km ² | | | Valuation | | |
|----------|----------------------|----------|----------------------------|--------------|---------|-----------|---------------|----------|
| | | | Low \$ | Preferred \$ | High \$ | Low \$M | Preferred \$M | High \$M |
| EL4597 | 249 | 10 | 1,000 | 2,000 | 3,000 | 0.025 | 0.050 | 0.075 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

5.6 Valuation Summary

Ravensgate has concluded that Strategic's Woolgar, Reaphook and Mt Frome projects are of merit (although at varying stages of exploration and subsequent Mineral Asset classification), and worthy of further exploration. A summary of the Strategic's project valuation in ownership equity terms is provided in Table 18. The applicable valuation date is 24 June 2014 and is derived from using the Comparable Transactions valuation method. The value of Strategic's projects are considered to lie in a range from \$17.647M to \$25.811M, within this range Ravensgate has selected a preferred value of \$21.729M. As the technical valuation is based on comparable transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).

| Project | Mineral Asset | Equity % | Area km ² | Valuation | | |
|----------------------------|---------------------------|----------------|----------------------|---------------|---------------|---------------|
| | | | | Low \$M | Preferred \$M | High \$M |
| Woolgar Mineral Resources | Advanced Exploration Area | 100% | NA | 15.288 | 18.195 | 21.102 |
| Woolgar Exploration Tenure | Exploration Area | 100% | 505 | 2.327 | 3.471 | 4.614 |
| Reaphook | Exploration Area | 7.5% | 88 | 0.007 | 0.013 | 0.020 |
| Mt Frome | Exploration Area | 10% | 249 | 0.025 | 0.050 | 0.075 |
| TOTAL | Various | Various | NA | 17.647 | 21.729 | 25.811 |

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.



6. REFERENCES

- Bartsch Geoscience Consulting, 2000. Sandy Creek Epithermal System, Woolgar Project. Annual Report 2000. p6.
- Bartsch, R., 2006. Woolgar Gold Project, Shandhai and Finn Veins Resource Estimates, Strategic Minerals Corporation N.L. 1st February 2006.
- Day *et al.*, 1983. In: Digweed, J., 1990. Geology and Zoning in Epithermal Quartz Veins at Woolgar. AMIRA Gold Project. Annual Report 1990.
- Digweed, J., 1990. Geology and Zoning in Epithermal Quartz Veins at Woolgar. AMIRA Gold Project. Annual Report 1990.
- Hetherington Exploration and Mining Title Services (Qld) Pty Ltd, 2014. Tenement Status Report, Exploration Permit for Minerals No's (EPM's) 9599, 11886, 13942, 14060 & 14209 and Mining Lease No's (ML's) 2642, 2728, 2729, 2739, 2793, 90044, 90122, 90123 & 90238, as at 20 June 2014.
- JORC, 2004. Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code) prepared and jointly published by: The Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australia Institute of Geosciences and the Minerals Council of Australia (JORC) Published December 2004.
- JORC, 2012. Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code 2012 Edition) Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by: The Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australia Institute of Geosciences and the Minerals Council of Australia (JORC).
- Keid, H. G. W., 1937. The Woolgar Goldfield. Queensland Government Mining Journal, 38, 232-236.
- Oversby, B. S., Withnall, I. W., Baker, E .M., 1976. Revision of Pre-Mesozoic geology in the Wollgar River, Stawell River and Glenloth Areas, Gilberton 1;250,000 Sheet Area. Queensland Government Mining Journal, 473-479.
- Richter, K., 2011. Exploration Update - 19/09/11 Internal Report: Strategic Minerals Corporation N.L.
- Richter, K., 2012. Resource Estimations for Big Vein and Big Vein South, March 2012. Internal Report: Strategic Minerals Corporation N.L.
- Richter, K., 2013. Resource Estimations For Big Vein South (Southern), Big Vein South (Central), Bib Vein #2 and Big Vein Prospects. April 2013. Internal Report: Strategic Minerals Corporation N.L.
- Richter, K., 2013, Exploration Permit Minerals No 14209, Woolgar Project, North Queensland Partial Relinquishment Report, Strategic Minerals Corporation NL, 2 May 2013.
- SRK Consulting, 2004. Explorer Resource Estimation for Strategic Minerals Corporation N.L., May 2004
- SRK Consulting, 2007. Soapspar QA/QC and Resource Estimation for Strategic Minerals Corporation N.L., May 2007
- SRK Consulting, 2008. Camp Vein and Grand Central Resource Estimation 2008 for Strategic Minerals Corporation N.L., April 2008
- Strategic Minerals Corporation N.L. Annual Report 2004
- Strategic Minerals Corporation N.L. Annual Report 2010.
- Strategic Minerals Corporation N.L. Annual Report 2011.
- Strategic Minerals Corporation N.L. Annual Report 2012.
- Strategic Minerals Corporation N.L. Annual Report 2013.
- Strategic Minerals Corporation N.L. ASX Release 23rd April, 2008.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2001.



- Strategic Minerals Corporation N.L. Quarterly Report, 30th September, 2005.
- Strategic Minerals Corporation N.L. Quarterly Report, 30th June, 2007.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2010.
- Strategic Minerals Corporation N.L. Quarterly Report, 30th June, 2010.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st December, 2010.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2011.
- Strategic Minerals Corporation N.L. Quarterly Report, 30th June, 2011.
- Strategic Minerals Corporation N.L. Quarterly Report, December, 2011.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2012.
- Strategic Minerals Corporation N.L. Quarterly Report, 30th September, 2012.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st December, 2012.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2013.
- Strategic Minerals Corporation N.L. Quarterly Report, 20th June, 2013.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st December, 2013.
- Strategic Minerals Corporation N.L. Quarterly Report, 31st March, 2014.
- Strategic Minerals Corporation N.L. ASX Release, Drilling and Resource Summary Report Woolgar Mesothermal Fault Zone December 2011.
- Strategic Minerals Corporation N.L. ASX Release, Woolgar Gold Project, Queensland 2014 Drilling Program Commencement, 5th June 2014.
- Strategic Minerals Corporation N.L. Media Release, 18 June 2014.
- Strategic Minerals Corporation N.L. Lost World Project Resource Estimation as at 1st March 2001. Report No. SM002
- Taylor, R., 2010. Observations and comments regarding the Woolgar gold field. Report for Strategic Minerals Corporation N.L.
- TreasureEnterprises, 2014, [http://www.treasureenterprises.com/gold%20prospecting%20information/Gold_Occurrences_in_North_Qld.htm#Gllberton Area](http://www.treasureenterprises.com/gold%20prospecting%20information/Gold_Occurrences_in_North_Qld.htm#Gllberton%20Area).
- Veale, I.L., 2012. Summary Report: Woolgar Mesothermal Fault Zone Occurrences, 2012. Strategic Minerals Corporation N.L.
- Veale, I.L., 2014. Overview Report: Big Vein South / Central, Woolgar Field and Drilling Program Big Vein South / Central, Jan 2014. Strategic Minerals Corporation N.L.
- White, D. A., 1960. Geology of the Gilberton 1:250,000 Sheet Area (SE/54-16), north Queensland
- Withnall, I. W., Oversby, B. S., Baker, E. M., and Bain, J. H. C., 1980. Geology of the Gilberton 1:100,000 Sheet Area (7659), north Queensland: data record. Bureau of Mineral Resources, Australia, Record 1980/2.
- www.intierraRMG.com



7. GLOSSARY

| | |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>aeromagnetic</i> | A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the Earth's magnetic field. |
| <i>alteration</i> | The change in the mineral composition of a rock, commonly due to hydrothermal activity. |
| <i>anomalies</i> | An area where exploration has revealed results higher than the local background level. |
| <i>ASX</i> | Australian Securities Exchange |
| <i>basement</i> | Crust of the earth, igneous or metamorphic rocks overlain by sedimentary deposits. |
| <i>Carboniferous</i> | A geologic period and system that extends from the end of the Devonian Period, about 358.9 ± 0.4 million years ago, to the beginning of the Permian Period. |
| <i>diamond drilling</i> | Drilling method employing a (industrial) diamond encrusted drill bit for retrieving a cylindrical core of rock. |
| <i>dolerite</i> | A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar. |
| <i>domain</i> | Geological zone of rock with similar geostatistical properties; typically a zone of mineralisation |
| <i>dykes</i> | A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle. |
| <i>epithermal</i> | Mineralisation style of gold or silver formed deep within the Earth's crust from ascending hot solutions. |
| <i>fault</i> | A wide zone of structural dislocation and faulting. |
| <i>feldspar</i> | A group of rock forming minerals. |
| <i>folding</i> | A term applied to the bending of strata or a planar feature about an axis. |
| <i>g/t</i> | Grams per tonne. |
| <i>geochemical</i> | Pertains to the concentration of an element. |
| <i>geophysical</i> | Pertains to the physical properties of a rock mass. |
| <i>granite</i> | A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas. |
| <i>granulite</i> | The granulite facies is part of a metamorphic facies series with the term granulite used to include a group of metamorphic rocks recrystallised under a range of high temperature conditions. |
| <i>greenschist</i> | A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite. |
| <i>hydrothermal</i> | A term applied to hot aqueous solution having temperatures up to 400°C which may transport metals and minerals in solution. |
| <i>inlier</i> | An area of older rocks surrounded by younger rocks. |
| <i>intrusions</i> | A body of igneous rock which has forced itself into pre-existing rocks. |
| <i>isoclinal</i> | A series of folds that dip in the same direction at the same angle. |
| <i>joint venture</i> | A business agreement between two or more commercial entities. |
| <i>JORC Code</i> | 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves |
| <i>Jurassic</i> | A geologic time period that extends from 201.3 to 145 million years ago. |
| <i>km</i> | kilometre(s) |
| <i>km²</i> | Square kilometre(s) |



| | |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>lithology</i> | A term pertaining to the general characteristics of rocks. |
| <i>mafic</i> | An adjective describing a silicate mineral or rock that is rich in magnesium and iron. |
| <i>mesothermal</i> | A hydrothermal ore deposit formed at intermediate temperatures (200-300°C) and depths. |
| <i>Mesozoic</i> | An era of geological time from about 252 to 66 million years ago. |
| <i>metallurgical test work</i> | The testing of ore samples in order to obtain the metallurgical characteristics the ore. |
| <i>metamorphic</i> | A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids. |
| <i>metamorphism</i> | Process by which changes are brought about to rock in the earth's crust by the agencies of heat, pressure and chemically active fluids. |
| <i>Moz</i> | Million ounces. |
| <i>Mt</i> | Million Tonnes. |
| <i>mylonite</i> | A fine-grained, compact rock produced by dynamic recrystallization of the constituent minerals resulting in a reduction of the grain size of the rock. |
| <i>Ordovician</i> | A geologic period and system, the second of six of the Paleozoic Era, and covers the time between 485.4 ± 1.9 and 443.4 ± 1.5 million years ago. |
| <i>outcrop</i> | Surface expression of underlying rocks. |
| <i>Palaeozoic</i> | The earliest of three geologic eras of the Phanerozoic Eon, spanning from roughly 541 to 252.17 million years ago. |
| <i>pegmatite</i> | A very coarse-grained igneous rock (normally granitic composition) crystallised from last stage differentiated fluid / magma. |
| <i>pelites</i> | Sedimentary rock composed of very fine clay or mud particles. |
| <i>ppm</i> | Parts per million; a measure of concentration. |
| <i>Precambrian</i> | A period of geological time older than 570 million years before present. |
| <i>Proterozoic</i> | An eon of geological time spanning the period from 2,500 million years to 570 million years before present. |
| <i>protolith</i> | The original, unmetamorphosed rock from which a given metamorphic rock is formed. |
| <i>QA/QC</i> | Quality Assurance / Quality Control |
| <i>quartz</i> | Mineral species composed of crystalline silica (SiO ₂). |
| <i>RC drilling</i> | Reverse Circulation. A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. |
| <i>resource</i> | In situ mineral occurrence from which valuable or useful minerals may be recovered. |
| <i>rock chip sampling</i> | The collection of rock specimens for mineral analysis. |
| <i>rhyolite</i> | An igneous, volcanic rock, of felsic composition. It may have any texture from glassy to aphanitic to porphyritic. |
| <i>sandstone</i> | Sedimentary rock comprising predominantly of sand. |
| <i>sedimentary</i> | A term describing a rock formed from sediment. |
| <i>schistosity</i> | A type of cleavage typical of metamorphic rocks (particularly schists and phyllites) defined by the parallel arrangement of platy mineral crystals. |
| <i>silica</i> | Dioxide of silicon, SiO ₂ , usually found as the various forms of quartz. |
| <i>soil sampling</i> | The collection of soil specimens for mineral analysis. |
| <i>strike</i> | Horizontal direction or trend of a geological structure. |



Tertiary
U₃O₈
veins

A geologic period from 66 million to 2.58 million years ago.
Uranium oxide.
A thin infill of a fissure or crack, commonly bearing quartz.



APPENDIX A

