



ASX Announcement: 7 October 2014

ACQUISITION OF GRAPHITE PROJECT WITH JUMBO/ LARGE FLAKE POTENTIAL

ASX: SAT

Capital structure:

Ordinary shares

294.5m

Options (Unlisted)

18.7m 6c (30/11/15)

19.7m 2c (30/11/15)

Shareholders:

Institutional 13%

Board/ Mgt 19%

Retail 68%

Top 20: 56%

Stratos Resources Ltd ("Stratos" or "the Company") (ASX: SAT) is pleased to announce that it has entered into an exclusive option to acquire 100% of a 3,400 Ha graphite project located north-east of the town of Manitouwadge in Ontario, Canada ("Manitouwadge Project").

The Manitouwadge Project has significant graphite potential. Initial metallurgical test work on samples taken from site indicates 55% of the graphite is large or jumbo flake size, which is the highest value and most sought after graphite flake size with its use in new technologies expected to rapidly expand over the next decade.

In addition, the proposed acquisition includes a separate exclusive option for 100% of a project comprising 2,700Ha of mineral leases located north of the town of Hinton in Alberta, Canada ("Hinton North Project") with potential for other minerals.

The acquisitions are subject to ASX and Stratos shareholder approval (if required).

Key Points:

- **Jumbo and Large Flake Potential:** Metallurgical work commissioned on the Manitouwadge Project from Activation Laboratories Ltd ("Actlabs") by the vendor (on an initial 2kg grab sample) indicates that 16.2% of the graphite concentrate reported to the +425 µm size fraction (jumbo flake obtained without gravity or flotation), 10.3% of the sample reported to the -425 to +300µm (jumbo flake), 29% reported to a -300 to +180µm (large flake) size fraction and 11.1% reported to the -180 to +150µm (medium flake) size fraction.

The Company expects jumbo and large flake graphite to be in demand due to its increasing use in new technologies such as batteries and electric vehicles.

- **The Manitouwadge Project is an Attractive Deposit with Significant Graphite Exploration Potential:** Studies of the area by the Ontario Geological Survey ("OGS") indicate graphite showings of 5% (up to 20% locally) (ref: OGS report 5889). Aerial electromagnetic ("AEM") surveys flown for Noranda Inc. (when exploring for volcanic-hosted massive sulphide ("VHMS") deposits) indicate six significant conductors on the project that may be indicative of either VHMS or graphite deposits.

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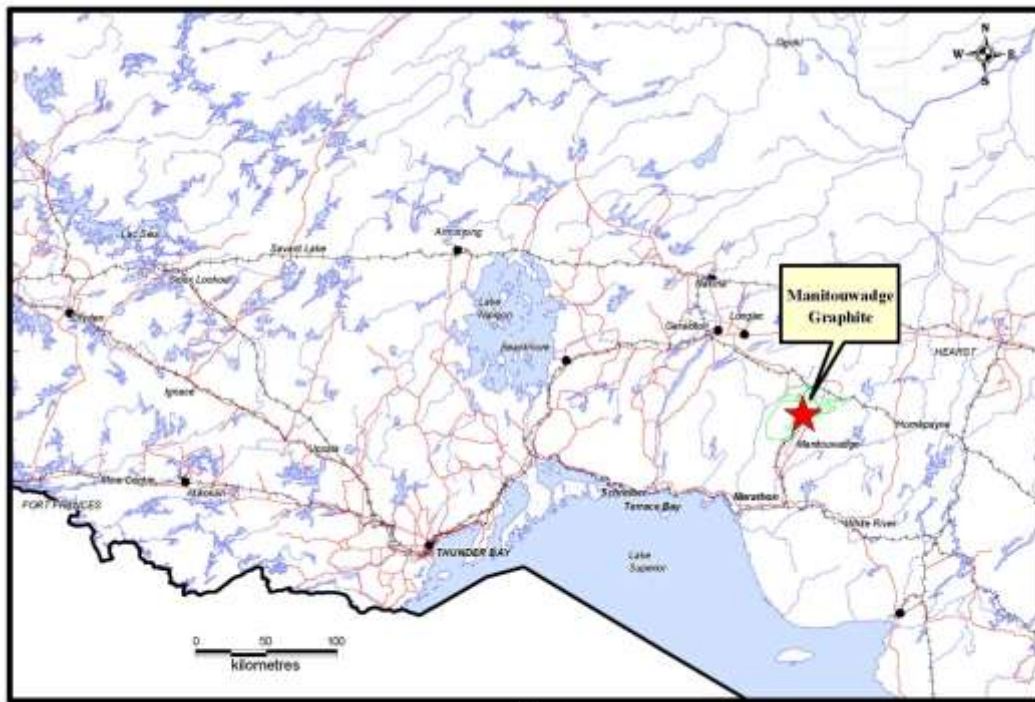
- **Excellent Infrastructure:** Canada is regularly rated as one of the leading global mining jurisdictions. The Manitouwadge Project has excellent access to sealed roads and logging roads. It is 50kms from the Trans-Canada Highway and 20kms from the nearest rail access point. The project is 30km north east of Manitouwadge and 120kms south west from Hearst both of which have experienced mining populations due to other mines in the area. There are also other graphite projects in the area including the world class Albany graphite deposit 50kms west of Hearst which is being developed by Zenyatta Ventures (which in 2013 won the award for the top performing mining company on the TSX- Venture Exchange).
- **Immediate Work Plan to Commence:** The Company and its advisors have commenced a review of historical information including geological reports and HLEM data. The plan is to shortly commence a channel sampling program which will seek to confirm graphite grades and grain size distribution in the existing trenches and then finalise drill locations for an initial due diligence drill program of approx. 600m (potentially expandable to 2,400m) which will target the EM anomalies. An application for a permit to allow drilling is in the process of being lodged on behalf of Stratos.
- **Hinton North Project:** The Hinton North project is held under a separate option and is a development stage project. The project is in the foothills of the Rocky Mountains and has had approximately 7,000m of historical drilling. The project has a granted coal mining lease prospective for high quality thermal coal (HV C Bituminous). The coal is a multi-seam product that exhibits attractive characteristics with the main seams to be targeted showing potential for low sulphur, moderate ash and high energy values.

Ontario Manitouwadge Graphite Property

The Manitouwadge Project is located approximately 30 - 40 kilometres northeast of the town of Manitouwadge, Ontario (see Figure 1). Manitouwadge is the location of the former Geco Mine which was owned and operated by Noranda Inc (now part of Xstrata) from 1954 to 1995. The town of Manitouwadge is situated at the north end of Highway 614, 331 kilometres east of Thunder Bay and 378 kilometres west of Sault Ste. Marie, north-western Ontario. Access to the property is obtained by logging roads leading north from Manitouwadge.

The project consists of 17 staked claims covering 3,400Ha, 11 of which are centred around the Thomas Lake AEM occurrence and 6 of which are centred around other AEM conductors in the area.

Figure 1: Location of Manitouwadge Project



The Manitouwadge Graphite Property has numerous positive elements, including:

- a favourable geological environment consisting of recrystallized meta-sedimentary rocks of the Quentico Subprovince in the Archean Superior Province of Ontario. Sedimentary rocks metamorphosed at high temperatures are a common host to most flake graphite deposits.
- the staked claims (see Figure 2) are targeted to the occurrence of numerous AEM “conductors”, some of which are associated with aeromagnetic lows (Figure 3), and which are priority targets for highly conductive minerals like graphite.

Figure 2: Location of Staked Claims

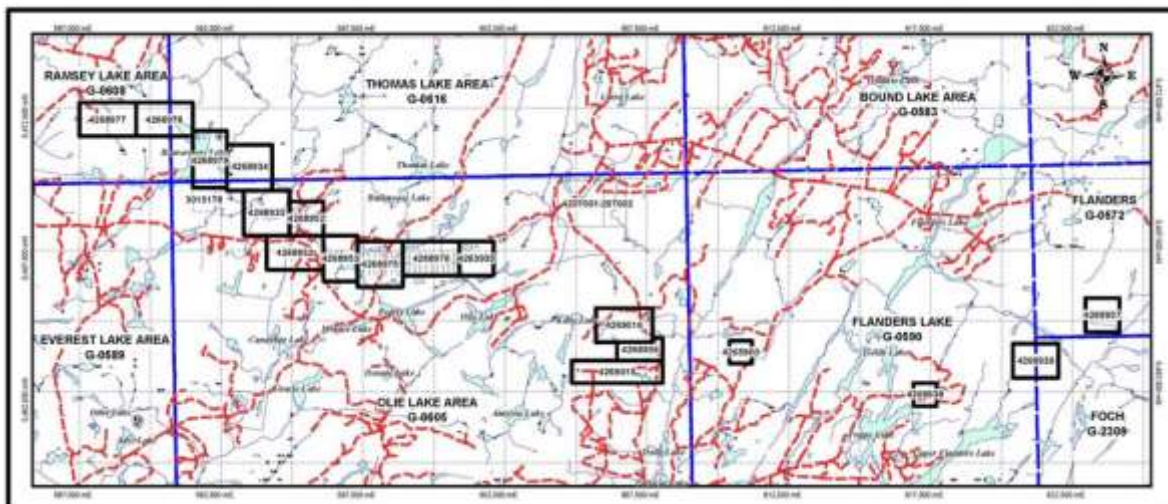
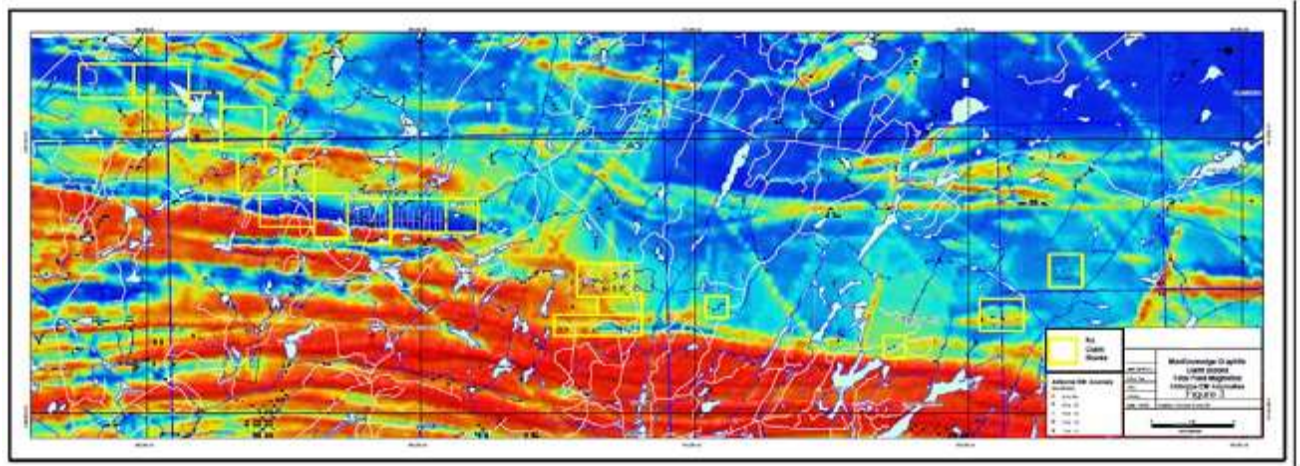
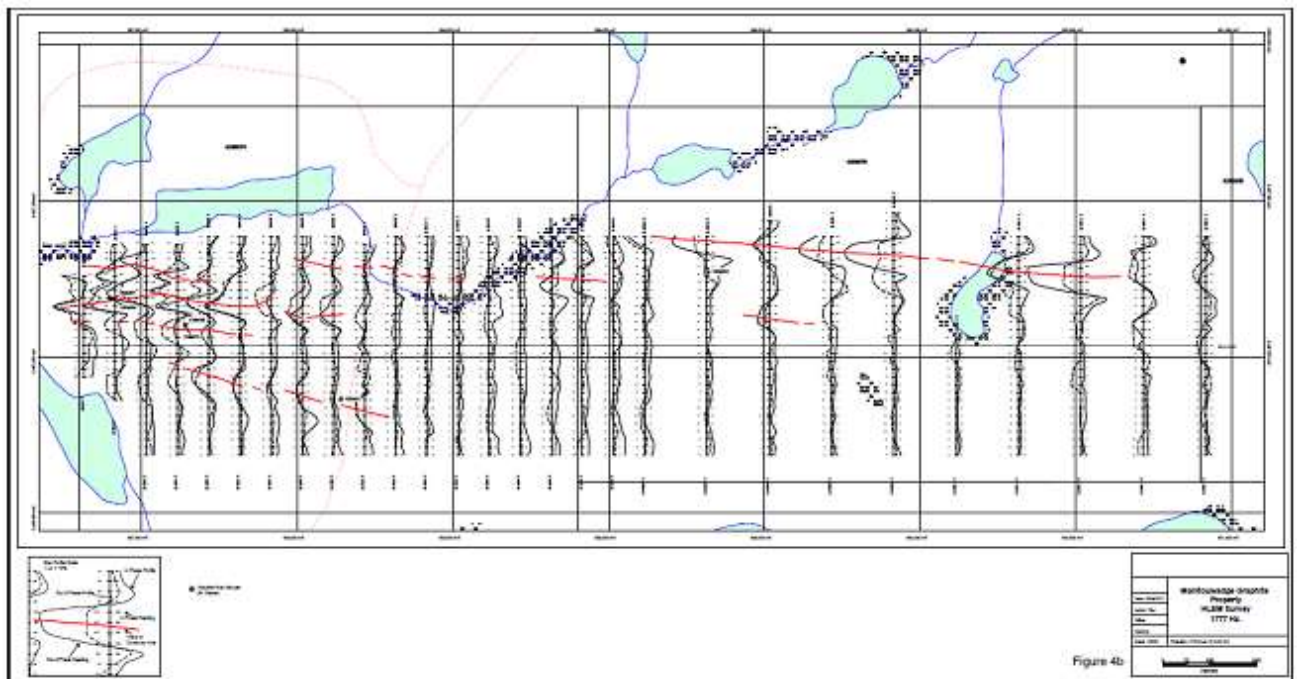


Figure 3: AEM / AMAG Survey Results



- a known, but little worked, flake graphite showing (Thomas Lake Road occurrence).
- three zones of graphitic mineralization up to 12 meters wide coincident with HLEM conductors (see figure 4) up to 1.6 kilometres in strike length, with the vendor advising that initial grab samples varied between 0.12% and 6.17% C in graphite have been taken from the property (see Appendix 1).
- Horizontal Loop Electromagnetic (“HLEM”) has also been undertaken which confirmed these anomalies and historical trenching at site confirmed the presence of graphite coincident with three of the conductors.

Figure 4: Results of the HLEM Survey for 1,777Hz indicating the locations of conductors



- A particle size analysis performed on graphite concentrates after flotation and gravity concentration of a 2 kg grab sample indicated that 16.2% of the graphite concentrate reported to the +425µm size fraction (jumbo flake obtained without gravity or flotation concentration), 10.3% of the graphite reported to the -425 to +300µm (jumbo) and 29% of the graphite reported to the -300 to +180µm (large) size fraction and 11.1% of the graphite reported to the -180 to +150µm (medium) size fraction.

Industry analysis indicates that the market for graphite is increasingly focused on the more valuable jumbo and large flake products which are forecast to be sold at a significant premium over the coming decade (see price forecast from graphite industry analysts, Stormcrow Capital Markets, in Table 1 below).

Table 1: USD/ tonne Price Forecasts to 2020 based on Various Graphite Flake Sizes

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------|------|------|------|------|------|------|------|------|------|------|
| Jumbo | 3365 | 2135 | 1577 | 1726 | 1884 | 1676 | 1555 | 2596 | 3573 | 6175 |
| Large | 2514 | 1595 | 1178 | 1192 | 976 | 996 | 684 | 811 | 947 | 1165 |
| Medium | 2138 | 1514 | 1025 | 991 | 959 | 867 | 521 | 500 | 508 | 517 |
| Small | 1375 | 1089 | 855 | 874 | 806 | 784 | 476 | 481 | 487 | 493 |
| Very Fine | 930 | 689 | 505 | 524 | 509 | 493 | 342 | 347 | 353 | 359 |

Source: Stormcrow Capital Markets, Industrial Minerals Experts, Toronto, Canada, June 2014

Hinton North Project

The project is located in west central Alberta, some 7 km north and across the Athabasca River from the town of Hinton, approximately 300 km west of Edmonton, Alberta (see Figure 5). There are numerous operating mines in the area (the nearest mine is 25kms to the north east) and the major east-west rail line is 10kms south of the project (see figure 6) which links to the West Coast ports of Vancouver and Prince Rupert.

Figure 5: Location of Hinton North Project and Other Operating Mines in the Area

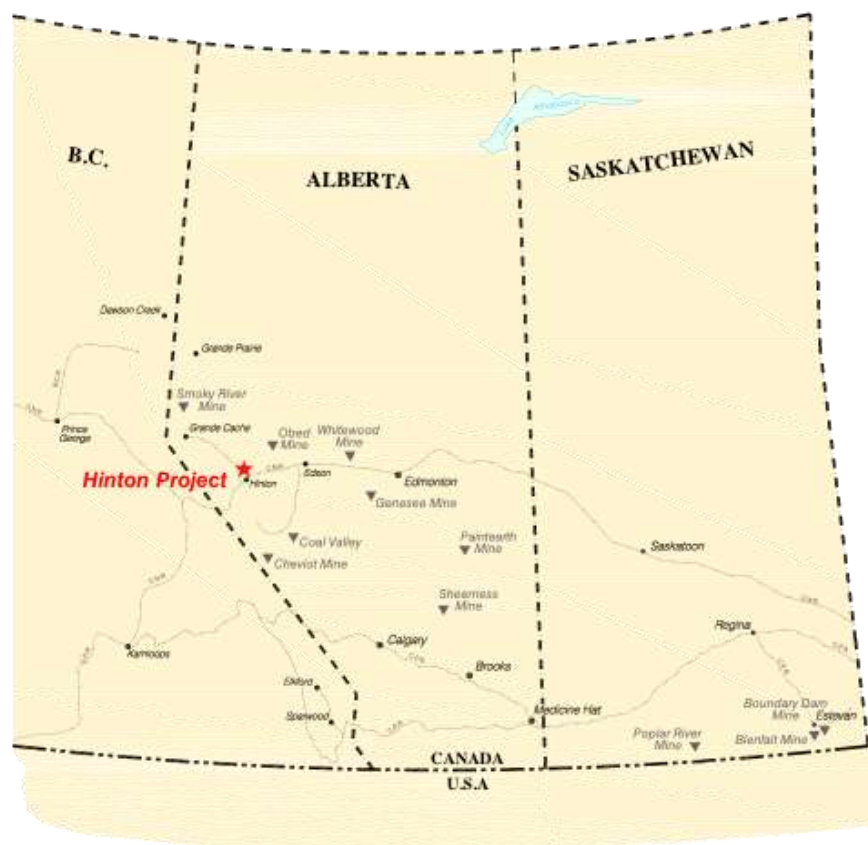
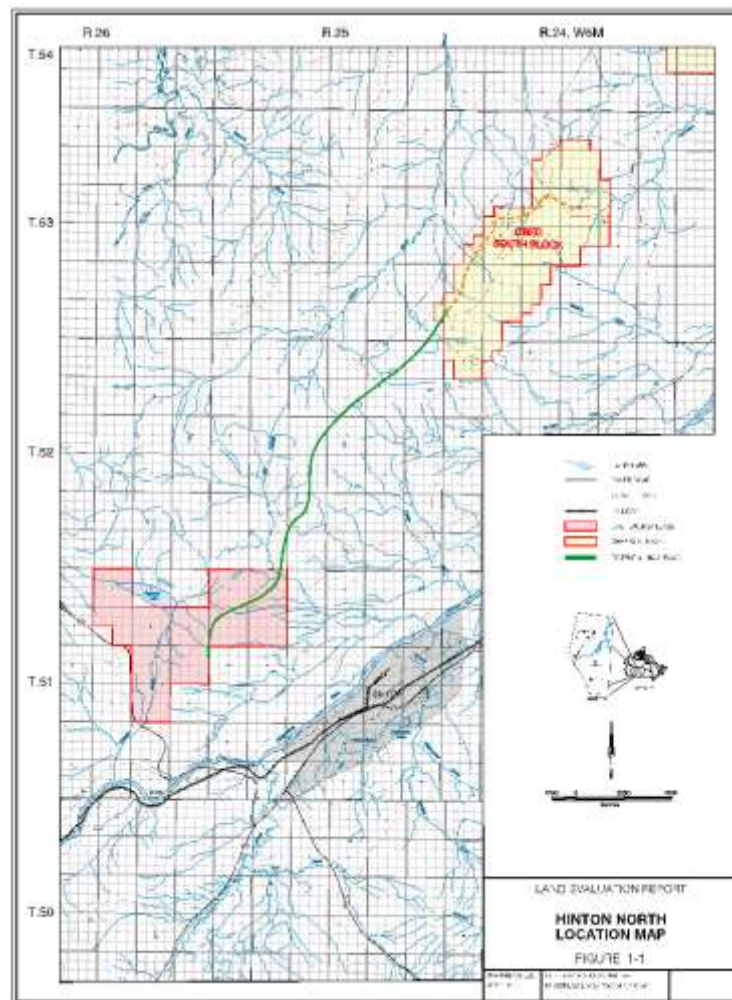


Figure 6: Location of Hinton North Project showing proximity to nearest Town (7kms), rail line (10kms) and mine (25kms)



The project is located 10kms from open access rail and is in the heart of the coal and energy market of Alberta, 3 hours west of Edmonton. The market for coal in the area includes domestic coal consumption with potential for export via rail transport to the West Coast (British Columbia) ports of Vancouver and Prince Rupert to the key coal consumers in Japan, South Korea and China. The company believes there may be an opportunity to rework some of the historical mining studies undertaken on the project with a view to applying new and improved mining technology (eg. Replacing large expensive open pit plans with the use of high wall miners to target higher grade seams) to lower capital expenditure and operating expenditure requirements. The project has had 7,000m of historic drilling (see figure 7)

Figure 7: Historical Drill Hole Locations



Local Execution Capability

Stratos has established a strong local execution capability with the Canadian office of CSA Global appointed to assist with the initial geological works and Stikeman Little, a leading Canadian Law Firm, undertaking legal work and due diligence.

The current focus is on reviewing historical work undertaken on the properties and confirming geological prospectivity and validity of legal tenure prior to any option exercise.

Transaction Structure

The proposed acquisitions are structured as 2 separate exclusive options. These are subject to ASX and Stratos shareholder approval (if required).

The Manitouwadge Graphite acquisition is structured as an exclusive option to acquire 100% of the project. The terms of the option are a non-refundable deposit of C\$10,000 (which has been paid) and a final payment of C\$149,000 no later than 7 March 2015. There is also a minimum expenditure requirement of \$15,200 to advance exploration of the property and reimburse property taxes during the option.

The Hinton North Project acquisition is structured as an exclusive option to acquire 100% of the project. The terms of the option are a non-refundable deposit of C\$20,000 (which has been paid). Future payments, at the option of the buyer, to keep the option on foot are C\$200,000 by 6 January 2015 ("2015 Payment"), C\$400,000 by 6 January 2016 ("2016 Payment") and a final payment of C\$400,000 by 6 January 2017 ("2017 Payment") at which time title to 100% of the project will pass to Stratos.

Upon exercise of the Manitouwadge Project option the vendor will be granted a 2% gross production royalty, 50% of which may be purchased for C\$250,000.

The Hinton North Project has a pre-existing 5% net profit royalty which is intended to be cancelled should the 2017 Payment be made, from proceeds of the 2017 Payment. Following the 2017 Payment and title transferring, the vendor will be entitled to a royalty of C\$0.15/ tonne for the first 20m tonnes of coal produced from the project. This royalty can be purchased at any time for C\$1m.

Capital Structure

The company has recently raised additional funding under an oversubscribed share purchase plan ("SPP") and following the issue of the SPP shares will have approx. 320m shares on issue. There are no convertible notes or loan outstanding, nor other third party loans in place.

In order to direct the company's cash reserves towards the due diligence program noted above, and as a sign of faith in the potential of the proposed projects, the directors have also agreed to convert (subject to shareholder approval) 100% of their outstanding directors fees (on an after tax basis and on the same terms as the most recent share purchase plan) at the next general meeting. Based on the current accrued fees (which have been accrued since 1 January 2014), this will equate to a cash saving of approximately \$70,000. As at 30 September 2014 cash at bank was \$334,000.

Subject to the approval of shareholders at the next general meeting, the company intends to grant certain performance options with appropriate hurdles to directors, management and advisors. The intention is to offer up to 30m options exercisable 3 years from the date of issue following shareholder approval. The options will be subject to certain minimum vesting hurdles, including the successful acquisition of one or both of the projects and Stratos shares trading at a minimum VWAP for at least 20 days of 1.6c/ share or better (compared to most recent close on 1 October of 0.6c/ share) and will have an exercise price equal to the price of shares issued under the share purchase plan closed in September 2014.

The Company looks forward to providing further updates on the status of the projects shortly.

Board of Directors
Stratos Resources Ltd

The information in this report that relates to Exploration Results is based on information reviewed by Dr Dennis Arne who is a Registered Professional Geoscientist of the Australian Institute of Geoscientists, and a Professional Geoscientist registered in the provinces of British Columbia and Ontario, Canada. Dr Arne is a Principal Consultant to CSA Global, has a minimum of five years relevant exploration experience, and qualifies as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Arne consents to the inclusion of the information in this report in the form and context in which it appears.

ENDS

Appendix 1 – Results of Prospecting and Trench samples (no drilling results to date)

Prospecting Samples

| Prospecting Sample # | UTM Easting | UTM Northing | C-graphite % |
|----------------------|-------------|--------------|--------------|
| 1099451 | 598177 | 5466869 | 3.62 |
| 1099459 | 599315 | 5467268 | 1.49 |
| 1099466 | 597385 | 5467187 | 0.12 |
| 1099467 | 597394 | 5467185 | 6.17 |
| 1099469 | 597640 | 5467102 | 2.24 |
| 1099470 | 597641 | 5467103 | 0.61 |

Trench Samples

| Trench Sample # | UTM Easting | UTM Northing | C-graphite % |
|-----------------|-------------|--------------|--------------|
| 1099001 | 598183 | 5466866 | 7.63 |
| 1099002 | 598183 | 5466866 | 3.27 |
| 1099003 | 598183 | 5466866 | 5.51 |
| 1099004 | 598183 | 5466866 | 1.34 |
| 1099005 | 598183 | 5466866 | 3.45 |
| 1099006 | 598183 | 5466866 | 1.61 |
| 1099007 | 598183 | 5466866 | 1.30 |
| 1099008 | 598183 | 5466866 | 1.32 |
| 1099009 | 597939 | 5467164 | 2.26 |
| 1099010 | 597939 | 5467164 | 2.95 |
| 1099011 | 597939 | 5467164 | 2.74 |
| 1099012 | 597939 | 5467164 | 0.96 |
| 1099013 | 597939 | 5467164 | 0.64 |
| 1099014 | 597939 | 5467164 | 1.20 |
| 1099015 | 597884 | 5467193 | 2.42 |
| 1099016 | 597884 | 5467193 | 2.97 |
| 1099017 | 597884 | 5467193 | 0.74 |
| 1099018 | 597939 | 5467164 | <0.05 |
| 1099019 | 597939 | 5467164 | 1.54 |
| 1099020 | 597939 | 5467164 | 2.44 |
| 1099021 | 597378 | 5467226 | 0.58 |
| 1099022 | 597378 | 5467226 | 2.51 |
| 1099023 | 597378 | 5467226 | 11.8 |

| | | | |
|---------|--------|---------|------|
| 1099024 | 597378 | 5467226 | 0.80 |
| 1099025 | 597378 | 5467226 | 0.35 |
| 1099026 | 597378 | 5467226 | 0.33 |
| 1099027 | 597402 | 5467189 | 1.02 |
| 1099028 | 597402 | 5467189 | 4.53 |
| 1099029 | 597402 | 5467189 | 0.33 |
| 1099030 | 597402 | 5467189 | 3.18 |
| 1099031 | 597402 | 5467189 | 2.11 |
| 1099032 | 597402 | 5467189 | 3.81 |
| 1099033 | 597402 | 5467189 | 3.80 |

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

| Criteria | JORC Code explanation | Commentary |
|-----------------------|---|---|
| Sampling techniques | <ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information. | <ul style="list-style-type: none"> Grab sampling or chip sampling of measured distances across strike of graphitic horizons in outcrop exposed by trenching to remove overlying organic material and till. The chip sampling results will be verified through the use of more appropriate channel sampling methods. |
| Drilling techniques | <ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). | <ul style="list-style-type: none"> No drilling has been performed to date |
| Drill sample recovery | <ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. | <ul style="list-style-type: none"> No drilling has been performed to date |
| Logging | <ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. | <ul style="list-style-type: none"> No geotechnical logging was taken |

| Criteria | JORC Code explanation | Commentary |
|--|--|---|
| | <ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. | |
| Sub-sampling techniques and sample preparation | <ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. | <ul style="list-style-type: none"> The entire grab or chip sample was crushed to a nominal -1.7 mm size, riffle split to produce a 250 g sub-sample which was then pulverized to at least 95% minus 150 mesh (105 microns). Some grain size reduction of the larger graphite flakes may have occurred during pulverisation of the sample. No sample duplicates were collected in the field. As first pass exploration, the grain size of the graphite flakes had not yet been determined, so the minimum sample size required had not yet been determined. |
| Quality of assay data and laboratory tests | <ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. | <ul style="list-style-type: none"> The samples were analyzed in an induction furnace following acid treatment of the samples to remove all non-graphite C. The CO₂ generated from the high temperature combustion of graphite is measured by absorption of infrared radiation. Accuracy of the analyses was monitored using a pure graphite powder and precision monitored using pulp duplicate analyses. Both are acceptable. Metallurgical testing used size by size analyses, semi-quantitative scanning electron microscopy with a Mineral Liberation Analyzer, and beneficiation tests followed by particle size analysis of the graphite concentrates. The techniques are both appropriate and relevant. |
| Verification of sampling and assaying | <ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. | <ul style="list-style-type: none"> The project is in a due diligence phase and initial field work will be directed towards verification of the preliminary trench results through the collection of continuous channels samples cut with a diamond saw. |
| Location of data points | <ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. | <ul style="list-style-type: none"> Details of how the grab and chip samples have been located in the field have not been provided, but are assumed to have been only approximately located using a handheld GPS. Locations will be verified through the use of handheld DGPS. |

| Criteria | JORC Code explanation | Commentary |
|---|--|--|
| Data spacing and distribution | <ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. | <ul style="list-style-type: none"> Continuity of graphite horizons has been tested over a strike length of approximately 900 m. Further testing of electromagnetic conductors by diamond drilling is proposed. |
| Orientation of data in relation to geological structure | <ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. | <ul style="list-style-type: none"> Chip samples have been collected perpendicular to the strike of the electromagnetic conductors on graphite horizons that are steeply dipping. Sampled thickness will be close to true thicknesses. |
| Sample security | <ul style="list-style-type: none"> The measures taken to ensure sample security. | <ul style="list-style-type: none"> Samples were taken directly from the field to the Activation Laboratories Ltd facility in Thunder Bay, Ontario. |
| Audits or reviews | <ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. | <ul style="list-style-type: none"> Proposed as part of the due diligence process. |

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

| Criteria | JORC Code explanation | Commentary |
|---|--|--|
| Mineral tenement and land tenure status | <ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. | <ul style="list-style-type: none"> Property consists of 17 unpatented claims controlled 100% by the vendor, Rare Earth Minerals Inc. The vendor advises that the claims are currently in good standing. |
| Exploration done by other parties | <ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. | <ul style="list-style-type: none"> The exploration work reported here was carried out by Rare Earth Minerals Inc. and reported by Felix, 2012, Technical report on the Manitouwadge graphite exploration property at Manitouwadge, Ontario, Canada. 35 p. |
| Geology | <ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. | <ul style="list-style-type: none"> Meta-sedimentary graphite |
| Drill hole Information | <ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information | <ul style="list-style-type: none"> No drilling has been performed to date |

| Criteria | JORC Code explanation | Commentary |
|--|--|--|
| | <p>for all Material drill holes:</p> <ul style="list-style-type: none"> ○ easting and northing of the drill hole collar ○ elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar ○ dip and azimuth of the hole ○ down hole length and interception depth ○ hole length. <ul style="list-style-type: none"> • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. | |
| Data aggregation methods | <ul style="list-style-type: none"> • In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated. | <ul style="list-style-type: none"> • Insufficient data are provided to assess how C assays in graphite chip sample assays were composited. The trenches are to be re-sampled to verify the grades and lengths. |
| Relationship between mineralisation widths and intercept lengths | <ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). | <ul style="list-style-type: none"> • Chip samples have been collected perpendicular to the strike of the electromagnetic conductors on graphite horizons that are steeply dipping. Sampled thickness will be close to true thicknesses. |
| Diagrams | <ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. | <ul style="list-style-type: none"> • No drilling has been performed to date |
| Balanced reporting | <ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. | <ul style="list-style-type: none"> • Composite chip samples from five areas of trenching have returned values of 3.92% C over 8m, 2.04% C over 6m, 2.13% C over 4m, 2.96% C over 12m and 4.18% C over 6.5 m. Table of data provided. |
| Other substantive | <ul style="list-style-type: none"> • Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, | <ul style="list-style-type: none"> • Emphasis placed on determining grain size characteristics of graphite flakes, as per Item 49 of the 2012 edition of the JORC Code. |

| Criteria | JORC Code explanation | Commentary |
|-------------------------|---|--|
| <i>exploration data</i> | <i>groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> | |
| <i>Further work</i> | <ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> | <ul style="list-style-type: none"> Validation channel sampling of existing trenches, to be followed by diamond drilling of untested conductors. |