



# STRATEGIC MINERALS

Corporation N.L.

**ASX Code: SMC**

**ASX Release:**

31 January 2018

**Issued Capital:**

70,450,536

**Market Capitalisation:**

\$28.180 Million

**BOARD:**

**Laif McLoughlin**

Executive Chairman

**Christopher Wallin**

Non-Executive Director

**Jay Stephenson**

Non-Executive Director &  
Company Secretary

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1 Eagle Street  
Brisbane  
Queensland 4000

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11 Ventnor Avenue  
West Perth  
Western Australia 6005

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## QUARTERLY ACTIVITY REPORT FOR THE PERIOD ENDED 31 December 2017

### Highlights

- Completion of the second (& final) phase of reverse circulation infill drill program
- Completion of the combined geotechnical, metallurgical and resource diamond drilling program
- Groundwater monitoring bore installation program completed
- Results of the initial phase of eight RC holes were announced on the 12<sup>th</sup> October and reviewed in Quarterly Activity Report for the Period Ended 30 September 2017.
- On the 1<sup>st</sup> December 2017, the company announced the results of a further ten RC drillholes, followed by the final four drillholes on 29<sup>th</sup> January 2018<sup>1</sup>, including:

LR0307	100 metres at 1.67 g/t gold from 120 to 220 metres
LR0308	83 metres at 1.87 g/t gold from 121 to 204 metres
LR0309	50 metres at 3.23 g/t gold from 116 to 166 metres
LR0310	133 metres at 1.08 g/t gold from 132 to 265 metres
LR0311	23 metres at 1.35 g/t gold from 167 to 190 metres
○ and	9 metres at 0.76 g/t gold from 209 to 218 metres
○ and	27 metres at 1.22 g/t gold from 255 to 282 metres
○ and	11 metres at 2.76 g/t gold from 319 to 330 metres
LR0312	136 metres at 1.24 g/t gold from 118 to 254 metres
LR0313	6 metres at 3.16 g/t gold from 148 to 154 metres
○ and	92 metres at 1.00 g/t gold from 195 to 287 metres
○ and	7 metres at 1.41 g/t gold from 322 to 329 metres
LR0314	3 metres at 2.13 g/t gold from 131 to 134 metres
○ and	67 metres at 2.47 g/t gold from 165 to 232 metres
○ and	4 metres at 3.5 g/t gold from 265 to 269 metres
LR0315	12 metres at 1.15 g/t gold from 114 to 126 metres
○ and	74 metres at 1.44 g/t gold from 136 to 210 metres
LR0316	74 metres at 1.42 g/t gold from 105 to 179 metres
○ and	4 metres at 1.67 g/t gold from 190 to 194 metres
LR0326	59 metres at 1.27 g/t gold from 96 to 155 metres
LR0327	21 metres at 3.45 g/t gold from 134 to 155 metres
LR0328	8 metres at 2.13 g/t gold from 137 to 145 metres

<sup>1</sup> All intersections are length weighted averages. All widths are Intersection or Apparent Widths. For full details, please refer to *Initial Results of 2017 Drill Program at BVS in Woolgar*, published on the 12<sup>th</sup> October 2017; *Further Results of 2017 Drill Program*, published on 1<sup>st</sup> December 2017 and *Final Results of 2017 RC Drill Program*, published on 29<sup>th</sup> January 2018, available at [www.stratmin.com.au](http://www.stratmin.com.au).

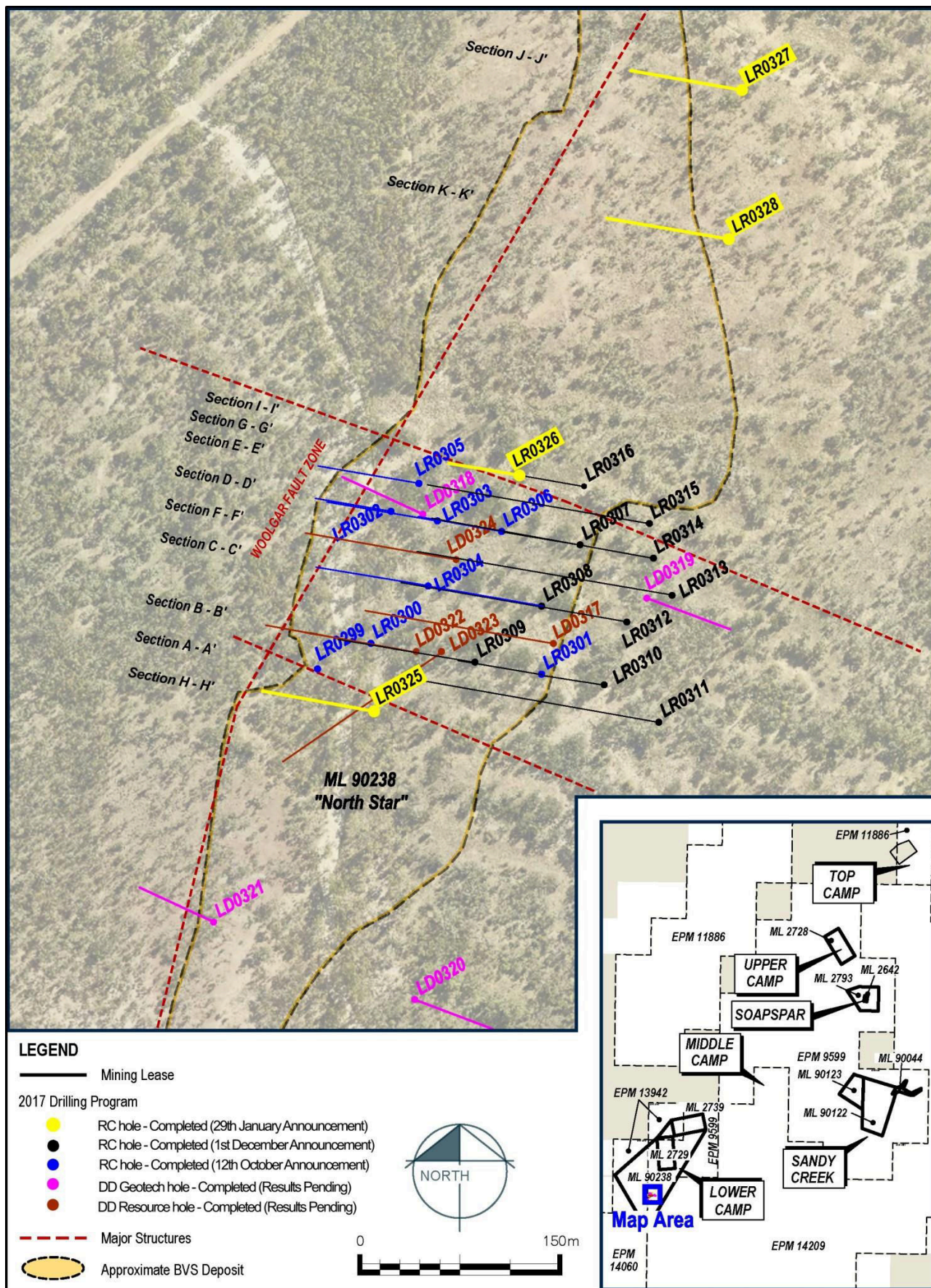


Figure 1: Plan of the central portion of the BVS prospect showing the distribution of the Reverse Circulation and Diamond Drill programs during this quarter.



## RC Program

During the Quarter, the Company completed the last of the Reverse Circulation (RC) drilling program, consisting of 22 drillholes totalling 4,720 metres, which were drilled in three phases and reported on the 12<sup>th</sup> October, 1<sup>st</sup> December and 29<sup>th</sup> January.

All eighteen holes announced in the first two phases, totalling 4,004 metres, are located in the central “Crossover” sector of the Big Vein South (BVS) resource<sup>2</sup>, and focus on infilling the existing resource and testing for any near-surface extension in the Crossover sector at the BVS resource.

Prior to demobilising the camp, there was an opportunity to drill an additional 4 RC holes. Two of the four holes (LR0325 and LR0326) announced in the third and final RC phase infilled between existing strong mineralisation, and the inferred cross-cutting fault bounding the Crossover to the south, beneath weakly mineralised, near-surface drillholes. Closer spaced drilling was required here since the resource cannot be extrapolated between adjacent drillholes across the fault. These are intended to improve the geological control for modelling the mineralisation, and potentially permit the upgrading of Inferred resource and Exploration Potential to Indicated or above.

The final two holes (LR0327 and LR0328) infill in areas of wider spaced drilling in the northern sector (previously Big Vein Central) which were identified as Exploration Potential that required testing to facilitate Resource Modelling where further data could significantly affect early mine economics.

Significantly all drill holes intersected with mineralisation. As has been outlined in previous announcements, Strategic has been highly successful and efficient in converting Exploration Potential to JORC Inferred resources. This in part is due to the highly collaborative approach the company has taken with working with our resource and mine planning consultants.

## Diamond Program

In addition to the RC drilling, an eight-hole Diamond Drilling (DD) program was completed for 1,612 metres. This method, which produces continuous intact core, rather than pulverised rock, is necessary both to ensure resource confidence, and for detailed metallurgical, acid rock drainage and geotechnical evaluations required for mine development studies.



**Figure 2:** Example of high and moderate grade mineralisation. Left: High-grade comb quartz-sulphide (pyrite-galena-sphalerite) cavity-fill and related comb quartz-sulphide veins in recrystallised buck quartz and altered wallrock. Middle: Moderate-grade sulphidic stylo-breccia and spider quartz veinlets in recrystallised buck quartz host. Right: Shattered buck quartz with sulphide stylolite and spider quartz veinlets. Diamond drill hole LD0317. Assays pending.

<sup>2</sup> For details of the 2017 resource, please refer to “Resource Update for Big Vein South” published on the 1<sup>st</sup> March 2017, available at [www.stratmin.com.au](http://www.stratmin.com.au)

The program was designed to be as efficient as possible by maximising the utilisation of all the diamond drillholes for as many of the different studies as practical. For example, some DD holes originally planned for a specific purpose were selectively moved or extended at depth to provide additional geotechnical or geochemical information.

Additional contracting staff and facilities were required to execute the DD phase in order to ensure its successful completion prior to the onset of the wet season.

Five of the eight diamond holes have been submitted for additional technical procedures prior to geochemical analysis. Although this obviously causes a delay in the geochemical sampling for resource purposes, such studies are required for the advancement of the project from simple exploration, through resource definition, towards mine feasibility. The results are expected in the second Quarter of 2018. This is later than originally expected due to an equipment failure at the external government laboratory.

Selective sampling for metallurgical and acid rock drainage studies will be conducted along-side the geochemical sampling. All results, along with the geotechnical study, will be incorporated into an updated resource estimation which is likely to occur once all the available information has been received and processed.

### **Objectives of the 2017 Drilling and Evaluation Program:**

Strategic have now advanced the BVS deposit at Woolgar beyond a simple exploration target. With a greater than one million ounce resource, it is necessary to conduct a series of studies to ascertain essential information required to support a feasibility study and environmental licensing. The completion of technical studies leading to the updating of the BVS resource model will require additional funding.

#### **1. Resource Definition**

The main objective of this is to assess how the resource models from Inferred to Indicated and to target additional Exploration Potential.

For the project to advance into studies at a Pre-feasibility level, Strategic needs to evaluate both how easily and predictably the deposit converts from Inferred to Indicated or Measured, and whether Exploration Potential (predicted mineralisation outside of the resource) can be converted into actual resources. This is done by both limited extension drilling to test for any near-surface extension in the Crossover sector and infill drilling to reduce the spaces between drill holes. This should improve the definition of the confidence levels (Measured, Indicated and Inferred), thus potentially increasing the confidence in the resource.

This RC program concentrated on infill drilling the Crossover sector, effectively a separate resource between the two faults that cut the global resource into three parts. If the modelling parameters can be refined within this sector, then those parameters may be applicable to the sectors north and south of it.

The diamond program is an extension of the RC program, but with DD core to provide further detail and confidence about the quality and reliability of the relatively imprecise RC drilling. Hence, two drillholes are directly twinning two of the higher-grade RC intercepts by drilling parallel to the original holes. This is to quantify the reliability of the RC method in this deposit, and to check on the quantitative logging and interpretations thereof.

These results will then be incorporated into the resource, which will be published in due course once Strategic has the requisite funds to complete the associated technical studies, the processing and assaying of the DD core material, obtaining the lab results and completing the QAQC.

## **2. Engineering Assessments and Environmental Baseline Studies**

These are required to both more fully assess the viability of the BVS prospect and to enable the company to complete the mandatory prerequisites entailed in regulatory approval. As the project advances and subject to ongoing funding, progressively more detailed additional studies will be required, focussing on specific environmental or technical aspects of potential mine development.

### **1.1. Metallurgical Program**

This is to build on the initial positive metallurgical studies that were carried out in 2014 – 2015. This program is based on the substantially more advanced knowledge of the size and distribution of the deposit to test for variations in recovery, processing requirement, comminution (grind resistance) or residues both horizontally and vertically within the deposit. The program will also look at variations in processing required during life of mine based on preliminary engineering studies.

A further aspect to the metallurgical program is a sub-program focussing on the potential for heap-leach processing of lower-grade ore.

The BVS deposit can be characterised as a series of higher-grade lens within a broader lower-grade envelope. Most metallurgical work to date has concentrated on the higher-grades and any immediately adjacent low-grade which is likely to be processed with it. If it is possible to also process the extensive lower-grade mineralisation through heap-leaching, then this would simultaneously increase the economic tonnage and reduce the waste-to-ore strip-ratio. This would obviously have positive impacts to the overall project economics, especially in the crucial early life of mine period.

### **1.2. Waste Rock Characterisation**

This program is to test and characterise the potential waste rock and pit-wall material for its acid generating potential in order to design around potential issues and to ensure appropriate management strategies are in place. This is an essential step in mine planning and for the environmental impact studies since this extends well beyond the productive life of the mine.

The opportunity was taken to extend some of the DD holes deeper into the probable pit-wall to gain essential data about both this and geotechnical data for post-closure rehabilitation studies.

### **1.3. Geotechnical Program**

This is the study of the rock strength and its natural defects that would affect the mine design.

This is a major program and accounts for over half of the total DD program and all follow-up activities. It is of prime importance for all mining and engineering studies to understand the rock strength, stability and any potential flaws in both the material being mined and that which will be left to form the pit walls. Without this information to accurately calculate the slope angles of the pit-walls, it is not possible to advance open cut mine design and pit wall development beyond a conceptual level study.

Given the nature of the host rock at BVS, it is important to adequately understand the potential for poor ground conditions resulting from a combination of the intensely banded and mica-dominated, foliated wallrock, which has both pervasive alteration and variable orientation locally due to the folding. This requires testing along the strike length of the deposit, although the current program is concentrating on the central Crossover sector, which is considered likely to be the location of the initial mining activities.

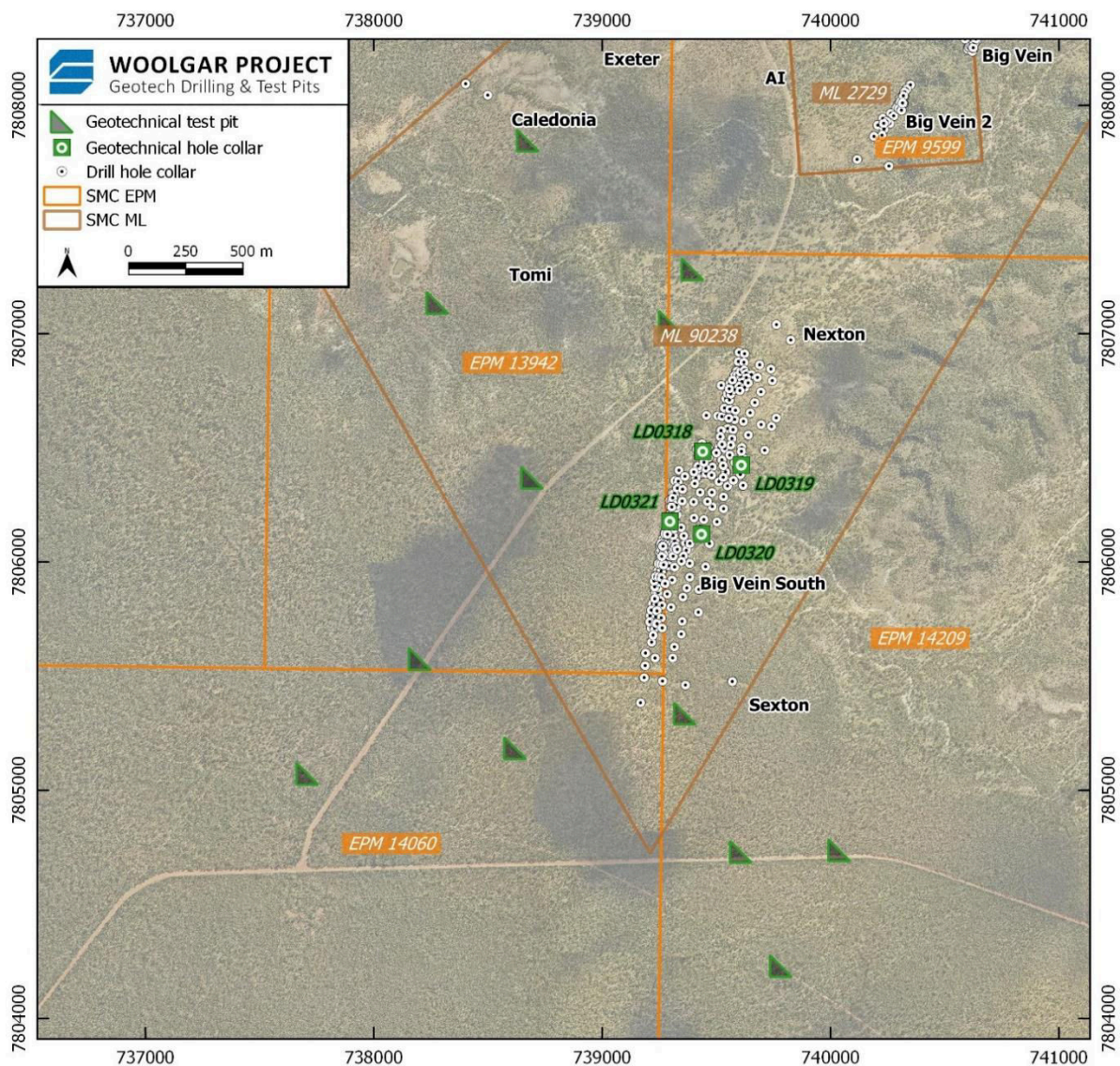
This program incorporated precise logging of specific features relating to the rock's integral strength, number type, frequency and orientation of flaws, collection of samples for laboratory strength testing and downhole logging using an audio-televiewer (ATV) to gain a detailed, in-situ record of rock fractures. These holes were also logged for all regular geological features and marked up for geochemical sampling to augment the resource studies where this did not compromise the geotechnical data.





**Figure 3:** Left: Geotechnical drillholes laid out for scanning at the HyLogger facility in Brisbane. Right: Geotechnical samples prepared for dispatch. These are tested for mechanical strength, thus require special preparation, involving multiple layers of containment and wrapping, to avoid sustaining fractures during transport.

Additionally, a program of test-pitting and surface strength tests was conducted to assist in future planning for potential plant and infrastructure in a development scenario. This was distributed across the Lower Camp in areas under consideration for potential infrastructure developments.



**Figure 4:** Location of diamond drill holes and test pits, forming part of the 2017 BVS geotechnical study



As a result, the geotechnical program consumed significantly more manpower and resources than a simple exploration program due to the need to employ, train up and supervise extra staff, as well as managing additional programs like the ATV logger. The ATV program was only partially successful on account of the sandy conditions which impeded access and poor ground conditions causing drill hole collapse. Where possible, Strategic will refine future ATV programs to overcome ground issues.

#### 1.4. Groundwater Monitoring Program

The Company installed a series of groundwater monitoring bores and piezometer holes to establish the baseline for both mine development studies and environmental impact assessment. This program is of high-importance to any potential development scenario based around BVS.

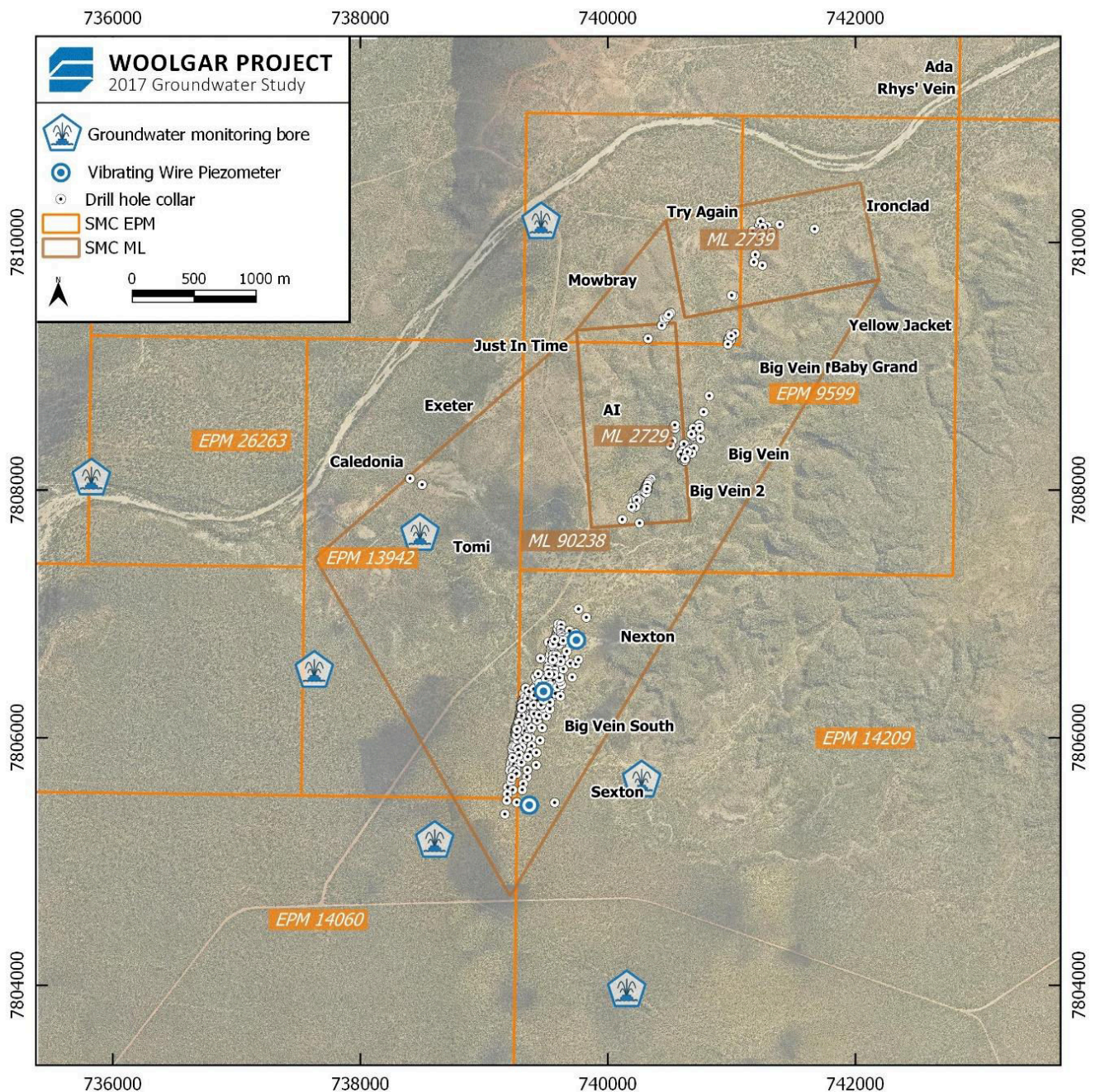


Figure 5: Groundwater monitoring bores and VWPs installed as part of the 2017 BVS groundwater study



The program consisted of fourteen monitoring bores, paired in locations distributed throughout the Lower Camp along with three existing RC exploration drillholes converted to piezometer holes to monitor water pressure at various depths within the footprint of the potential open pit.

The purpose of the monitoring bores is to provide ground water levels, quality and interactions between aquifers at set locations around the potential mine development. Frequent sampling is required to establish a baseline of groundwater information which is necessary to apply for environmental licensing, hence Strategic's decision to commence with this as soon as was practical.



**Figure 6: Groundwater monitoring bore drilling in the Lower Camp. These bores are designed to be too small to extract from and are only used to sample the quality of water for baseline environmental purposes.**

As part of this program, the company took the opportunity to log and sample material from these bore as a record of the basement geology beneath the extensive post-mineral sedimentary cover prevalent in the Lower Camp.

## Corporate

During the Quarter, Strategic made a placement of 1,388,889 fully paid ordinary shares at 36 cents to offset the additional costs arising from the 2017 exploration and evaluation program and the grant of the North Star Mining Lease. The placement in November still leaves Strategic with a very significant amount of remaining placement capacity.



On the 4 December QGold Pty Ltd (“QGold”) announced an on-market cash offer to acquire all of the fully paid shares in Strategic at a price of 40 cents for each share commencing on the 19 December 2017 and ending on the 30 March 2018. QGold is a controlling Shareholder with approx. 69% interest of SMC shares at the time of the announcement. In response, Strategic formed a Takeover Response Committee to consider and assess the Offer and on the 18 December 2017 announced a Target Statement. Strategic requested a suspension of its securities on the 2 January 2018 so that a Supplementary Target Statement could be released. On the 4 January 2018, Strategic was notified that the Takeovers Panel had received an application in relation to the affairs of Strategic. As at the time of this Quarterly, Strategic still remains in a trading halt.

Laif Allen McLoughlin  
EXECUTIVE CHAIRMAN

#### COMPETENT PERSON STATEMENT

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

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

**STRATEGIC MINERALS CORPORATION NL (ASX:SMC)**

ABN

**35 008 901 380**

Quarter ended (Current quarter)

**31 December 2017**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for:	-	-
(a) exploration and evaluation	(1,107)	(1,930)
(b) development	-	-
(c) production	-	-
(d) staff costs	(45)	(192)
(e) administration and corporate costs	(153)	(475)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,304)</b>	<b>(2,595)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 Months) \$A'000
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares		500	2,731
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		-	-
3.4 Transaction costs related to issues of shares, convertible notes or options		-	(44)
3.5 Proceeds from borrowings		-	-
3.6 Repayment of borrowings		-	-
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (provide details if material)		-	-
<b>3.10 Net cash from / (used in) financing activities</b>		<b>500</b>	<b>2,687</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1 Cash and cash equivalents at beginning of quarter/year to date		1,160	264
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(1,304)	(2,595)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)		500	2,687
4.5 Effect of movement in exchange rates on cash held		-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>		<b>356</b>	<b>356</b>
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances		356	1,160
5.2 Call deposits			-
5.3 Bank overdrafts			-
5.4 Other (provide details)			-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)		<b>356</b>	<b>1,784</b>
<b>6. Payments to directors of the entity and their associates</b>		<b>Current quarter \$A'000</b>	
6.1 Aggregate amount of payments to these parties included in item 1.2			39
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3			-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2			
Directors payments (fees and salaries)			
<b>7. Payments to related entities of the entity and their associates</b>		<b>Current quarter \$A'000</b>	
7.1 Aggregate amount of payments to these parties included in item 1.2			
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3			-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2			

**8. Financing facilities available**

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Exploration and evaluation

700

9.2 Development

-

9.3 Production

-

9.4 Staff costs

50

9.5 Administration and corporate costs

100

9.6 Other (provide details if material):

-

9.7 **Total estimated cash outflows**

850

**10. Changes in tenements**  
(items 2.1(b) and 2.2(b) above)

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A		
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A		

**Compliance statement**

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



Signed:

Dated: Wednesday, 31 January 2018

Company Secretary

Print name: Jay Stephenson

**Notes**



**Mining exploration entity and oil and gas exploration entity quarterly report**

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1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.