STRATUMMETALS

& Controlled Entities

ABN 90 147 867 301

Annual Report

For the Year Ended 30 June 2014

Contents

The information in this Annual Report that relates to Exploration Targets and Exploration Results is based on information compiled by Todd Axford, who is a member of the Australasian Institute of Mining and Metallurgy. Todd Axford is a contractor to the company, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, 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”. Todd Axford consents to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears.

Corporate Information

NON-EXECUTIVE CHAIRMAN
Mr Andrew Pierce

NON-EXECUTIVE DIRECTORS
Mr Richard Anthon
Mr John Shepherd

COMPANY SECRETARY & CFO
Mr Duncan Cornish

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AUSTRALIAN BUSINESS NUMBER
ABN 90 147 867 301

Review of Operations

Exploration

The quality of the East Menzies Goldfield Project (EMGP) continued to attract the majority of the Company's exploration activities during the year, and supported a decision to exit other exploration projects. The Gidgee Project, where high grade RC intercepts were previously achieved by Stratum, is seen to hold significant potential. Other projects were discontinued in order to focus resources on these most prospective areas of tenure.

A significant amount of work has been put in to the EMGP, with extensive shaft spoil sampling, project wide geophysical work, several targeted soil geochemical programs, a research study on the Granny Venn gold mineralisation, and RC drilling of several prospects all completed during the year. Through this work the Company has developed gold mineralisation models for the Goodenough Mine Area and the broader Goodenough Syncline (which contains a plethora of historic gold mines), as well as the area around the Auntie Nellie and Granny Venn open pit mines.

In the early part of 2014, the Company completed a strategic review of the entire EMGP, out of which came the G-VAN Project, in recognition of the potential to recommence open pit mining in the near term around the Granny Venn and Auntie Nellie Open Pits. The Company has subsequently determined the G-VAN Project has enough potential to be feasible to warrant progression via additional RC drilling and subsequent mineralisation modelling.

Work at the Gidgee Project has been limited to some geochemical sampling and drill area rehabilitation works. The MMI geochemistry has generated an area of anomalous copper on tenement E53/1440.

East Menzies Goldfield Project[1]

Early in the report period, the Company received assays for the sampling of spoil around historic gold workings, plus the final report on the HeliTEM survey and a project wide magnetics based geology/structural interpretation from consultant, Core Geophysics. The study in to the structural controls on the Granny Venn and Auntie Nellie gold mineralisation was also provided to Stratum late in September 2013.

Targeting work progressed in the early part of the report year, with cross referencing of historic and newly acquired data generating three priority drill targets, one nickel sulphide and two gold. Drilling of these targets was commenced in November and completed in December 2013.

In addition to RC drilling, in the later part of 2013, a program of soil sampling was undertaken on tenements in the south of the project area, and in the vicinity of the Auntie Nellie and Granny Venn pits. The Gigante Grande Prospect, in the eastern part of the project area, was also subject to soil sampling work. Samples for all programs were submitted for Mobile Metal Ion (MMI) analysis.

The MMI results for the sampling around the existing open pits has highlighted significant potential to delineate shallow gold mineralisation between (and west of) Auntie Nellie and Granny Venn over a strike length of over 400 metres. This potential is supported by the findings of the study in to the controls on gold mineralisation in Auntie Nellie and Granny Venn, as well as by the sporadic drilling that exists between these two pits (including drilling completed by Stratum in early 2013).

MMI soil sampling assays for the Gigante Grande prospect provide strong indications of greenstones undercover, in an area mapped as granite, along with indications of gold anomalism. When these results are considered along with significant gold intersections generated by potentially poorly orientated drilling in the mid-1990's, the Gigante Grande prospect has been shown to justify further work.

Drilling of the nickel target at Emu was somewhat successful, with assays confirming anomalous nickel mineralisation, however the broad geochemical analysis implies the mineralisation is, at least in part, related to arsenic-nickel sulphide. The most likely scenario explaining these results is that of primary nickel sulphides being subject to the late stage hydrothermal activity evident in the area. A probability also supported by gold being present in some of the drill samples.

Gold drilling at Goodenough and Four O'clock generated very encouraging results, confirming the high grade shoot interpretation at Goodenough and identifying high grade gold in the first holes drilled at the Four O'clock prospect.

In the early part of 2014, the Company completed a strategic review of the entire EMGP to focus technical activities on the prospects most able to generate positive results in the short term. The difficult market for capital raising was a key consideration in the review, with potential to generate cash flow from a project being identified as the priority. Work completed to date demonstrates the area around the existing open pit mines at Granny Venn and Auntie Nellie ('G-VAN') has strong potential to deliver short term cash flows and the G-VAN Project has been formulated to aggressively progress this opportunity in 2014/2015.

The G-VAN project is supported by a great deal of technical work and understanding completed by the Company since acquiring the EMGP tenement holding, including a detailed post graduate research study to determine the controls on gold mineralisation within the Auntie Nellie and Granny Venn Mines. The mineralisation model developed is supported by the drilling completed by Stratum in early 2013 to the north of the Auntie Nellie Pit and by the MMI sampling completed late in 2013. Subsequent to the year end, the Company has progressed the G-VAN Project via infill MMI sampling, which is expected to assist in locating further drilling in this area.

The EMGP area has been previously explored for VMS base metals, Kambalda Style Nickel Sulphides and Orogenic Gold deposits. The work completed by the Company during the year, has provided some level of indication that all these styles of deposit could be present on the project tenements. The shear amount of past gold mining activity and level of available data, plus positive results achieved in the last year, support a primary focus on gold while not neglecting the possibility for base metals (including nickel) as exploration progresses in the coming year.

AGTEM R&D Project

From the time the East Menzies Goldfield Project (EMGP) group of tenements were made available to Stratum, the Company recognised significant potential for gold and for nickel and base metals across the ground holding. With a desire to utilise the latest in exploration technologies to achieve cost effective and successful exploration, the Company developed, as part of the general exploration strategy, a project aimed at refining geophysical anomalies/targets and categorising these prior to the expense of drilling. From this the AGTEM R&D Project has developed, focused at this stage on the large number of electromagnetic anomalies within the EMGP tenement group. The project was successfully registered with AusIndustry during the year, allowing the Company to access rebates on expenditures under the federal government R&D incentive scheme.

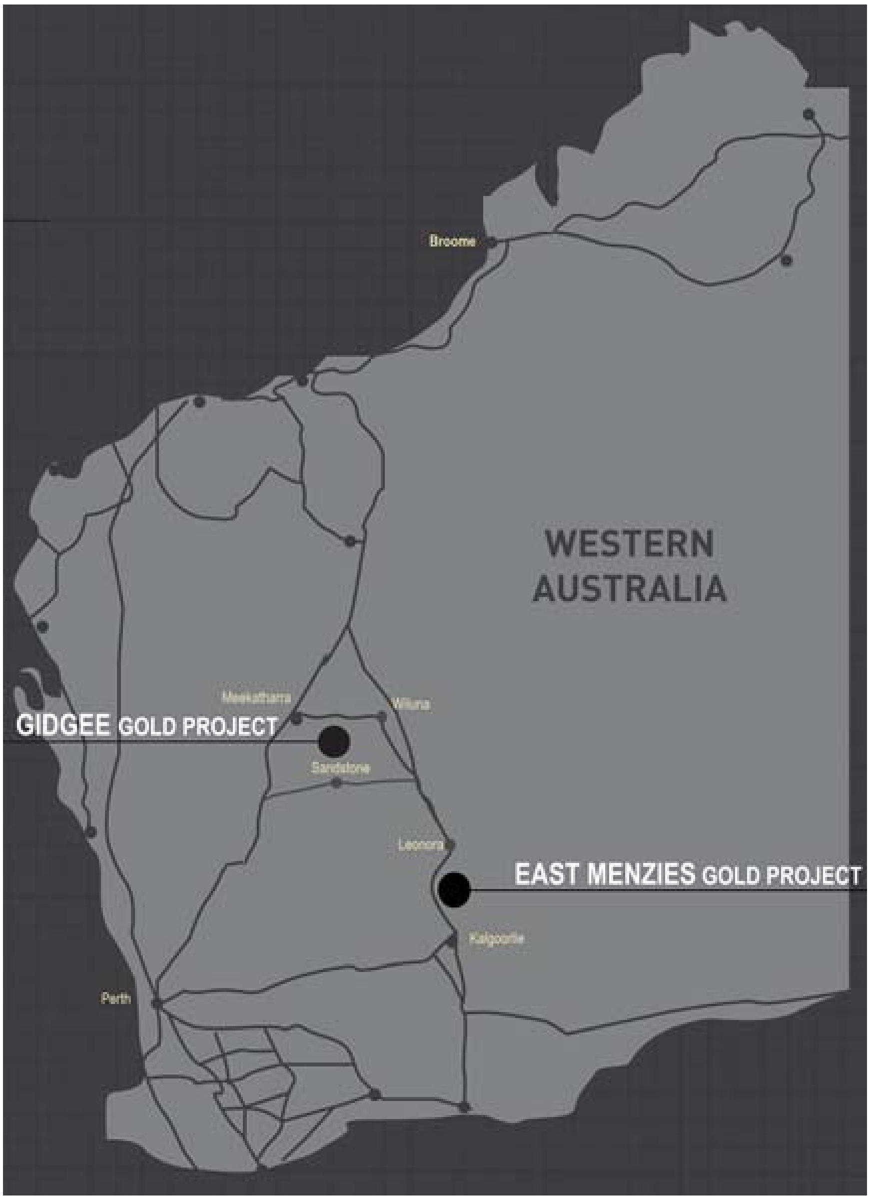

Figure 1: Project Locations

Gidgee[1]

Gidgee, which is located in the Gum Creek Greenstone Belt north of Sandstone, drew limited focus during the year. Prospectivity reviews and planning work were undertaken on many tenements, and field activities involving soil geochemical sampling on E53/1440 and drill site rehabilitation on E53/1494 were completed.

Two areas, on E53/1440 within the area of the regional north-northwest trending Tokay Shear, were identified for soil sampling with the assistance of past exploration data and interpretation of magnetics data. Samples were collected in August and analysed via the Mobile Metal Ion (MMI) method. The assay results show an area of significant copper anomalism within the northern sample block, which is an interesting and encouraging result, considering other explorers have also had some success with base metals exploration within the Gum Creek Greenstone Belt.

Footnote: 1) Exploration results discussed in relation to the East Menzies Goldfield Project and the Gidgee Project have been previously announced by the Company and are available from the Company's website www.stratummetals.com.au/investor-centre/, where they can be viewed in full detail along with appropriate competent persons statements.

Corporate

In August 2013, the Company expanded the East Menzies Goldfield Project by purchasing three existing prospecting licences and pegging one new prospecting licence area. Consideration for the three licences acquired was $110,000 paid in cash. The acquisition was effected through Menzies Goldfields Ltd that Stratum owned 60% of at that time.

In October 2013, the Company announced that it had moved to 100% ownership of Menzies Goldfields Ltd by acquiring the 40% interest held by Mountain Gold International Limited (**MGI**). Stratum was to issue 1.35M convertible notes, with a face value of $1 each, to MGI in return for MGI's 40% shareholding, subject to Stratum shareholders approving the transaction. Shareholder approval for the transaction was received at the Company's AGM held on 29 November 2013. In addition, a loan balance of approximately $435,000 was forgiven.

The decision to move to a 100% holding of Menzies Goldfield Limited is a significant move in simplifying the Group's corporate structure that will allow current and future investors in Stratum to easily understand and attribute the value of the highly prospective East Menzies Goldfield Project. It has also eliminated the additional administration and management requirements associated with operating the East Menzies Goldfield Project as a joint venture and, most importantly, allows Stratum to set a clear path to focus on unlocking the project's potential.

During the year ended 30 June 2014, the Company's capital raising initiatives included:

- The issue of 755,000 convertible notes with a face value of $1 each to raise a total of $755,000;
- A small private placement of 1,000,000 shares at 6.5 cents each to raise $65,000;
- Issuing 1,163,345 shares (at 6.0 cents each) to a contractor for drilling services; and
- A private placement of 10,050,000 shares at 3.0 cents each to raise $315,000 with a further 1,666,667 ($50,000) from a director to be issued subject to shareholder approval.

In June 2014, Stratum issued a Prospectus for a Renounceable Entitlement Offer to raise up to $3.0 million. The offer was underwritten for $845,000 and subject to minimum subscriptions of $1,345,000. Given the drop in the Company's share during the offer period, and lack of support for the offer, the Directors concluded that there was little chance of meeting the minimum subscription and resolved to return subscriptions received to shareholders who applied under the offer and cancel the offer (on 11 July 2014).

Stratum continues to investigate funding alternatives to provide the necessary resources to further evaluate the Company's East Menzies Goldfield and Gidgee projects, investigate other acquisition opportunities, pay trade creditors and provide general working capital. To this end, subsequent to 30 June 2014, the Company announced it has signed a mandate with Armada Capital to conduct a two stage capital raising – please refer to the Directors' Report for further details.

During the year, the Board also undertook a Board and Management restructure.

Mr Kent Hunter, Mr Michael Addison, Mr Terrence Grammer, Mr Martin Holland and Mr Ralph Stagg resigned. Mr Andrew Pierce was appointed as a Non-Executive Director and is now the Non-Executive Chairman. Mr John Shepherd was appointed as a Non-Executive Director and Mr Rick Anthon moved from Non-Executive Chairman, acted as Executive Chairman for a brief period and is currently a Non-Executive Director.

During the year, Stratum also appointed a new Chief Financial Officer and Company Secretary, Mr Duncan Cornish. Mr Todd Axford continues in his role as Exploration Manager.

Directors' Report

Your Directors present their report of Stratum Metals Limited (**Stratum** or the **Company**) and its subsidiaries (the **Group**) for the year ended 30 June 2014.

The following persons were Directors of Stratum Metals Limited during the financial year and up to the date of this report, unless otherwise stated:

Mr Richard Anthon
Mr John Shepherd (appointed 29 November 2013)
Mr Andrew Pierce (appointed 17 March 2014)
Mr Ralph Stagg (appointed 7 March 2014, resigned 27 May 2014)
Mr Martin Holland (appointed 15 December 2010, resigned 12 March 2014)
Mr Terrence Grammer (appointed 27 February 2013, resigned 4 February 2014)
Mr Michael Addison (appointed 16 May 2011, resigned 13 December 2013)
Mr Kent Hunter (appointed 15 December 2010, resigned 2 October 2013)

Mr Andrew Pierce
Non-Executive Chairman

Mr Pierce was appointed as a Non-Executive Director on 17 March 2014 and subsequently as Non-Executive Chairman on 17 April 2014.

Mr Pierce is an accomplished and highly regarded accountant and director, having served on the boards of Variety The Childrens Charity (NSW), Guide Dogs NSW/ACT, Royal Guide Dogs Australia and Centre For Eye Health Limited. He is highly skilled in the areas of financial reporting, company regulatory and governance areas.

Mr Pierce is a Fellow of the Institute of Chartered Accountants in Australia, having been in private practice as a partner or principal since 1972.

Mr Pierce is a member of the Audit and Risk Management Committee.

During the past three years, Mr Pierce has not served as a director of any ASX listed companies.

Mr Richard Anthon, LLB, BA
Non-Executive Director

Mr Anthon holds a Bachelor of Arts and a Bachelor of Laws degree from the Australian National University. Mr Anthon is a member of the Australian Institute of Company Directors and the Australian Mining and Petroleum Lawyers Association. Mr Anthon currently sits on the boards of four listed mineral exploration and development companies.

Mr Anthon has twenty five years' experience in corporate and commercial law with particular expertise in the mining exploration, mineral development and energy sectors. Mr Anthon combines legal knowledge with the commercial experiences he has gained through sitting on the boards of publicly listed companies. Mr Anthon's recent work has focused on venture capital raisings and IPO's where he has combined legal, compliance and project management roles.

Between 4 February 2014 and 17 April 2014, Mr Anthon also assumed the role of (interim) Executive Chairman of the Company, while the Board was undergoing a restructure.

Mr Anthon is a member of the Audit and Risk Management Committee.

During the past three years, Mr Anthon has also served as a director of the following ASX listed companies:

- Laneway Resources Ltd* (since June 1996)
- Metals Finance Limited* (since October 2010)
- Bass Metals Limited* (since October 2013)
- Lamboo Resources Limited (from June 2012 to 6 January 2014)
- Baru Resources Limited (from from September 2011 to July 2012)

- International Coal Limited (from August 2011 to November 2011)
  *denotes current directorship

John Shepherd
Non-Executive Director

Mr Shepherd was appointed as a Non-Executive Director on 29 November 2013.

Mr Shepherd has had a long, successful career as an investment banker and management consultant, specialising in corporate strategy, corporate recovery, corporate finance and investment analysis for private and public companies.

Mr Shepherd's vast experience includes involvement in a number of mining, exploration and mining related companies all around the world such as Cordillera Gold Ltd (2010-2011), Shoreline Minerals Ltd (2008-2010), The MAC Services Group of Companies (2003-2004), First AU Strategies Corp. (TSXV 2001-2003) and Diversified Mineral Resources (1995-1999).

Mr Shepherd is Chair of the Audit and Risk Management Committee.

During the past three years, Mr Shepherd has not served as a director on any ASX listed companies.

During the financial year and up the date of this report, the following persons were appointed as Company Secretary of Stratum Metals Limited:

- Farlee Walker (5 April 2013 to 28 October 2013)
- Elizabeth Hunt (28 October 2013 to 11 November 2013)
- Duncan Cornish (since 11 November 2013)

Duncan Cornish, B.Bus (Acc), CA
Company Secretary and CFO

Mr Cornish was appointed Company Secretary and CFO on 11 November 2013.

He has more than 20 years' experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PriceWaterhouseCoopers. He has extensive experience in all aspects of Group financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and group listings and group secretarial responsibilities.

Mr Cornish holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants. He is also Company Secretary and CFO of several other listed companies.

INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the shares and options of Stratum Metals Limited are shown in the table below:

	Ordinary Shares	Options
Andrew Pierce	4,960,641	-
Richard Anthon	3,545,895	750,000 ($0.25 expiring 7 June 2016) 750,000 ($0.35 expiring 7 June 2016) 1,000,000 ($0.40 expiring 15 April 2016)
John Shepherd	-	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were resource project acquisition, sample analysis and general exploration activities.

OPERATING RESULTS

The net loss of the Group for the year, after provision for income tax, amounted to $1,869,301 (2013: $4,381,916).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

REVIEW OF OPERATIONS

Information on the operations of the Group during the financial year, and up to the date of this report, is set out separately in the Annual Report under Review of Operations.

REVIEW OF FINANCIAL CONDITION

Capital structure

On 3 September 2013, 705,000 convertible notes were issued to Sophisticated Investors at a price of $1.00 each to raise gross proceeds of $705,000.

On 19 November 2013 and 2 December 2013, 700,000 and 300,000 ordinary shares were issued (respectively) at a price of $0.065 per share to raise gross proceeds of $65,000.

On 2 December 2013, 500,000 unlisted options exercisable at $0.40 per option on or before 15 April 2016 were issued to a consultant of the Company.

On 2 December 2013, 50,000 convertible notes were issued to a director of the Company at a price of $1.00 each to raise gross proceeds of $50,000.

On 2 December 2013, 1,350,000 convertible notes (with a face value of $1.00 each) were issued as partial consideration of the final 40% interest of Menzies Goldfield Ltd.

On 17 December 2013, 1,163,345 ordinary shares were issued (at a value of $0.06 each) to a contractor for drilling services.

On 11 March 2014, 10,050,000 ordinary shares were issued to Sophisticated Investors at a price of $0.03 each to raise gross proceeds of $315,000.

Between 25 November 2013 and 12 May 2014, a total of 755,000 convertible notes were converted in to 45,205,241 ordinary shares (at various conversion prices pursuant to convertible note deed poll terms).

Between 25 November 2013 and 12 May 2014, 563,207 ordinary shares were issued in payment of convertible note interest (at a deemed price of $0.012 per share pursuant to convertible note deed poll terms).

At 30 June 2014, the Company had 121,422,577 ordinary shares, 12,850,000 unlisted options and 1,350,000 convertible notes on issue.

Financial position

The net assets of the Consolidated Entity have decreased by $2,285,167 from $6,439,999 at 30 June 2013 to $4,154,832 at 30 June 2014. This decrease has largely resulted from expenditure on exploration projects and operating losses being greater than amounts raised from capital raisings (equity and convertible notes).

The Consolidated Entity's working capital, being current assets less current liabilities has decreased from $826,058 in 2013 to -$1,657,247 in 2014.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's finance facilities. The Consolidated Entity does not currently undertake hedging of any kind and is not directly exposed to currency risks.

Liquidity and funding

The Consolidated Entity currently does not have sufficient funds to finance its operations and exploration activities, and to allow the Consolidated Entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure. As noted below (in After Balance Date Events) the Company has recently announced that it progressing with a capital raising to address this issue.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the funding issue raised above, there were no significant changes in the state of affairs of the Group in the financial year.

AFTER BALANCE DATE EVENTS

On 10 September 2014, the Company announced that it had signed a mandate to appoint Armada Capital Limited (**Armada**) as Lead Manager to raise up to $2.3 million via a two stage capital raising (**Mandate**).

Stage 1 will comprise an unsecured loan to Stratum of $250,000.

The key terms of the Stage 1 raising are:

- Term of loan: repayable on the earlier of six months or completion of Stage 2 raising.
- Interest: 1% per month payable in cash or shares at the lenders election.
- Loan proceeds to be advanced to Stratum within seven days of the loan documentation being executed.
- Stratum will seek shareholder approval for the loan to be converted into Stratum shares at a price of 80% of the Stage 2 raising price. Each converted share will have one free attaching option (exercisable at $0.02 on or before 29 February 2016). If shareholder approval for the loan to be converted in to shares (and attaching options) is received, the lender may elect to be repaid in cash or shares (and attaching options), or a combination thereof.

Stage 2 will comprise the issue of 274,333,333 new shares at $0.0075 per share with one free attaching option (exercisable at $0.02 on or before 29 February 2016) for every two shares issued to raise a total of up to $2,057,500.

The key terms of the Stage 2 raising are:

- Raising to comprise the issue of 274,333,333 shares at $0.0075 per share with one free attaching option (exercisable at $0.02 on or before 29 February 2016) for every two shares issued, being a total of 137,166,667 options (**Stage 2 Options**).
- The Stage 2 raising is subject to receiving shareholder approval, which will be put to shareholders via a General Meeting as soon as practicable.
- Stratum will apply to have the Stage 2 Options listed.

The Stage 1 and 2 raisings are not underwritten and will be marketed by Armada on a best endeavours basis to Sophisticated Investors that fall under the Corporations Act 2001 Section 708 exceptions.

The Company has agreed with Mountain Gold International Ltd (**Mountain Gold**), the holder of outstanding convertible notes in the Company to the value of $1.35 million, that Mountain Gold will accept a settlement of their notes of 50% of the face value (i.e. $675,000) to be paid by the proceeds of the Stage 2 raising. Mountain Gold may accept a combination of cash and/or shares (and attaching options) on the same terms of the Stage 2 raising.

Upon successful completion of the raisings, Armada will be paid fees consisting of:

- 5% of the gross amounts raised (excluding GST);
- $25,000 management fee (excluding GST); and
- 50.0 million options (exercisable at $0.02 on or before 29 February 2016) issued to Armada (or its nominee/s).

Armada will also be reimbursed for out of pocket expenses regardless of whether the raisings are successful.

Subject to completion of the Stage 1 and 2 raisings, Armada will have the right to nominate two directors to the Board of Stratum, to replace Messrs Pierce and Anthon.

As at the date of this report, Stage 1 of the raising is underway.

No other matter or circumstance has arisen since the end of the financial year, to the date of this report, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years.

Business Results

The prospects of the Group in progressing their exploration projects in Australia may be affected by a number of factors. These factors are similar to most exploration companies moving through exploration phase and attempting to progress projects into development. Some of these factors include:

- Exploration - the results of the exploration activities may be such that the estimated resources are insufficient to justify the financial viability of the projects. Stratum undertakes extensive exploration and product quality testing prior to establishing JORC compliant resource estimates and to (ultimately) support mining feasibility studies. The Company engages external experts to assist with the evaluation of exploration results and relies on third party competent persons to prepare JORC resource statements. Economic feasibility modelling of projects will be conducted in conjunction with third party experts and the results of which will usually be subject to independent third party peer review

- Regulatory and Sovereign - the Company operates in Australia and deals with local regulatory authorities in relation to the exploration of its properties. The Company may not achieve the required local regulatory approvals to continue exploration or properly assess development prospects. The Company takes appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

- Social Licence to Operate – the ability of the Company to secure and undertake exploration and development activities within prospective areas is also reliant upon satisfactory resolution of native title and (potentially) overlapping tenure. To address this risk, the Company develops strong, long term effective relationships with landholders with a focus on developing mutually acceptable access arrangements. The Company takes appropriate legal and technical advice to ensure it manages its compliance obligations appropriately.

- Environmental - All phases of mining and exploration present environmental risks and hazards. Stratum's operations in Australia are subject to environmental regulation pursuant to a variety of state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The Company assesses each of its projects very carefully with respect to potential environmental issues, in conjunction with specific environmental regulations applicable to each project, prior to commencing field exploration. Periodic reviews are undertaken once field exploration commences.

- Safety - Safety is of critical importance in the planning, organisation and execution of Stratums' exploration activities. Stratum is committed to providing and maintaining a working environment in which its employees are not exposed to hazards that will jeopardise an employee's health, safety or the health and safety of others associated with our business. Stratum recognise that safety is both an individual and shared responsibility of all employees, contractors and other persons involved with the operation of the organisation. The Company has a comprehensive Safety and Health Management system which is designed to minimise the risk of an uncontrolled safety and health event and to continuously improving safety culture within the organisation.

- Funding - the Company will require additional funding to continue exploration and potentially move from the exploration phase to the development phases of its projects. There is no certainty that the Company will have access to available financial resources sufficient to fund its exploration, feasibility or development costs at those times. The Company currently does not have sufficient cash reserves to meet the businesses operating costs for at least the next 12 months. As noted above (in After Balance Sheet Events), the Company has recently announced that it is progressing with a capital raising to address this issue. The Company has no material financial commitments.

- Market - there are numerous factors involved with exploration and early stage development of its projects, including variance in commodity price and labour costs which can result in projects being uneconomical.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Group has a policy of complying with its environmental obligations and at the date of this report, is not aware of any breach of such regulations.

NATIVE TITLE

Mining tenements that the Group currently holds, or has applied for, are subject to Native Title claims. The Group has a policy that is respectful of the Native Title rights and is continuing to negotiate with relevant indigenous bodies.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Stratum, and for the executives.

Remuneration policy

The remuneration policy of Stratum has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Stratum believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as to create goal congruence between directors, executives and shareholders. The policy complies with the four key principles of IFSA Guidance Note 02-16.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology. There are no schemes for retirement benefits other than statutory superannuation for executive directors.

Directors

The appointment conditions of the Non-Executive Chairman, Andrew Pierce and Non-Executive Directors, Rick Anthon and John Shepherd are formalised in service agreements. All Non-Executive Directors have contracts for service. Under the Constitution of the Group, these appointments, if not terminated sooner, end on the date of retirement by rotation. The Constitution requires one third of directors retire each year at a general meeting of shareholders. If re-elected at future general meetings of shareholders, the appointments continue for further terms.

The Company has a services agreement with Corporate Administration Services Pty Ltd (**CAS**) and Duncan Cornish, the CFO and Company Secretary (since 11 November 2013). Both Stratum and CAS are entitled to terminate the agreement upon giving not less than three months' written notice.

Key Management Personnel

The Board determines the proportion of fixed and variable compensation for each key management personnel. Directors and key management personnel or closely related parties of key management personnel are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

REMUNERATION REPORT (AUDITED) (continued)

Details of Key Management Personnel

(i) Directors

Mr Andrew Pierce	Non-Executive Chairman	Appointed 17 March 2014
Mr Richard Anthon	Non-Executive Director	
Mr John Shepherd	Non-Executive Director	Appointed 29 November 2013
Mr Ralph Stagg	Non-Executive Director	Appointed 7 March 2014, resigned 27 May 2014
Mr Martin Holland	Managing Director	Appointed 15 December 2010, resigned 12 March 2014
Mr Terrence Grammer	Non-Executive Director	Appointed 27 February 2013, resigned 4 February 2014
Mr Michael Addison	Non-Executive Director	Appointed 16 May 2011, resigned 13 December 2013
Mr Kent Hunter	Non-Executive Director	Appointed 15 December 2010, resigned 2 October 2013

(ii) Senior Management

Mr Todd Axford	Exploration Manager (not considered Key Management Personnel in 2013)	
Mr Duncan Cornish	Company Secretary and CFO	Appointed 11 November 2013

Remuneration details

The following tables detail, in respect to the financial years ended 30 June 2014 and 2013, the components of remuneration for each key management person of the Group.

2014

Key Management Personnel	Benefits				Post- employment Benefits		
	Cash salary	Cash bonus	Non-cash benefit	Other	Super-annuation	Share based payment	Total
	$	$	$	$	$	$	$
Directors							
Mr Andrew Pierce	8,710	-	-	-	-	-	8,710
Mr Richard Anthon	58,850	-	-	-	3,394	-	62,244
Mr John Shepherd	17,500	-	-	15,871	-	-	33,371
Mr Michael Addison	26,931	-	-	-	2,491	-	29,422
Mr Terrence Grammer	31,051	-	-	-	3,024	-	34,075
Mr Martin Holland	163,001	-	3,880	-	14,709	-	181,590
Mr Kent Hunter	10,321	-	-	-	955	-	11,276
Mr Ralph Stagg	6,694	-	-	-	-	-	6,694
Senior Management							
Mr Todd Axford	387,522	-	-	-	-	-	387,522
Mr Duncan Cornish	80,000	-	-	-	-	-	80,000

REMUNERATION REPORT (AUDITED) (continued)

2013

Key Management Personnel	Benefits				Post- employment Benefits		
	Cash salary	Cash bonus	Non-cash benefit	Other	Super-annuation	Share based payment (Options)	Total
	$	$	$	$	$	$	$
Directors							
Mr Richard Anthon	61,162	-	-	-	5,504	129,392	196,058
Mr Michael Addison	47,400	-	-	-	4,266	129,392	181,058
Mr Terrence Grammer	20,000	-	-	-	1,800	129,392	151,192
Mr Martin Holland	247,629	-	-	-	22,286	258,785	528,700
Mr Kent Hunter	41,284	-	-	-	3,715	-	44,999

In the case of share based payments above (in 2013), the options in question were issued under the terms of the Group's employee share option scheme. As such, the shares issued represent grants to the recipients involved which are reflective of;

(a) reward and recognition for/of services; or

(b) incentive to secure and/or retain appropriately experienced and skilled personnel

Key Management Personnel Share and Option Holdings

	Ordinary Shares*	Unquoted Options*
Andrew Pierce	4,960,641	-
Richard Anthon	3,545,895	2,500,000
John Shepherd	-	-
Todd Axford	-	600,000
Duncan Cornish	3,004,115	-

*Key Management Personnel interests in ordinary shares and options are shown at the date of the Director's Report.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director, are as follows:

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Andrew Pierce	4	4	-	-
Richard Anthon	11	11	2	2
John Shepherd	9	9	-	-
Ralph Stagg	5	5	-	-
Martin Holland	6	6	-	-
Terrence Grammer	5	1	1	1
Michael Addison	3	3	1	1
Kent Hunter	2	2	-	-

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the CFO/Company Secretary of Stratum have entered into a Deed with Stratum whereby Stratum has provided certain contractual rights of access to books and records of Stratum to those Directors and CFO/Company Secretary.

Stratum has insured all of the Directors of Stratum. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

Stratum has not indemnified or insured its auditor.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Moreover, the Group was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the period ended 30 June 2014, no fees for non-audit services were paid to the external auditors (2013: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 15 of the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Stratum support and have adhered to the principles of corporate governance. Stratum's Corporate Governance Statement can be found on page 20.

This report is signed in accordance with a resolution of the directors.

Andrew Pierce
Non-Executive Chairman

Brisbane
Date: 29 September 2014

Auditor's Independence Declaration

Bentleys
THINKING AHEAD

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF STRATUM METALS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys

Bentleys Brisbane (Audit) Pty Ltd

Stewart Douglas
Director
Brisbane
29 September 2014

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 August 2014.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security, are:

	Ordinary Shares	
	No. Holders	**No. Shares**
1 - 1,000	6	1,508
1,001 - 5,000	13	45,299
5,001 - 10,000	112	1,077,782
10,001 - 100,000	154	6,860,582
100,001 and over	105	116,961,490
Total	**390**	**124,946,661**

	Unlisted Options	
	No. Holders	**No. Options**
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	2	13,750
10,001 - 100,000	1	75,000
100,001 and over	17	12,761,250
Total	**20**	**12,850,000**

The number of security investors holding less than a marketable parcel of 125,000 securities is 294 and they hold 8,989,901 securities.

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

Ordinary shares:

		Number of shares	% of total shares
1	LSAF HOLDINGS PTY LTD <OWEN FAMILY A/C>	11,974,815	9.58
2	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON A/C>	8,816,112	7.06
3	RESOURCE ASSETS PTY LTD	6,952,688	5.56
4	MAN HOLDINGS PTY LTD <THE NELSON HYBRID A/C>	6,760,634	5.41
5	BEDAR HOLDINGS PTY LIMITED <THE ANDREW R PIERCE S/F A/C>	4,960,641	3.97
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,285,098	3.43
7	RNAJ PTY LTD <RNAJ STAGG SUPER FUND A/C>	3,493,156	2.80
8	NAMBIA PTY LTD	3,445,895	2.76
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,340,000	2.67
10	GURNEY CAPITAL NOMINEES PTY LTD	3,213,363	2.57
11	LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C>	3,110,091	2.49
12	ALBIANO HOLDINGS PTY LTD <PANTHEON FAMILY A/C>	3,004,115	2.40
13	ROSS MAXWELL DAISLEY + MARIETTA LOUISE DAISLEY <DJ DAISLEY & SONS S/F A/C>	3,000,000	2.40

		Number of shares	% of total shares
14	MR DAVID FRASER	3,000,000	2.40
15	COOLAH HOLDINGS PTY LTD <THE LAMBERT FAMILY A/C>	2,416,667	1.93
16	ANNE MARY FUNG <THE PROPERTY HOLDINGS A/C>	2,395,590	1.92
17	AQUAFIRE HOLDINGS PTY LTD <THE AQUAFIRE A/C>	2,395,590	1.92
18	LAUDERDALE ADMIN PTY LTD <MAITLAND SUPERNNUATION A/C>	2,000,000	1.60
19	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,843,954	1.48
20	JONCA INVESTMENTS PTY LTD <MAUTALANT UNIT A/C>	1,670,000	1.34
	Top 20	**82,078,409**	**65.69%**
	Total	**124,946,661**	**100.00%**

(c) Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by Stratum are:

Name of Shareholder:	Ordinary Shares:
LSAF Holdings Pty Ltd <Owen Family A/C>	11,974,450
Chifley Portfolios Pty Ltd	8,980,838
Resource Assets Pty Ltd	7,105,822
Man Holdings Pty Ltd <Nelson Hybrid A/C>	6,744,196

The Company notes that, as at 29 August 2014, the following shareholders own substantial shareholdings (>= 5.0%) in Stratum:

Name of Shareholder:	Ordinary Shares:	% of total shares:
LSAF Holdings Pty Ltd <Owen Family A/C>	11,974,815	9.58%
Chifley Portfolios Pty Ltd	8,816,112	7.06%
Resource Assets Pty Ltd	6,952,688	5.56%
Man Holdings Pty Ltd <Nelson Hybrid A/C>	6,760,634	5.41%

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

Options do not carry voting rights.

(e) Restricted securities

The Group currently has no restricted securities on issue.

(f) On-market buy-back

There is not a current on-market buy-back in place.

(g) Business objectives

The Group has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements

Stratum Metals Limited held the following interests in tenements as at 29 September 2014:

Tenement	Project	Location	Tenement Holder	% Ownership
E53/1440	Gidgee	WA, Australia	SXT	100
E53/1494	Gidgee	WA, Australia	SXT	100
P53/1552	Gidgee	WA, Australia	SXT	100
P53/1553	Gidgee	WA, Australia	SXT	100
P53/1554	Gidgee	WA, Australia	SXT	100
P53/1590	Gidgee	WA, Australia	SXT	100
P53/1591	Gidgee	WA, Australia	SXT	100
E29/0872	Menzies	WA, Australia	MGL	100
L29/0061	Menzies	WA, Australia	RQO	80
M29/0141	Menzies	WA, Australia	MGL	100
M29/0189	Menzies	WA, Australia	RQO	80
P29/1928	Menzies	WA, Australia	MGL	100
P29/1929	Menzies	WA, Australia	MGL	100
P29/1930	Menzies	WA, Australia	MGL	100
P29/1931	Menzies	WA, Australia	MGL	100
P29/2101	Menzies	WA, Australia	MGL	85
P29/2102	Menzies	WA, Australia	MGL	85
P29/2103	Menzies	WA, Australia	MGL	85
P29/2106	Menzies	WA, Australia	MGL	100
P29/2107	Menzies	WA, Australia	MGL	100
P29/2108	Menzies	WA, Australia	MGL	100
P29/2109	Menzies	WA, Australia	MGL	100
P29/2110	Menzies	WA, Australia	MGL	100
P29/2111	Menzies	WA, Australia	MGL	100
P29/2113	Menzies	WA, Australia	MGL	100
P29/2114	Menzies	WA, Australia	MGL	100
P29/2124	Menzies	WA, Australia	MGL	100
P29/2125	Menzies	WA, Australia	MGL	100
P29/2126	Menzies	WA, Australia	MGL	100
P29/2127	Menzies	WA, Australia	MGL	100
P29/2128	Menzies	WA, Australia	MGL	100
P29/2129	Menzies	WA, Australia	MGL	100
P29/2133	Menzies	WA, Australia	MGL	85
P29/2140	Menzies	WA, Australia	MGL	85
P29/2141	Menzies	WA, Australia	MGL	85
P29/2145	Menzies	WA, Australia	MGL	100
P29/2146	Menzies	WA, Australia	MGL	100
P29/2147	Menzies	WA, Australia	MGL	100
P29/2148	Menzies	WA, Australia	MGL	100
P29/2149	Menzies	WA, Australia	MGL	100
P29/2150	Menzies	WA, Australia	MGL	100
P29/2161	Menzies	WA, Australia	MGL	100

Tenement	Project	Location	Tenement Holder	% Ownership
P29/2162	Menzies	WA, Australia	MGL	100
P29/2163	Menzies	WA, Australia	MGL	100
P29/2164	Menzies	WA, Australia	MGL	100
P29/2174	Menzies	WA, Australia	MGL	100
P29/2175	Menzies	WA, Australia	MGL	100
P29/2220	Menzies	WA, Australia	MGL	100
P29/2221	Menzies	WA, Australia	MGL	100
P29/2222	Menzies	WA, Australia	MGL	100
P29/2223	Menzies	WA, Australia	MGL	100
P29/2224	Menzies	WA, Australia	MGL	100
P29/2225	Menzies	WA, Australia	MGL	100
P29/2226	Menzies	WA, Australia	MGL	100
P29/2227	Menzies	WA, Australia	MGL	100
P29/2228	Menzies	WA, Australia	MGL	100
P29/2242	Menzies	WA, Australia	RQO	80
P29/2243	Menzies	WA, Australia	RQO	80
P29/2244	Menzies	WA, Australia	RQO	80
P29/2245	Menzies	WA, Australia	RQO	80
P29/2246	Menzies	WA, Australia	RQO	80
P29/2247	Menzies	WA, Australia	RQO	80
P29/2248	Menzies	WA, Australia	RQO	80
P29/2249	Menzies	WA, Australia	RQO	80
P29/2250	Menzies	WA, Australia	RQO	80
P29/2270	Menzies	WA, Australia	MGL	100
P29/2272	Menzies	WA, Australia	MGL	100
P29/2273	Menzies	WA, Australia	MGL	100
P29/2274	Menzies	WA, Australia	MGL	100
P29/2275	Menzies	WA, Australia	MGL	100
P29/2276	Menzies	WA, Australia	MGL	100
P29/2277	Menzies	WA, Australia	MGL	100
P29/2278	Menzies	WA, Australia	MGL	100
P29/2279	Menzies	WA, Australia	MGL	100
P29/2280	Menzies	WA, Australia	MGL	100
P29/2281	Menzies	WA, Australia	MGL	100
P29/2282	Menzies	WA, Australia	MGL	100
P29/2283	Menzies	WA, Australia	MGL	100
P29/2284	Menzies	WA, Australia	MGL	100
P29/2285	Menzies	WA, Australia	MGL	100
P29/2337	Menzies	WA, Australia	MGL	100

Abbreviations and Definitions:

E	Exploration Licence	SXT	Stratum Metals Limited
L	Miscellaneous Licence	MGL	Menzies Goldfield Limited
M	Mining Lease	RQO	Riqo Pty Ltd
P	Prospecting Licence		

Corporate Governance Statement

The Board of Directors of Stratum Metals Limited is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Stratum Metals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Stratum Metals Limited's Corporate Governance Statement (which can be found on the Company's website www.stratummetals.com.au) is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

Roles and Responsibilities of the Board and Management

ASX CGC Principle 1

Lay solid foundations for management and oversight.

Role of the Board

The Board of Directors is pivotal in the relationship between shareholders and management and the role and responsibilities of the Board underpin corporate governance.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs.

Generally, the powers and obligations of the Board are governed by the Corporations Act and the general law.

Without limiting those matters, the Board expressly considers itself responsible for the following:

- Ensuring compliance with the Corporations Act, ASX Listing Rules (where appropriate) and all relevant laws;
- Oversight of the Group, including its framework of control and accountability systems to enable risk to be assessed and managed;
- Appointing and removing the chief executive officer;
- Ratifying the appointment and, where appropriate, removal of senior executives including the chief financial officer and the Group secretary;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Monitoring senior executive's performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and overseeing Committees where appropriate to assist in the Board's function and powers.

The Functions, Powers and Responsibilities of the Board are set out in the Company's Corporate Governance Charter which is available from the Corporate Governance section of the Group's website.

Board Composition
ASX CGC Principle 2

Structure of the Board to add value

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report is detailed in the Director's Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the Group and the individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Group.

In accordance with the Council's definition of independence above and the materiality thresholds set, the director listed below is not considered to be independent:

Name	Position	Reason for non-compliance
Richard Anthon	Non-Executive Director	Mr Anthon was a principal of a material professional advisor to the Group within the last three years and also briefly served as (interim) Executive Chairman of the Company (4 February 2014 to 17 April 2014).

Stratum Metals Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Director noted above has been appointed to the Board of Stratum Metals Limited due to his considerable industry and corporate experience.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the Group's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the Group.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
Andrew Pierce	6 months
Richard Anthon	3 years 5 months
John Shepherd	10 months

Nomination Committee

Recommendation 2.4 requires the Board to establish a Nomination Committee.

Although the Board has adopted a Nominations Committee Charter, the Board has not formally established a Nominations Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and is guided by the Nominations Committee Charter. The Company will review this position annually and determine whether a Nominations Committee needs to be established.

The Nomination Committee Charter is set out in the Company's Corporate Governance Charter which is available from the Corporate Governance section of the Group's website.

Performance Evaluation

The Board (in carrying out the functions of the Nomination Committee) considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2014.

Ethical and Responsible Decision-Making

ASX CGC Principle 3

Promote ethical and responsible decision-making

Code of Conduct

The Directors are subject to certain stringent legal requirements regulating the conduct both in terms of their internal conduct as directors and in their external dealings with third parties both on their own and on behalf of the Group.

To assist directors in discharging their duty to the Group and in compliance with relevant laws to which they are subject, the Group has adopted a Corporate Ethics Policy and Corporate Code of Conduct within its Corporate Governance Charter.

The Corporate Ethics Policy sets out rules binding Directors in respect of:

- a Director's legal duties as an officer of the Company;
- a Director's obligations to make disclosures to the ASX and the market generally; and
- dealings by Directors in shares in the Company.

The Corporate Ethics Policy, as set out in the Company's Corporate Governance Charter is available from the Corporate Governance section of the Group's website.

Diversity

The Group is committed to workplace diversity and ensuring a diverse mix of skills amongst its directors, officers and employees.

Recommendation 3.2 requires that listed entities should establish a policy concerning diversity. Whilst the Group does not currently have a Diversity policy due to its size and nature of its operations, it strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.

As at 30 June 2014, the proportion of women in the whole organisation is a follows:

	Number	Male	Female
Board Members	3	100%	0%
Officers	2	100%	0%
Other	0	n/a	n/a

Integrity in Financial Reporting

ASX CGC Principle 4

Independently verify and safeguard integrity in financial reporting.

Certification of financial reports

The Company does not currently have a Managing Director, or anyone that fills that role.
The Chief Financial Officer has made the following certifications to the Board:

- That the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial position and performance of the Group and are in accordance with relevant accounting standards;
- The integrity of the reports is founded on sound system of financial risk management and internal compliance and control.

Audit Committee

The Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board.

Recommendation 4.2 states that an audit committee should be structured so that it:

i. consists only non-executive directors;

ii. consists of a majority of independent directors;

iii. is chaired by an independent chair, who is not the chair of the Board; and

iv. has at least three members.

The members of the Audit & Risk Management Committee are John Shepherd (Chair), Andrew Pierce and Richard Anthon, all of whom are non-executive directors. Only Mr Anthon is not considered independent (based on the Council's definition), as such the Committee does contain a majority of independent directors and is chaired by an independent director. Therefore the Company does presently comply with Recommendation 4.2.

Messrs Shepherd, Pierce and Anthon are considered financially literate in the context of the Company's affairs.

The Audit Committee Charter is set out in the Company's Corporate Governance Charter which is available from the Corporate Governance section of the Group's website.

Continuance Disclosure

ASX CGC Principle 5

Make timely and balanced disclosure

The Group duly complies with ASX and ASIC requirements for the timely and accurate reporting of the Group's financial activities, thus ensuring that the Group has disclosed all information which has a material impact on shareholders. This includes the Annual Financial Report, Interim Financial Report, quarterly cash flows, new and relinquished tenements and changes in directors and shareholder interests and other events which are identified to be material. All ASX announcements are available on the Group's website.

The Company Secretary is responsible for communication with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and oversight of information distributed to the ASX.

The Rights of Shareholders

ASX CGC Principle 6

Respect the rights of shareholders

The Board of Directors undertakes to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders through the Annual Report, Interim Financial Report, announcements made to the ASX, notices of Annual General and Extraordinary General Meetings, the AGM and Extraordinary General Meetings.

The Board encourages full participation of shareholders at the AGM and at Extraordinary General Meetings to ensure a high level of accountability and identification with the Group's direction, strategy and goals. In particular, shareholders are responsible for voting on the re-election of directors.

The Group ensures that its external auditors are present at the AGM to answer any questions with regard to the efficacy of the financial statement audit and the associated independent audit report.

Risk Management

ASX CGC Principle 7

Recognise and manage risk

The Board has established an Audit and Risk Management Committee. The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's risk management policies can be found within the Audit and Risk Management Committee Charter.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management at management and Board meetings. A formal report to the Board as to the effectiveness of the management of the Company's material business risks has not been undertaken.

As required by Recommendation 7.3, the Board has received written assurances from the Chief Financial Officer that to the best of his knowledge and belief, the declaration provided by him in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. As noted previously, the Company does not currently have a Managing Director, or anyone who fills that role.

The Audit and Risk Management Committee Charter is set out in the Company's Corporate Governance Charter which is available from the Corporate Governance section of the Group's website.

Remuneration

ASX CGC Principle 8

Remunerate fairly and responsibly

Remuneration Committee

Recommendation 8.1 requires the Board to establish a Remuneration Committee.

Although the Board has adopted a Remuneration Committee Charter, the Board has not formally established a Remuneration Committee as the Directors consider that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board as a whole is able to address these issues and is guided by the Remuneration Committee Charter. The Company will review this position annually and determine whether a Remuneration Committee needs to be established.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive director's and officer's remuneration to the Group's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Group
- performance incentives which allow executives, management and staff to share the rewards of the success of Stratum.

For details on the amount of remuneration and all monetary and non-monetary components for Key Management Personnel during the period, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Stratum and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Remuneration Committee Charter is set out in the Company's Corporate Governance Charter which is available from the Corporate Governance section of the Group's website.

Remuneration Policy

The Group's remuneration policy is also further detailed in the Remuneration Report in the Directors' Report.

Non-Executive Director Remuneration

Non-Executive Directors are remunerated at market rates for time, commitment and responsibilities. Non-Executive directors are remunerated by fees as determined by the Board with the aggregate directors' fee pool limit of $250,000, set prior to the Company's listing on the ASX in 2011. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Independent consultancy sources provide advice, as required; ensuring remuneration is in accordance with market practice. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company and are, subject to approval by shareholders, periodically offered options.

There are no schemes for retirement benefits other than statutory superannuation for Executive Directors.

Other Information

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Group's web site.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue and other income	2	4,599	45,340
Audit fees		(45,507)	(53,070)
Consultants	3	(291,261)	(502,773)
Depreciation		(1,800)	(1,800)
Director's fees		(369,129)	(453,250)
Share based payment		(7,230)	(786,780)
Travel expenses		(54,778)	(324,093)
Occupancy expenses		(52,300)	(51,354)
Amortisation of Convertible Notes		(92,867)	-
Interest Paid on Convertible Notes		(94,510)	-
Exploration written off	3	(654,697)	(66,187)
Realised gain on shares in listed companies		28,199	-
Unrealised gain/(loss) on shares in listed companies		1,250	(53,586)
Goodwill written off	3	-	(1,801,783)
Other expenses		(440,720)	(332,580)
Operating Loss		**(2,070,751)**	**(4,381,916)**
Loss before income taxes		**(2,070,751)**	**(4,381,916)**
Income tax benefit/(expense)	4	201,450	-
Net profit/(loss) for the year		**(1,869,301)**	**(4,381,916)**
Other comprehensive income		**-**	**-**
Other comprehensive income net of tax		**-**	**-**
Total comprehensive loss for the year		**(1,869,301)**	**(4,381,916)**
Loss for the year and total comprehensive income attributable to :			
- Members of the parent entity		**(1,873,958)**	**(4,175,846)**
- Non-controlling interests		**4,657**	**(206,070)**
		(1,869,301)	**(4,381,916)**

Earnings per share		**Cents**	**Cents**
Basic/diluted loss per share (cents per share)		(2.37)	(9.37)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $	2013 $
Current Assets			
Cash and cash equivalents	8	108,455	770,457
Trade and other receivables	9	227,606	512,846
Other current assets	12	2,500	35,645
Total Current Assets		**338,561**	**1,318,948**
Non-Current Assets			
Plant and equipment	10	3,154	4,954
Exploration and evaluation expenditure	11	5,808,925	5,608,987
Total Non-Current Assets		**5,812,079**	**5,613,941**
TOTAL ASSETS		**6,150,640**	**6,932,889**
Current Liabilities			
Trade and other payables	13	690,808	492,890
Convertible Note	14	1,305,000	-
Total Current Liabilities		**1,995,808**	**492,890**
TOTAL LIABILITIES		**1,995,808**	**492,890**
NET ASSETS		**4,154,832**	**6,439,999**
Equity			
Issued capital	15	10,838,206	9,643,773
Accumulated losses		(7,134,038)	(5,260,079)
Convertible Note	14	168,400	-
Other Reserve	16	(641,382)	-
Options reserve	16	961,862	954,632
Equity attributable to owners of the Company		**4,193,048**	**5,338,326**
Non-controlling interest		(38,216)	1,101,673
TOTAL EQUITY		**4,154,832**	**6,439,999**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Issued Capital	Accumulated Losses	Options Reserve	Other Reserve	Convert Note	Total Parent	Non-Controlling Interest	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2012	4,274,963	(1,084,233)	74,880	-	-	3,265,610	-	3,265,610
Loss for the year	-	(4,175,846)	-	-	-	(4,175,846)	(206,070)	(4,381,916)
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	(4,175,846)	-	-	-	(4,175,846)	(206,070)	(4,381,916)
Shares issued during the year	5,540,573	-	-	-	-	5,540,573	1,350,000	6,890,573
Additional NCI arising on acquisition of Riqo Pty Ltd	-	-	-	-	-	-	(42,257)	(42,257)
Share issue expenses	(171,763)	-	-	-	-	(171,763)	-	(171,763)
Options issued during the year	-	-	879,752	-	-	879,752	-	879,752
Balance at 30 June 2013	**9,643,773**	**(5,260,079)**	**954,632**	**-**	**-**	**5,338,326**	**1,101,673**	**6,439,999**
Total comprehensive income for the year	-	**(1,873,958)**	-	-	-	**(1,873,958)**	4,657	**(1,869,301)**
Shares issued during the year	1,228,036	-	-	-	-	1,228,036	-	1,228,036
Share issue expenses	(33,603)	-	-	-	-	(33,603)	-	(33,603)
Loan forgiveness to acquire additional shares in subsidiary	-	-	-	(641,382)	-	(641,382)	205,454	(435,929)
Options issued during the year	-	-	7,230	-	-	7,230	-	7,230
Convertible Notes issued during the period	-	-	-	-	168,400	168,400	-	168,400
Change in ownership of subsidiary	-	-	-	-	-	-	(1,350,000)	(1,350,000)
Balance at 30 June 2014	**10,838,206**	**(7,134,038)**	**961,862**	**(641,382)**	**168,400**	**4,193,048**	**(38,216)**	**4,154,832**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,032,430)	(2,053,829)
Interest received		4,734	45,340
Payments for exploration, evaluation and development		(784,835)	(879,843)
Net cash provided by (used in) operating activities	**18**	**(1,812,531)**	**(2,888,332)**
Cash Flows from Investing Activities			
Payments for business acquisitions		-	(1,790,161)
Payments to acquire financial assets		-	(89,232)
Proceeds from sale of financial assets		62,594	-
Net cash provided by (used in) investing activities		**62,594**	**(1,879,393)**
Cash Flows from Financing Activities			
Proceeds from issue of convertible notes		755,000	-
Proceeds from issue of shares		366,538	3,396,875
Payments for cost of issue of shares		(33,603)	(172,418)
Net cash provided by (used in) financing activities		**1,087,935**	**3,224,457**
Net increase/(decrease) in cash held		(662,002)	(1,543,268)
Cash and cash equivalents at beginning of year		770,457	2,313,725
Cash and cash equivalents at end of financial year	**8**	**108,455**	**770,457**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stratum Metals Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors. These consolidated financial statements and notes represent those of Stratum Metals Limited and its controlled entity ("Stratum", "Company" or "Group").

The separate financial statements of the parent entity, Stratum Metals Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on the date the Directors' Report was signed by the Directors of the Company.

Stratum Metals Limited is a public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

a. Going Concern

The financial report for the year ended 30 June 2014 is prepared on a going concern basis.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets, or sale of projects, and managing cash flow in line with available funds. As set out in the Financial Statements, the Group currently has a negative net current asset/liability position. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

As noted in the Director's Report and in Note 26 (Subsequent Events) of the Financial Statements the Company has signed a mandate with Armada Capital to raise up to $2.3million in two stages (the "Armada raisings").

Based on a cash flow forecast, which incorporates the Armada raisings completing in the next two to three months, the directors are satisfied that the going concern basis of preparation is appropriate.

However should the Armada raisings be unsuccessful, the Group may be unable to continue as a going concern and may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. Under these circumstances the Group may also be unable to meets its debt as an when they fall due. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and/or unable to meet its debts as and when they fall due.

b. Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

c. Basis of Consolidation

Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at date of acquisition.

Details of controlled entities at balance date are included in Note 22.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces changes relating to financial liabilities. The AASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is not expected to have an impact on the Group's financial assets and liabilities, but at this stage a complete detailed analysis has not been completed.

e. Changes in Accounting Policies

The Group has consistently applied the accounting polices set out in Note 1 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)
b. AASB 10 – Consolidated Financial Statements
c. AASB 11 – Joint Arrangements
d. AASB 12 – Disclosure of Interest in Other Entities
e. AASB 13 – Fair Value Measurement
f. AASB 119 Employee Benefits

The nature and effects of the adoption of these new Standards are explained below:

(i) Offsetting of financial assets and financial liabilities

There is no impact on the financial report as the Group has not applied any offsetting.

(ii) Subsidiaries

AASB 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its investment with the investee and ability to use its power to affect those returns.

In accordance with the provisions of AASB 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. As a consequence, there were no changes to the assessment of the existing Group Structure.

(iii) Joint arrangements

The Group does not have any arrangements that fall within the scope of this standard.

(iv) Disclosure of Interests in Other Entities

As a result of AASB 12, the Group has expanded its disclosures about its interests in subsidiaries.

(v) Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASB's. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASB's, including AASB 7.

Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Changes in Accounting Policies (Continued)

(vi) Employee Benefits

The changes in respect of defined benefit plans, as a result of the implementation of this standard, have not had a direct impact on the Group as it does not have a defined benefit plan for its employees.

The standard also requires liabilities presently disclosed as "Current" under AASB 101 to be discounted to their present value to the extent that they are expected to be settled beyond the next financial year.

However, the Group does not believe this has had a material impact on the calculation of any liabilities and as a result, no adjustments have been made.

f. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

g. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Property, Plant and Equipment (Continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	7.5% -40%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

h. Exploration and Evaluation Expenditure

Costs in relation to exploration and evaluation expenditure is capitalised to the extent that:

i. the rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred;

ii. such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

iii. exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

The statement of comprehensive income will recognise expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets. Expenditure capitalised under the above policy is amortised over the life of the area of interest from the date that that commercial production of the related mineral occurs. In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated expenditure carried forward is written off in the year in which that assessment is made.

i. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

j. Investments

Investments are valued at cost or recoverable amount. The carrying cost of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value. Expected net cash flows have not been discounted in determining recoverable amounts.

k. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

These financial assets consist of trade and other receivables, which are measured at cost less any accumulated impairment losses. There is a significant concentration of credit risk with the Australia Taxation Office, however management considers credit risk of this entity to be extremely low.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial Instruments (Continued)

Convertible Notes

The Company issued the following convertible notes (Notes) during the year:
1. 755,000 Notes to investors to raise $755,000 (Investor Notes); and
2. 1,350,000 Notes as partial consideration for acquisition of the final 40% interest of Menzies Goldfield Ltd (MGS Notes).

The Notes are convertible into ordinary shares of the parent entity, at the option of the holder, or on maturity, 12 months from issue. The Notes are only repayable by cash at the discretion of the Group.

All of the Investor Notes were converted prior to 30 June 2014.

Financial Assets at fair value through profit or loss

Financial assets are valued at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, except where losses are considered to be prolonged and extensive, in which case such losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

At present, the Group does not have any derivative instruments.

Fair Value

Fair value is determined based on current bid prices for all quoted investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Other non-current employment benefit obligations are discounted using market yields on government bonds.

n. Equity settled compensation

The Group operates share-based compensation plans for employees. The element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

o. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Where applicable, bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

p. Revenue

Interest revenues are recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefit will result and that outflow can be reliably measured.

No provision has yet been recognised for mine restoration and rehabilitation costs because the definition above has not yet been satisfied in relation to any of the sites operated by the Group.

s. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance recognised as a current liability with the amount being normally within 30 days of reconciliation of the liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of $654,697 has been recognised for the period ended 30 June 2014, in respect of capitalised exploration costs. This calculation was based on management's knowledge of the areas of interest and those unlikely to yield economic benefits.

Key Estimates — Capitalisation of Exploration Costs

The Group performs a regular review of each area of interest to determine the appropriateness of continuing to carry forward expenditure in relation to that area of interest. The review requires a number of estimates to be made.

u. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transaction of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Foreign exchange differences relating to qualifying assets are capitalised. Costs incurred in mining exploration are considered to be part of qualifying assets and can be capitalised.

v. Government Grants

To the extent that grants/contributions/rebates are received from taxation authorities, they are recognised in the Statement of Comprehensive Income as an Income Tax Benefit.

	2014 $	2013 $

NOTE 2 REVENUE

Interest Revenue - Bank	4,599	45,340

NOTE 3 LOSS FOR THE PERIOD

Loss for the period is derived after charging the following significant expenses:

Director share based payments	-	(646,961)
Consultants	(291,261)	(502,773)
Impairment of exploration expenses	(654,697)	(66,187)
Impairment of goodwill	-	(1,801,783)
Other expenses – stamp duty	(235,839)	-

NOTE 4 INCOME TAX EXPENSE

(a) Recognised in the statement of comprehensive income

Current tax benefit	(201,450)	-
Deferred tax benefit	-	-
Total income tax expense/(benefit) reported in statement of comprehensive income	(201,450)	-

The pre-tax net loss is reconciled to the income tax expense/(benefit) as follows:

Net profit/(loss) before tax	(2,070,751)	(4,381,916)
Income tax expense/(benefit) on above at 30%	(621,255)	(1,314,575)
Increase in income tax due to tax effect of:		
- Current year tax losses not recognised	408,539	411,942
- Non-deductible expenses	94,045	382,368
- Loss on investment in associate/subsidiary	-	540,535
- Current year capital losses not recognised	7,888	-
- Movement in unrecognised temporary differences	148,967	15,928
Decrease in income tax expense/(benefit) due to:		
- Over provision for prior year – R&D Tax Incentive	(201,450)	-
- Non-assessable income	-	-
- Deductible equity raising costs	(38,214)	(36,198)
Income tax expense/(benefit) attributable to the Group	(201,450)	-

(b) Deferred tax recognised directly in equity

Relating to origination and reversal of temporary differences	-	-
Deferred tax assets not brought to account	-	-
Income tax reported in equity	**-**	**-**

NOTE 4 INCOME TAX EXPENSE (Continued)

	2014 $	2013 $
(c) Deferred tax assets and liabilities		
Deferred tax liabilities		
Exploration and evaluation expenditure	319,938	600,208
Other assessable temporary differences	1,127	1,175
Off set of deferred tax assets	(321,065)	(601,383)
Net deferred tax liabilities	-	-
Deferred tax assets		
Tax revenue losses	1,854,585	1,281,408
Tax capital losses	7,888	-
Deductible temporary differences	784,914	173,498
	2,647,387	1,454,906
Off set of deferred tax liabilities	(321,065)	(601,383)
Net deferred tax assets not brought to account	**2,326,322**	**853,523**

NOTE 5 KEY MANAGEMENT PERSONNEL

(a) Names and positions held of Group key management personnel in office at any time during the financial year are:

Director	Position
Mr Andrew Pierce	Non-Executive Chairman (appointed 17 March 2014)
Mr Richard Anthon	Non-Executive Director
Mr John Shepherd	Non-Executive Director (appointed 29 November 2013)
Mr Ralph Stagg	Non-Executive Director (appointed 7 March 2014, resigned 27 May 2014)
Mr Martin Holland	Managing Director (resigned 12 March 2014)
Mr Terrence Grammer	Non-executive Director (resigned 4 February 2014)
Mr Michael Addison	Non-executive Director (resigned 13 December 2013)
Mr Kent Hunter	Non-executive Director (resigned 2 October 2013)
Senior Management	
Mr Todd Axford	Exploration Manager
Mr Duncan Cornish	Company Secretary and CFO (appointed 11 November 2013)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTE 5 KEY MANAGEMENT PERSONNEL (Continued)

(b) Options

Number of options held by key management personnel:

	Balance 1 July 2013	Options Granted as Compensation	Options Exercised	Options Expired	Balance 30 June 2014
Directors					
Mr Andrew Pierce	-	-	-	-	-
Mr Richard Anthon	2,500,000	-	-	-	2,500,000
Mr John Shepherd	-	-	-	-	-
Mr Ralph Stagg	-	-	-	-	-
Mr Martin Holland	3,500,000	-	-	-	3,500,000
Mr Terrence Grammer	1,000,000	-	-	-	1,000,000
Mr Michael Addison	2,500,000	-	-	-	2,500,000
Mr Kent Hunter	1,500,000	-	-	-	1,500,000
Senior Management					
Mr Todd Axford	600,000	-	-	-	600,000
Mr Duncan Cornish	-	-	-	-	-
Total	**11,600,000**	**-**	**-**	-	**11,600,000**

(c) Shareholdings

Number of shares held by key management personnel:

	Balance 1 July 2013	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2014
Directors					
Mr Andrew Pierce	2,098,743	-	-	2,861,898	4,960,641
Mr Richard Anthon	450,000	-	-	3,095,895	3,545,895
Mr John Shepherd	-	-	-	-	-
Mr Ralph Stagg	510,868	-	-	2,993,247	3,504,115
Mr Martin Holland	3,758,071	-	-	(619,729)	3,138,342
Mr Terrence Grammer	-	-	-	-	-
Mr Michael Addison	343,000	-	-	-	343,000
Mr Kent Hunter	1,040,001	-	-	-	1,040,001
Senior Management					
Mr Todd Axford	-	-	-	-	-
Mr Duncan Cornish	-	-	-	3,004,115	3,004,115
Total	**8,200,683**	**-**	**-**	**11,335,426**	**19,536,109**

** Net Change Other refers to shares purchased or sold during the financial period.*

	2014 $	2013 $

NOTE 6 AUDITOR'S REMUNERATION

Remuneration of the auditor of the Group for		
- auditing or reviewing the financial report	45,507	53,070
- non-audit services	-	-
	45,507	**53,070**

NOTE 7 LOSS PER SHARE

Reconciliation of earnings to profit or loss:		
Loss for the period	(1,869,301)	(4,381,916)
Earnings used to calculate basic EPS	(1, 869,301)	(4,381,916)
Earnings used in the calculation of dilutive EPS	(1, 869,301)	(4,381,916)

	2014 Number	2013 Number
Weighted average number of ordinary shares on issue in calculating basic EPS	79,000,749	46,775,020
Weighted average number of options outstanding	12,639,041	7,813,014
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	79,000,749	46,775,020
Anti-dilutive options on issue not used in dilutive EPS calculation	12,639,041	7,813,014

NOTE 8 CASH AND CASH EQUIVALENTS

Cash at bank	108,455	770,457

The cash and cash equivalents balance above reconciles to the statement of cash flows.

NOTE 9 TRADE AND OTHER RECEIVABLES

CURRENT		
Trade and other receivables	227,606	76,958
Related party receivable	-	435,888
Total Receivables	**227,606**	**512,846**

The largest receivable is $201,450 relating to an ATO R&D tax refund. These funds (less advisor costs of $21,630) were received in July 2014.

NOTE 10 PLANT AND EQUIPMENT

PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	7,200	7,200
Accumulated depreciation	(4,046)	(2,246)
Total Plant and Equipment	**3,154**	**4,954**

	2014 Number	2013 Number

NOTE 11 EXPLORATION AND EVALUATION EXPENDITURE

Balance at beginning of financial year	5,608,987	1,180,635
Capitalised	854,635	4,294,539
Fair value of exploration assets acquired	-	200,000
Written off	(654,697)	(66,187)
Exploration and evaluation expenditure capitalised – at cost	**5,808,925**	**5,608,987**

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of minerals. Impairment losses were recognised on certain areas of interest where management has surrendered the lease or where there is considered to be little or no chance of recovery of expenses through production.

NOTE 12 OTHER CURRENT ASSETS

CURRENT

Fair value through profit and loss financial assets – investments in listed companies	2,500	35,645

	2014 $	2013 $

NOTE 13 TRADE AND OTHER PAYABLES

CURRENT

Trade payables	473,559	34,997
Sundry payables and accrued expenses	167,249	457,893
Director's Loan	50,000	-
	690,808	**492,890**

NOTE 14 CONVERTIBLE NOTE

During the period, the Company issued the following convertible notes (**Notes**):

1. 755,000 Notes to investors to raise $755,000 (**Investor Notes**); and
2. 1,350,000 Notes as partial consideration for acquisition of the final 40% interest of Menzies Goldfield Ltd (**MGL Notes**).

The key terms of the Notes are:

- $1.00 face value
- 8% coupon rate (payable in Stratum shares using a deemed share price of $0.12)
- Expire 12 months from issue (various dates between September and November 2014)
- The Investor Notes are convertible to shares at the lessor of $0.12 per Note or 20% discount to the 15 day VWAP of the Company's shares immediately prior to the conversion date
- The MGL Notes are convertible to shares at $0.12 per Note during the first 12 months, and thereafter (or if there is a change of control event) at the lessor of $0.12 per Note or 20% discount to the 15 day VWAP of the Company's shares immediately prior to the conversion date

Both the Investor Notes and MGL Notes issued during the period are classified as compound financial instruments per AASB 132 "Financial Instruments: Presentation" and comprise a debt and equity component. Interest is settled via the issue of ordinary shares at $0.12 and the Notes are convertible at any time or on maturity in accordance with the terms listed above. The Notes are only repayable by cash at the discretion of the Group.

During the year, all Investor Notes were converted to shares, leaving 1,350,000 MGL Notes.

	2014 $	2013 $

NOTE 15 ISSUED CAPITAL

Fully paid ordinary shares	11,475,108	10,247,072
Share issue costs	(636,902)	(603,299)
	10,838,206	**9,643,773**

These shares have no par value.

(a) Ordinary Shares	**2014 Number**	**2014 $**	**2013 Number**	**2013 $**
At the beginning of financial year	63,440,484	**9,643,773**	41,150,003	**4,274,963**
Shares issued during the period				
- Issued for cash (5/3/13)	-	-	8,187,500	2,046,875
- Issued for part project consideration (4/2/13 & 26/4/13)	-	-	12,820,892	3,205,223
- Issued to consultants (26/4/13)	-	-	1,282,089	288,475
- Issued for cash (19/11/13 & 2/12/13)	1,000,000	65,000	-	-
- Issued for services (17/12/13)	1,163,345	69,801	-	-
- Issued for cash (11/3/14)	10,050,000	301,500	-	-
- Issued for conversion of convertible notes (various dates)	45,205,241	724,506	-	-
- Issued for convertible notes interest (various dates)	563,207	67,229	-	-
- Less capital raising costs	-	(33,603)	-	(171,763)
Balance at end of financial year	**121,422,277**	**10,838,206**	**63,440,484**	9,643,773

Ordinary shares participate in dividends and the proceeds on the winding up of the Group in proportion to the number of shares held. At Shareholders meetings, on a show of hands, every member present in person or by proxy, or attorney or representative has one vote and upon a Poll every member present in person, or by proxy, attorney or representative shall in respect of each fully paid share held, have one vote for the share, but in respect of partly paid shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares (excluding amounts credited).

(b) Share Options

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 3,000,000 options expiring 7 June 2016 at an exercise price of $0.25 each
- 3,000,000 options expiring 7 June 2016 at an exercise price of $0.35 each
- 500,000 options expiring 15 April 2018 at an exercise price of $0.25 each
- 600,000 options expiring 23 January 2017 at an exercise price of $0.25 each
- 250,000 options expiring 15 April 2016 at an exercise price of $0.25 each
- 5,500,000 options expiring 15 April 2016 at an exercise price of $0.40 each

For information relating to the Group's employee option plan, including details of options issued, exercised and lapsed during the financial period and the options outstanding at period-end, refer to Note 19 Share-based Payments.

No share options were issued to key management personnel during the financial period.

(c) Capital Management

The Board controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy by management to control the capital of the Group since the prior year.

NOTE 16 RESERVES

The options reserve records items recognised as expenses on valuation of share options.

The other reserve is to record changes in ownership of subsidiaries that did not impact on control.

NOTE 17 TENEMENT COMMITMENTS

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

	2014 **$**	**2013** **$**
Not longer than one year	630,700	895,354
Longer than one year, but not longer than five years	1,297,240	1,910,584
Total	1,927,940	2,805,938

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. The Group has the option to negotiate new terms or relinquish the tenements and also to meet expenditure requirements by joint venture or farm-in arrangements.

NOTE 18 CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2014 **$**	**2013** **$**
Loss after income tax	(1,869,301)	(4,381,916)
Non-cash flows in loss		
Depreciation	1,800	1,800
Equity settled transactions	7,230	786,780
Exploration expenditure written off	654,697	66,187
Impairment and unrealised losses	-	1,801,783
Unrealised (gain)/loss on available for sale financial assets	-	53,586
(Gain)/loss on available for sale financial assets	(29,449)	-
Amortisation on convertible notes	92,867	-
Interest paid on convertible notes	94,510	-
Cash flows not in loss		
Payments for exploration and evaluation	(784,835)	(879,843)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in receivables & prepayments	(150,648)	(583,683)
Increase/(decrease) in trade payables and accruals	170,598	246,974
Cash flow from operations	**(1,812,531)**	**(2,888,332)**

The Group had no credit standby, overdraft or other financing arrangements with Banks and other financial institutions at the end of the financial period.

During the year, the entity acquired an additional 40% of the share capital in its subsidiary, Menzies Goldfield Limited, by way of loan forgiveness and the issue of convertible notes. For more details refer to Note 22.

NOTE 19 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2014:

a. Unlisted Options

	30 June 2014	
	Number of Options	**Weighted Average Exercise Price ($)**
Outstanding at 1 July 2013	12,350,000	0.3350
Granted	500,000	0.4000
Expired	-	-
Outstanding at period-end	**12,850,000**	**0.3375**
Exercisable at period-end	**12,850,000**	**0.3375**

On 2 December 2013, 500,000 unlisted options exercisable at $0.40 per option were issued to a consultant of the Company.

There were no unlisted options exercised during the financial year ended 30 June 2014.

b. Share-based Payments

Included under share based payments expense in the statement of comprehensive income is $7,230 (2013: $786,780), and relates, in full, to equity-settled share-based payment transactions.

NOTE 20 OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board of Directors which is at the Consolidated Entity level. The Group does not have any products or services it derives revenue from.

Accordingly, management currently identifies the Group as having only one reportable segment, being the exploration of mineral assets in Australia. There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Entity as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

NOTE 21 FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and accounts payable.

The main risks and related risk management policies arising from the Group's financial instruments are summarised below.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets, net of any provisions for doubtful debts, is disclosed in the statement of financial position and notes to and forming part of the financial report. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

Interest Rate Risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group's exposure to interest rate risk is minimal.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows. The Group's operations require the raising of capital on an on-going basis to fund its planned exploration program and to commercialise its tenement assets.

NOTE 21 FINANCIAL RISK MANAGEMENT (Continued)

Net Fair Values

The net fair values of financial assets and financial liabilities approximate their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form except for the investment disclosed in Note 12. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial report.

The Group's exposure to interest rate risk and effective average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Effective Interest Rate	Floating Interest Rate Less than 1 year	Fixed Interest Rate Maturing	Non-Interest Bearing	Total
2014					
Financial Assets					
Cash and cash equivalent assets	1.0%	108,455	-	-	108,455
Receivables		-	-	227,606	227,606
Investments		-	-	2,500	2,500
Total Financial Assets		**108,455**	**-**	**230,106**	**338,561**
Financial Liabilities					
Payables		-	-	690,808	690,808
Total Financial Liabilities		**-**	**-**	**690,808**	**690,808**
2013					
Financial Assets					
Cash and cash equivalent assets	3.2%	770,457	-	-	770,457
Receivables		-	-	512,846	512,846
Investments		-	-	35,645	35,645
Total Financial Assets		**770,457**	**-**	**548,491**	**1,318,948**
Financial Liabilities					
Payables		-	-	492,890	492,890
Total Financial Liabilities		**-**	**-**	**492,890**	**492,890**

Foreign exchange risk

Exposure to foreign exchange risk may result in fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group makes purchases or holds financial instruments which are other than the AUD functional currency.

The foreign currency risk in the books of the Group is considered immaterial and is therefore not shown.

NOTE 22 STRATUM METALS LIMITED PARENT INFORMATION

(a) Stratum Metals Limited

	2014 $	2013 $
ASSETS		
Current assets	330,461	1,349,260
Non-current assets	8,655,197	6,586,621
TOTAL ASSETS	**8,985,658**	**7,935,881**
LIABILITIES		
Current liabilities	1,940,370	487,592
Non-current Liabilities	-	-
TOTAL LIABILITIES	**1,940,370**	**487,592**
NET ASSETS	**7,045,288**	**7,448,289**
EQUITY		
Issued capital	11,475,067	10,247,071
Share issue costs	(636,902)	(603,299)
	10,838,165	9,643,772
Options reserve	961,862	954,632
Convertible Notes	168,400	-
Accumulated Losses	(4,923,139)	(3,150,115)
TOTAL EQUITY	**7,045,288**	**7,448,289**
FINANCIAL PERFORMANCE		
Loss for the period	**(1,773,024)**	**(2,066,497)**

(b) Subsidiary of Stratum Metals Limited

Company Name	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
Stratum Coal Pty Ltd	Australia	100	100
Menzies Goldfield Limited	Australia	100	60
Riqo Pty Ltd	Australia	80	80

*Percentage of voting power is in proportion to ownership

Stratum acquired an additional 40% of the share capital of Menzies Goldfield Limited during the year, which did not result in any change in control as Menzies Goldfield was already a controlled entity prior to the acquisition of the additional 40%.
As consideration for this acquisition, Stratum provided:
- 1,350,000 convertible notes, full details of which are described in Note 14; and
- Loan forgiveness of $435,888, the expense for which eliminates on consolidation.

NOTE 22 STRATUM METALS LIMITED PARENT INFORMATION (Continued)

(c) Amounts Outstanding from Related Parties

These amounts relate principally to loans from the Parent to its subsidiaries.

	2014 $	2013 $
Beginning of the year	3,013,815	615
Loans advanced	1,242,159	3,013,200
End of Year	**4,255,974**	**3,013,815**

No interest is being charged on loans.

(d) Amounts Outstanding to Related Parties

The amounts outstanding at 30 June 2014 relate to accrued and unpaid director fees.

	2014 $	2013 $
Beginning of the year	9,144	8,050
Amounts repaid	(9,144)	(8,050)
Fees outstanding	140,846	9,144
End of Year	**140,846**	**9,144**

No interest is being charged on loans.

NOTE 23 CONTINGENT ASSETS

The Group is in the process of lodging an application for ATO R&D refund for the 2014 financial year. The Group successfully applied and received the refund (for $201,450) relating to the 2013 financial year and expects to receive approximately $100,000 for the 2014 financial year.

NOTE 24 CONTINGENT LIABILITIES

A contingent liability exists in relation to contingent deferred consideration in the acquisition of 80% of the issued capital of Riqo Pty Ltd. The Riqo Transaction provides for deferred consideration of $5 per ounce for the first 400,000 ounces of JORC defined resource on the Riqo Menzies Project, announced to the ASX by Stratum. The payment is to be made by Stratum on every 50,000 ounces defined by Stratum on the Riqo Menzies Project and can be payable in cash or fully paid ordinary shares in Stratum.

To the best of their knowledge, the directors are of the belief that there are no other contingent liabilities as at 30 June 2014.

NOTE 25 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key Management Personnel

During the year, $80,000 was paid to Corporate Administration Services Pty Ltd for the provision of Group Secretarial services performed by Duncan Cornish (appointed 11 November 2013).

During the year, an aggregate of $91,208 (2013: $143,132) was paid to Mining Corporate Pty Ltd for the provision of Group Secretarial and CFO services performed by Farlee Walker and Elizabeth Hunt (resigned 10 November 2013). Kent Hunter was a director of Mining Corporate Pty Ltd.

During the year, an aggregate of $35,410 (2013: $46,529) was paid to Hemming and Hart Lawyers for the provision of legal advice and services. Richard Anthon was a Managing Partner of Hemming and Hart Lawyers.

NOTE 25 RELATED PARTY TRANSACTIONS (Continued)

During the year, the Company loaned Martin Holland (Managing Director until resigning on 12 March 2014), amounts totalling $31,505 (2013: $25,710) which was repaid in full including the remaining balance at 30 June 2013 of $5,389. These short term loans were provided interest free and were repayable in the subsequent payroll cycle.

On 4 March 2014, Richard Anthon (director) accepted the placement offer to purchase shares in the Company, investing $50,000 in cash. Until shareholder approval is achieved, this investment is being treated as an unsecured (non-interest bearing) loan to the Company. In the event that shareholder approval is not achieved by 30 September 2014 (or any other date agreed between the parties), this loan will become repayable within thirty days of the Company's receipt of demand for payment.

Apart from the loan to Martin Holland and the loan from Richard Anthon, these transactions were made on commercial terms and conditions and at market rates.

Director's fees were paid through the following intermediaries, the total amounts for which are disclosed in the Remuneration Report:

Bedar Holdings Pty Ltd (Andrew Pierce)
Richard Group Pty Ltd (John Shepherd)
VME Pty Ltd (Richard Anthon)

NOTE 26 SUBSEQUENT EVENTS

Since the financial year end at 30 June 2014, the Company announced that it had signed a mandate to appoint Armada Capital Limited (**Armada**) as Lead Manager to raise up to $2.3 million via a two stage capital raising (**Mandate**).

Stage 1 will comprise an unsecured loan to Stratum of $250,000.

The key terms of the Stage 1 raising are:

- Term of loan: repayable on the earlier of six months or completion of Stage 2 raising.
- Interest: 1% per month payable in cash or shares at the lenders election.
- Loan proceeds to be advanced to Stratum within seven days of the loan documentation being executed.
- Stratum will seek shareholder approval for the loan to be converted into Stratum shares at a price of 80% of the Stage 2 raising price. Each converted share will have one free attaching option (exercisable at $0.02 on or before 29 February 2016). If shareholder approval for the loan to be converted in to shares (and attaching options) is received, the lender may elect to be repaid in cash or shares (and attaching options), or a combination thereof.

Stage 2 will comprise the issue of 274,333,333 new shares at $0.0075 per share with one free attaching option (exercisable at $0.02 on or before 29 February 2016) for every two shares issued to raise a total of up to $2,057,500.

The key terms of the Stage 2 raising are:

- Raising to comprise the issue of 274,333,333 shares at $0.0075 per share with one free attaching option (exercisable at $0.02 on or before 29 February 2016) for every two shares issued, being a total of 137,166,667 options (**Stage 2 Options**).
- The Stage 2 raising is subject to receiving shareholder approval, which will be put to shareholders via a General Meeting as soon as practicable.
- Stratum will apply to have the Stage 2 Options listed.

The Stage 1 and 2 raisings are not underwritten and will be marketed by Armada on a best endeavours basis to Sophisticated Investors that fall under the Corporations Act 2001 Section 708 exceptions.

The Company has agreed with Mountain Gold International Ltd (**Mountain Gold**), the holder of outstanding convertible notes in the Company to the value of $1.35 million, that Mountain Gold will accept a settlement of their notes of 50% of the face value (i.e. $675,000) to be paid by the proceeds of the Stage 2 raising. Mountain Gold may accept a combination of cash and/or shares (and attaching options) on the same terms of the Stage 2 raising.

Upon successful completion of the raisings, Armada will be paid fees consisting of:

- 5% of the gross amounts raised (excluding GST);
- $25,000 management fee (excluding GST); and
- 50.0 million options (exercisable at $0.02 on or before 29 February 2016) issued to Armada (or its nominee/s).

Armada will also be reimbursed for out of pocket expenses regardless of whether the raisings are successful.

Subject to completion of the Stage 1 and 2 raisings, Armada will have the right to nominate two directors to the Board of Stratum, to replace Messrs Pierce and Anthon. .

At the date of this report, Stage 1 of the raising is underway.

NOTE 26 SUBSEQUENT EVENTS (Continued)

No other matter or circumstance has arisen since the end of the financial year, to the date of this report, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The financial report was authorised for issue on the date the Director's Report was signed. The Board has the power to amend and re-issue the financial report.

NOTE 27 GROUP DETAILS

The registered office and principal place of business of the Group is:

Level 5, 10 Market Street
Brisbane Qld 4000
Phone: +61 7 3212 6230

Declaration by Directors

The directors of the Group declare that:

1. the financial statements and notes, as set out on pages 26 to 49 are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards which, as stated in Note1(b) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group;
2. the Chief Financial Officer has declared* that:
   (a) the financial records of the Group for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

*Note: Stratum Metals Limited does not currently have a Managing Director, or any person who fills that role.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrew Pierce
Non-Executive Chairman

Brisbane
Date: 29 September 2014

Independent Auditor's Report

Bentleys
THINKING AHEAD

INDEPENDENT AUDITOR'S REPORT

To the Members of Stratum Metals Limited

Report on the Financial Report

We have audited the accompanying financial report of Stratum Metals Limited and controlled entity ("the Group") which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Bentleys
THINKING AHEAD

Auditor's Opinion

In our opinion:

a. the financial report of Stratum Metals Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Group's operations are dependent on the raising of capital on an on-going basis to fund its planned exploration program and to commercialise its tenement assets. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Stratum Metals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Bentleys

Bentleys Brisbane (Audit) Pty Ltd

Stewart Douglas
Director
Brisbane
29 September 2014