



STRATEGIC MINERALS

Corporation N.L.

ASX Code: SMC

ASX Release:
21 July 2016

Issued Capital:
57,762,323

Market Capitalisation:
\$18 Million

BOARD:

Laif McLoughlin
Executive Chairman

Christopher Wallin
Non-Executive Director

Jay Stephenson
Non-Executive Director &
Company Secretary

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QUARTERLY ACTIVITY REPORT

FOR THE PERIOD ENDED

30 June 2016

Mr Walter Martin, SMC Managing Director 1991 - 2016

It was with much sadness that Strategic announced the unexpected passing of its long standing managing director (MD), Mr Walter (Wally) Martin. Wally had been involved with the Company since its inception and held the position of MD since 1991, the longest such period of incumbency for an ASX-listed company.

During his time, Strategic made numerous successful discoveries, including the Lost World, China Wall and Big Vein South deposits. Importantly, Wally managed to keep Strategic Minerals listed on the ASX as a going concern with no major encumbrances or debt.

Wally was a highly respected managing director and will be remembered as an astute businessman who was very personable. The Board would like to extend our warmest sympathies to Wally's wife Ardie, his children and grandchildren.

Corporate Changes

As a consequence of the loss of the Managing Director, a Board reshuffle saw Strategic's Chairman, Laif McLoughlin, assume an executive position as Executive Chairman. Mr Christopher Wallin joined the Board in a non-executive position.

The Company has also given consideration to where it should be based given its major focus on Queensland mining and exploration tenements. Plans are currently in place to relocate to a Brisbane office where it can be closer to its major partners and consultants who operate under the Queensland statutory regime.

Share Entitlement Prospectus

As announced in the 2015 Annual Report and 2016 March Quarterly Update, Strategic's exploration focus continues to be developing the resources at Big Vein South deposit as well as to evaluate the next round of prospective targets within the Lower Camp. To facilitate this, the Company is seeking to raise \$1.47 Million through a renounceable entitlement issue of one share for every eleven shares held. Please refer to the Entitlement Issue Prospectus for more information.



Woolgar Project Advancements

No new drilling or exploration results were published during the June Quarter. Preliminary engineering studies were conducted to assist in developing a conceptual understanding of the potential pit shell for BVS deposit, and determining constraints for additional drilling and whether further testing of the deeper mineralisation is warranted. The environmental surveys commenced in 2015 were continued in order to establish a baseline understanding of the potential environmental impacts and the controls necessary to plan and maintain extraction operations.

Further refinements to the 2016 exploration program have also been completed. Principally this includes the continuing work required to expand and define the BVS deposit and to test future potential resources in the numerous prospective targets within the Lower Camp sector of the Woolgar Project.

A new Exploration Permit for Minerals (EPM) application has been lodged covering prospective ground in the southeast of the project along with non-contiguous blocks within the overall tenement package, see Figure 8 in Appendix 2.

Exploration Strategy

The Company's three-fold strategy is to continue to advance the resource at BVS whilst both drill-testing the most prospective of the targets already defined and continuing to generate further targets for future testing:

- Resource Definition Drilling
- Exploratory Drilling
- Target Generation and Definition

Targeting Methods

A significant part of this is to improve the Company's ability to differentiate between the numerous known targets and prioritise the best of these to maintain a pipeline of high-quality and commercially justified drill targets. This has centred around the comprehensive recompilation and reinterpretation of all historic data, followed by targeted fieldwork to review and build on the previous work.

To achieve this, the Company has trialled several techniques and is now applying the most effective of these to systematic target generation and definition.

Refining the Target Definition Framework

The most significant outcome of refining the target definition framework to date has been an improved understanding of the style and setting of multiple targets throughout the project, but most importantly within the Lower Camp.

This has included a much improved understanding of the structural framework of the Lower Camp with the relationships between the main deposits showing three distinct structural locations: within the WFZ, jogs within the Mowbray Trend and the intersection of the Woolgar and Mowbray trends.

Figure 1 shows the main Woolgar Fault Zone (WFZ) trending north-northeast through the camp undergoing substantial deflection in a sigmoidal curve related to the intersection with the Mowbray Trend. The increased detail of the recompiled maps and aeromagnetic data refines this to identify the extent of the multiple parallel and tangential lineations in both the Woolgar and Mowbray trends, interpreted as evidence of multiple events of fault activation.

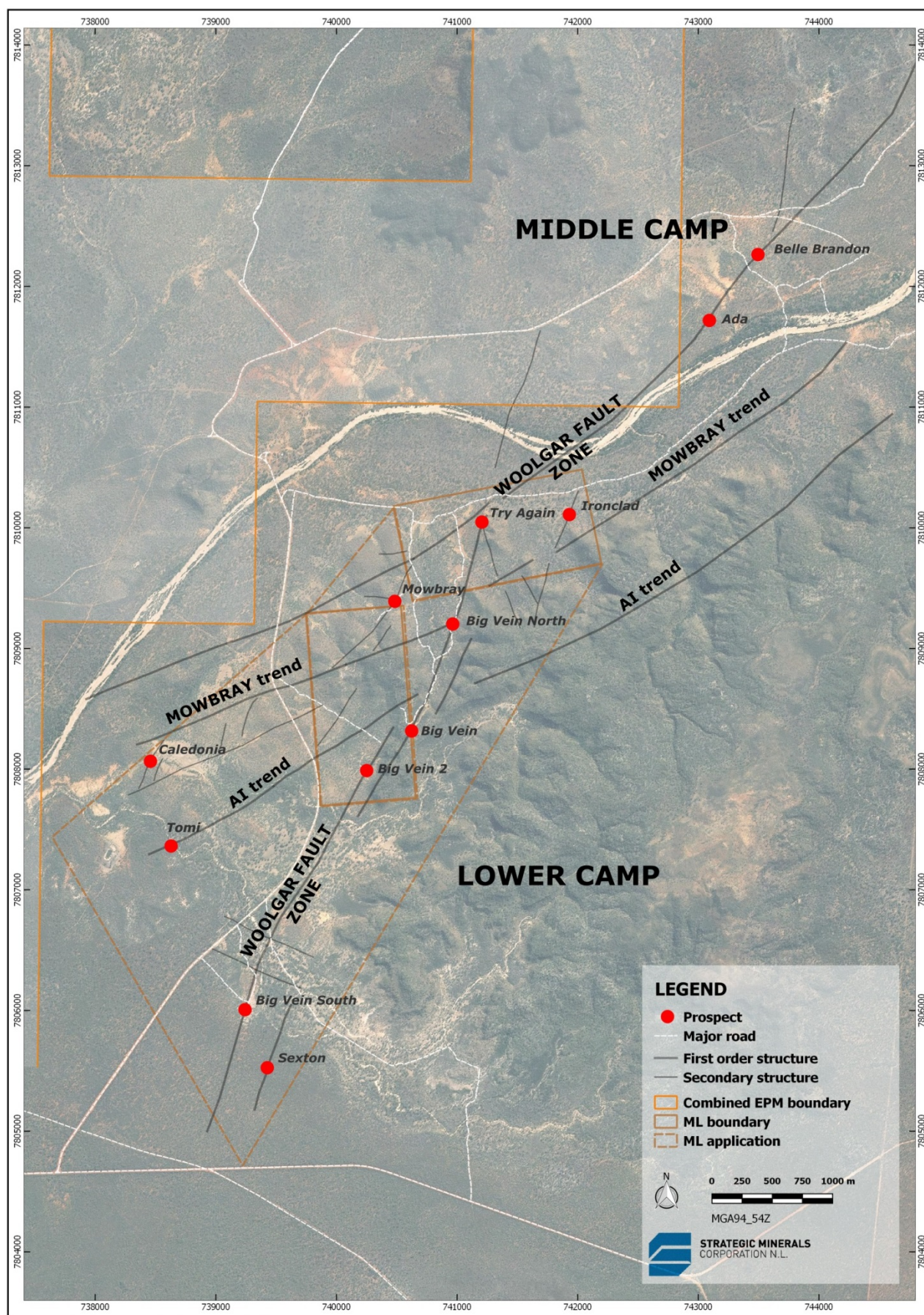


Figure 1: Aerial image of the Lower Camp locations of major structures and prospects as interpreted from the aeromagnetic and map data.



WFZ Targets

The most prospective targets are considered to be those that are most similar to the recent discovery at BVS, such as Belle Brandon, Big Vein and Mowbray Northeast. There are strong similarities in the Union area 10km north, but the current focus is on remaining close to the Lower Camp to improve efficiencies of any potential development.

The WFZ continues to display a “simple” pattern with known mineralisation occurring orthogonal to the local WFZ orientation and also on multiple lineations within the broader trend. The BVS deposit, which hosts 667koz of gold, is seen to occur as classic sigmoidal (S-shaped) wrenches within the broad shear zone.

Mowbray Trend Targets

There are numerous targets along the Mowbray Trend, such as Mowbray, Caledonia, AI and Exeter, which are considered to have high potential for hosting mineralisation. The trend is also interpreted as continuing to the east throughout the project area and is spatially related to the Soapspar deposit and multiple prospects in the Upper Camp.

The Mowbray Trend shows a more complex series of paralleling east-northeast lineations with strongly developed sigmoidal northeast trending structures, known as jogs, transversely between the main structures. The majority of the main mineralisation within the Mowbray Trend occurs along these jogs, rather than in the ENE lineations.

To date none of these structures has been adequately drill tested, but the majority of the large-scale historic workings in the Lower Camp occur on these structures. Additionally, some mineralisation is associated with the intersection of these structures with felsic dykes, a feature common to many similar deposits in north Queensland. In this case it is unknown whether the felsic intrusives are related to the formation of the ore fluid or merely provide a better host rock for mineral deposition.

Structural Intersections

The WFZ and Mowbray trends intersect in the Lower Camp roughly between Big Vein and Ironclad. The northern continuation of the WFZ is offset to the east and the eastern continuation of the Mowbray Trend is offset to the south. The area between these offsets forms a rhombohedron approximately 2.5km north-south by 1.5km east-west with strong evidence on the ground and in the aeromagnetic image of multiple trends and cross-cutting structures, effectively cutting the area into numerous small blocks. It is interpreted from the mapping that there have been multiple movements along both trends, which would potentially cause rotation of the blocks creating open space for mineralisation to deposit.

Targets here include Ironclad, BVN (Big Vein North), BV2, MNE (Mowbray Northeast) and Try Again, which are the focus of the IP and surface definition programs.



2016 Exploration Proposals

Plans are finalised for the 2016 season and include drilling, IP geophysics and target definition programs.

1. **Drilling Program.** Drilling will be divided between further drilling on the existing BVS resource and prospective drill programs over similar prospects to start generating further resources close to BVS;
2. **Geophysics, Mapping and Soil Sampling.** A detailed IP geophysical survey to help assess and compare the prospective targets identified in the Lower Camp sector; and
3. **Refining the target definition framework.** A series of internal technical studies to improve the siting of the initial drill holes on multiple targets.

In all, this proposal is the continuation of the systematic exploration programs implemented over the preceding three years that have already produced published resources at BVS.

A fundamental part of this has been the recompilation of all exploration results and data available for the previous thirty years. This has been in order to apply the best modern techniques and interpretations to the complete dataset to remove the potential for bias due to multiple piecemeal interpretations made as the data was generated in individual programs over a prolonged period.

1. Proposed Drilling

Drill proposals are based on current data and strategic objectives. This proposal consists of approximately 15 reverse circulation drill holes, comprising 3,500 metres. The drilling will be divided between:

- Continued expansion and definition of the BVS gold resource; and
- Testing of known prospective targets at depth in Belle Brandon and Sexton;

BVS Resource Drilling

This will comprise shallow to mid-depth drilling to test both the near surface extension in the Crossover zone that was the focus of the 2015 drill program, and infill the remaining gaps between the current resources, as shown in Figure 2.

The drill proposals can be seen to cover three distinct targets, shown as ①, ② and ③ in Figure 2.

- ① The shallow extension of the “Crossover” zone to surface between the two transfer faults.
- ② Infilling gaps in the main resource.
- ③ The extension of the parallel resource to surface and south towards the transfer fault.

All the targets are shallow level and are intended to infill gaps in the resource data near-surface where the previous drilling has concentrated on defining the overall extents of the deposit.

The modelling of the mineralisation in the Crossover zone suggests that there may be potential for moderate to high grades and moderate widths near surface, possibly exceeding those of the central section of the BVS deposit. The presence of further high-grade mineralisation near surface should positively impact upon the overall economic viability of the deposit.

The holes to the north and south of the Crossover are intended to infill gaps in the resource due to the curtailing of the modelled resource either side of the two transfer (cross-cutting) faults.

The BVS deposit hosts currently reported resources of 10.24Mt at 2.03 g/t, containing 667,000 oz. gold at a 0.75g/t cut-off. For full details, please refer to “Resource Update for Big Vein South” issued on 8th December 2015, available at www.stratmin.com.au.

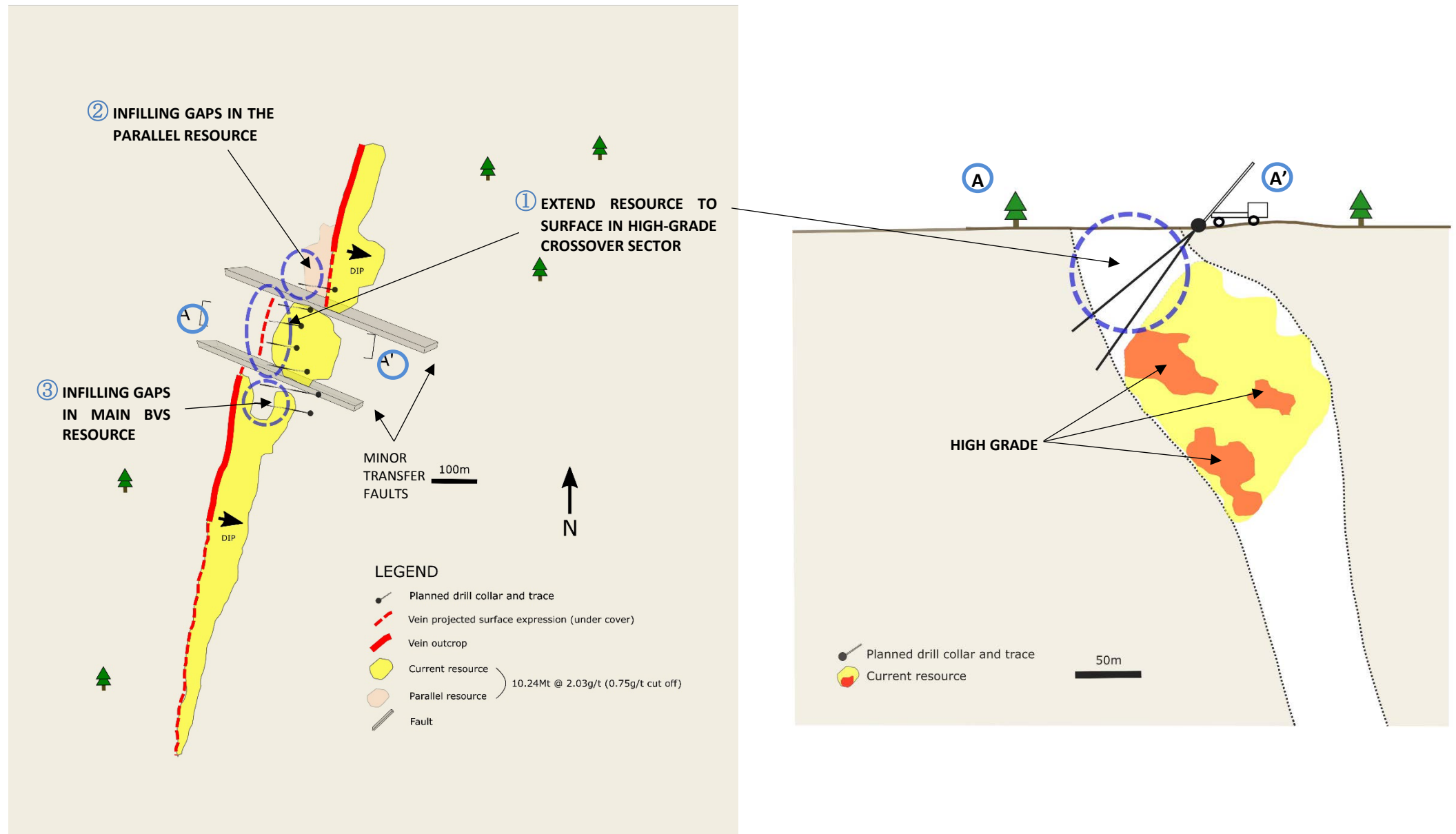


Figure 2: Schematic plan (left) and cross-section (right) of the BVS deposit showing the vein outcropping in red and the main resource wireframe in yellow. Proposed drill holes are shown in black.



Belle Brandon

Prospective drilling of Belle Brandon in 2012 identified shallow and narrow mineralisation near surface. These intercepts are both similar to those at similar depths in BVS and form a continuous trend which significantly is seen to strengthen to the south.

Belle Brandon had been considered a lower priority to BVS following comparisons of the 2012 drill results and in outcrop. The drill results were relatively poor and the outcrops appeared to indicate less intense and extensive alteration compared to BVS as it was then understood. Following the discovery of the deeper BVS mineralisation in 2013, exploration focussed on BVS and Belle Brandon was a reduced priority.

Subsequently, the sector was highlighted by the internal data review as a possible antithetical equivalent to the BVS deposit occurring at the opposite end of the sigmoidal deflection of the WFZ through its intersection with the Mowbray Trend.

The mineralisation in the drilling is weaker, but significantly anomalous and is seen to increase in grade to the south, where drilling stopped at the edge of the cover sequence. Reinterpretation of the aeromagnetic survey showed that the mineralised structure continued clearly north and south of Belle Brandon and was continuous to the WFZ in rest of the Lower Camp.

Mapping indicated that the structure on surface and the secondary structures locally were similar to those at BVS and that there was also a similar dispersion of diorite and granitic intrusion mixed with the metamorphic hostrock. The prospect has many similarities to BVS, both in structural setting, mineralisation style and degree of exposure. There are also cross-cutting vein structures, indicative of transfer faults, similar to those in BVS.

Further reconnaissance mapping also identified recently exposed outcrop supporting the strike continuity of the Belle Brandon prospect to the Ada shaft workings 700 metres south, inside the bend of the Woolgar River.

The proposed drilling aims to first step-back on the previous shallow drilling to test the depth of the structure locally and to then step south progressively, testing the structure.

Sexton

At Sexton, multiple lines of evidence are combining to generate a target with significant potential.

The aeromagnetic interpretation of the area has indicated that paralleling structures may occur adjacent to the main Woolgar Fault Zone (WFZ), similar to those seen to the north with BV, BN2 and BVN all apparently on discrete 'tram-tracking' structures.

This is supported by the identification of hanging-wall structures to the BVS seen at shallow levels of all the deepest (easternmost) drillholes. These anomalies are locally narrow and low to moderate grade, but consistent over most of the strike of BVS. This is coincident with a minor IP chargeability anomaly to the east of the main BVS anomaly in the BVS orientation line (right-hand-side of Figure 3).

The IP at Sexton, 500 metres south of the BVS line presents a minor anomaly coincident with the expected position of the BVS structure. The drilling in 2015 tested this with two holes. The structure was intersected exactly as predicted in both holes, but with only minor mineralisation, as shown in Figure 4. Conversely, there is a significant anomaly approximately 200 metres to the east of the BVS structure, which is apparently similar to, but slightly deeper than that on the BVS line to the north.

Thus it is suggested that there is good evidence for a significant structure paralleling the BVS structure and that there may be significant mineralisation within this to the south of the BVS deposit.



The exploration proposal for this prospect is to first run an additional IP line a further 500 metres south of the Sexton line, see Figure 5, in order to assess whether the apparent mineralisation continues southwards and to compare the relative strengths and depths of any anomalies generated in order to better prioritise the targets and finalise the proposed drillholes.

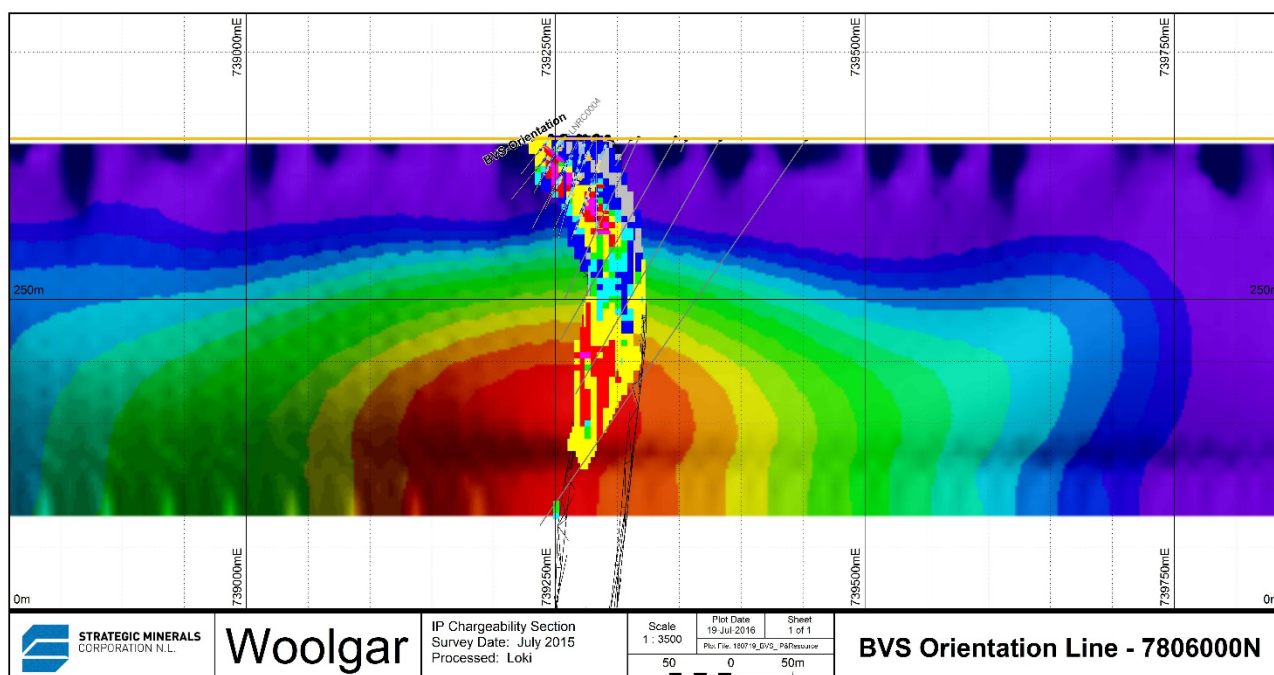


Figure 3: Processed IP Chargeability section showing the close correlation of the 2015 resource and mineral wireframe to the well-defined chargeability high in the centre of the BVS deposit.

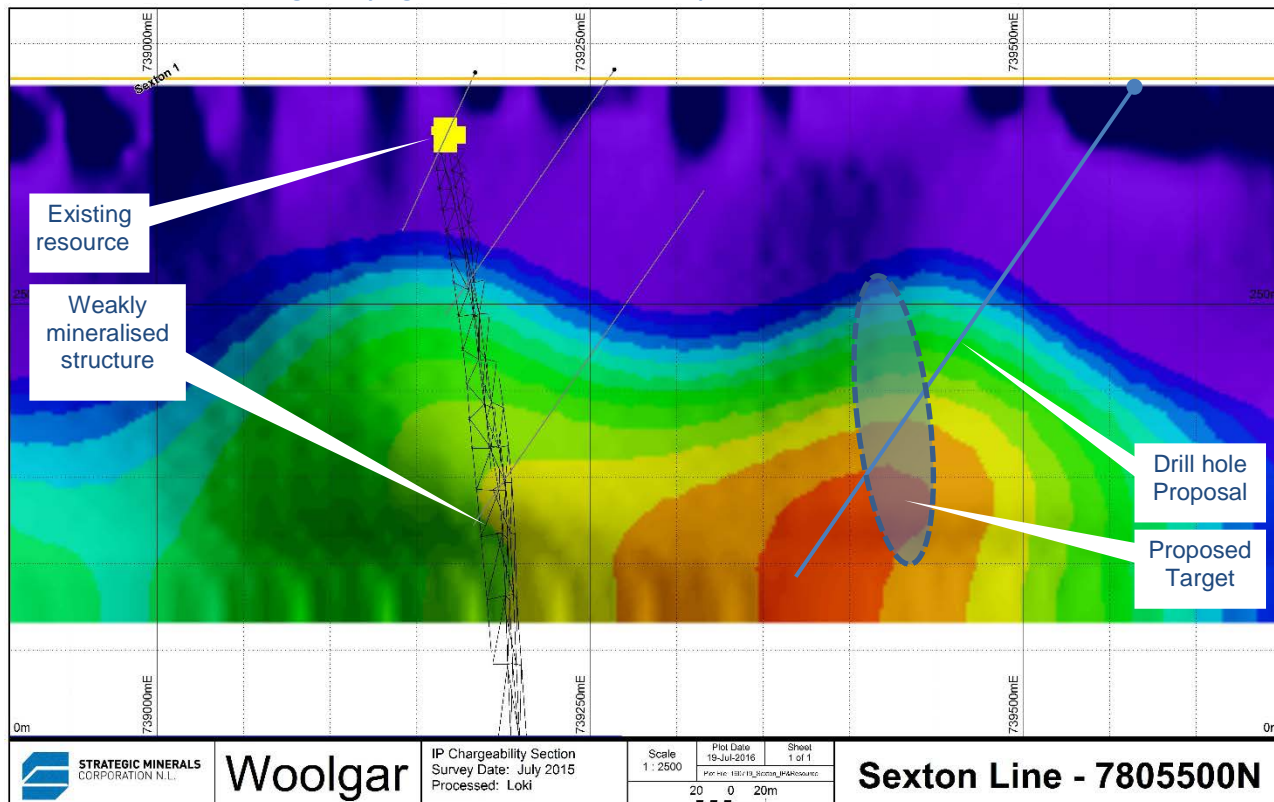


Figure 4: Processed IP Chargeability section with the 2015 resource and mineral wireframe for Sexton (Southern Extension of the BVS prospect). The main BVS resource extends as far as this section near surface and the structure was intersected exactly where expected by the deeper drill holes, but was only weakly mineralised. Comparison with the BVS section (Figure 3) and interpretation of the aeromagnetic image and previous drilling has indicated that the mineralisation may be offset to a parallel structure approximately 200 metres east of the main structure. The target area and proposed drill hole are shown in blue.



2. Geophysical, Mapping and Soil Sampling

Knowledge gained from the successful targeting and follow-up on the BVS deposit along with the recompiled and integrated historic data is now being applied to planning the next stage of exploration to find further deposits. Recent mapping and interpretations of the reprocessed aeromagnetic data has combined to identify several areas of primary interest and numerous secondary targets. Comparisons between these is complicated by the variable quantity and quality of data available, hence it is necessary to conduct surveys to cover these in sufficient detail.

Several trial programs over the last three years have proven that the aeromagnetic survey and Induce Polarisation (IP) geophysical surveys supported by detailed mapping, and soil and outcrop sampling give the best chance for a successful drilling program.

IP Geophysics

A detailed IP geophysical survey has been proposed to build on the positive results of the successful 2015 trial survey. In the survey, initial orientation lines were run over different styles of known mineralisation in the different sectors (Camps) of the project. These all returned positive results with the known mineralisation being identifiable and several previously poorly defined or unknown targets being defined.

In the Lower Camp, the BVS orientation line clearly demonstrated a close relationship between the known modelled resource and the IP anomalies, especially the Chargeability high shown in Figure 3. Subsequently, several follow-up lines were run over other prospective or poorly defined targets. A high degree of successful correlations was achieved. This data has been incorporated with the rest of the exploration results to improve the targeting criteria.

To this end, further IP is planned for the Lower Camp in particular in order to improve the interpretation with by increasing the amount of data in this area. The increased data density improves the ability to correlate interpolate between lines and thus prioritise targets along-strike within structures rather than on the fixed points only.

As shown in Figure 5, this will focus on the Lower Camp, adjacent to the BVS resource and is intended to help assess and compare the large number of prospective targets identified in the sector.

Six lines are proposed, totalling approximately thirteen kilometres of survey. These will cover the entirety of the Lower Camp main structures and the zone of intersection as detailed above. The aim is to ensure sufficient density of data to allow effective targeting of anomalies along the strike of their host structure, rather than targeting individual anomalies without context. Results of the IP are interpreted in context with all other data available for the prospect, such as mapping, geochemistry and any previous drilling. This tool provides a rapid and relatively cheap method to assess and compare zones with limited geological data.

Geochemistry

Soil and outcrop geochemistry provide rapid and effective tools to identify anomalies on surface and potentially vector in on the core of systems. Outcrop geochemistry is complicated locally by variable levels of exposure and the tendency for most natural mineralisation to have been removed during historic mining. This means that this technique is usually limited to sampling of the wallrock around workings to test for indicator elements and to sampling of lower-grade material in waste piles for indications of the style of mineralisation.

Soil geochemistry is used to identify larger multi-element anomalies in undisturbed soils, which can often be seen as concentric contours of different elements. This can indicate both the size and location of the source structure. Strategic has the advantage of a NITON field analyser that is ideal for conducting in-house analysis, reducing both the cost and time-lag for results. This allows rapid follow-up of anomalies in more detail after a wider-spaced first-pass survey.

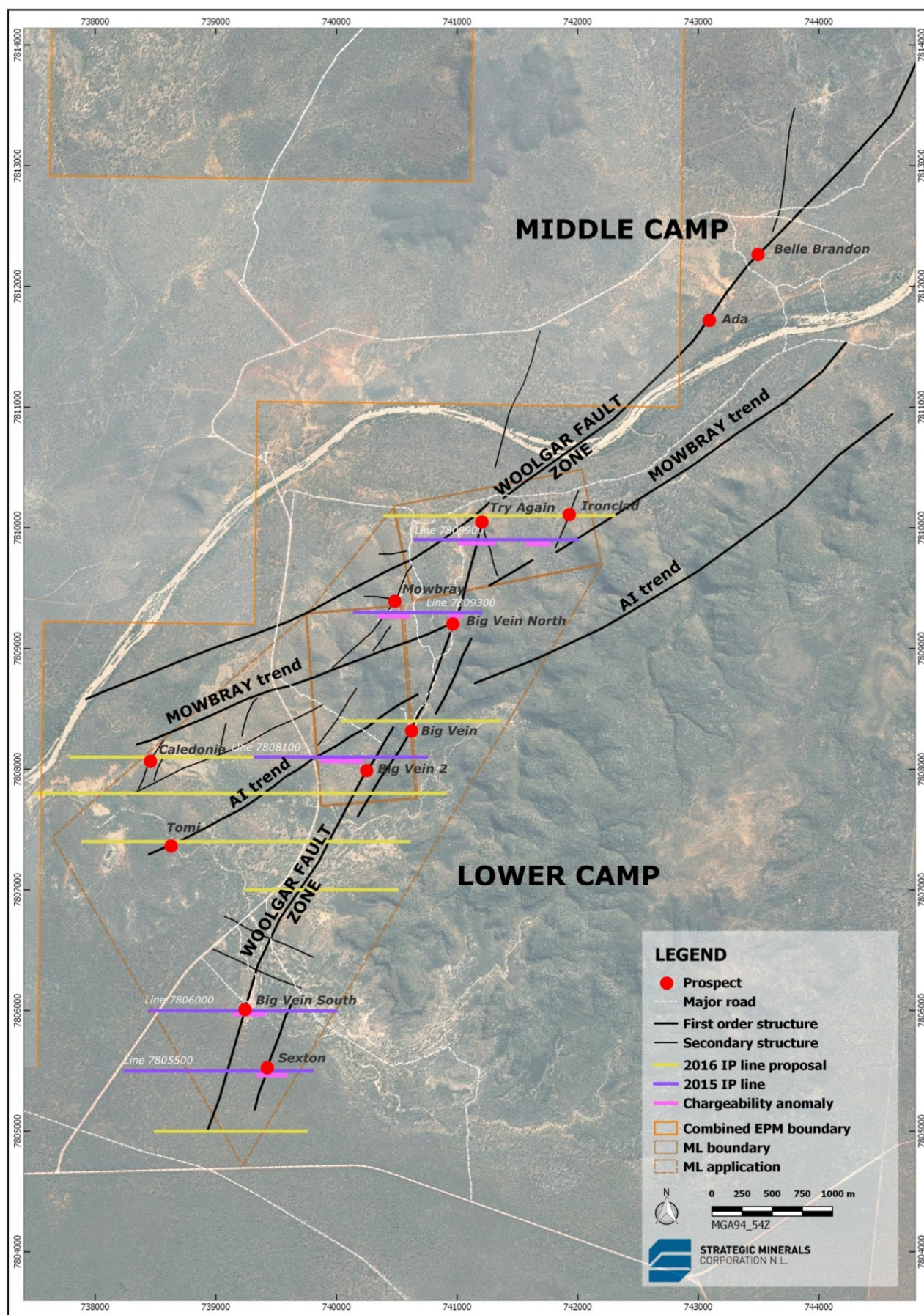


Figure 5: Aerial image of the Lower Camp showing the locations of Completed and Proposed IP lines.

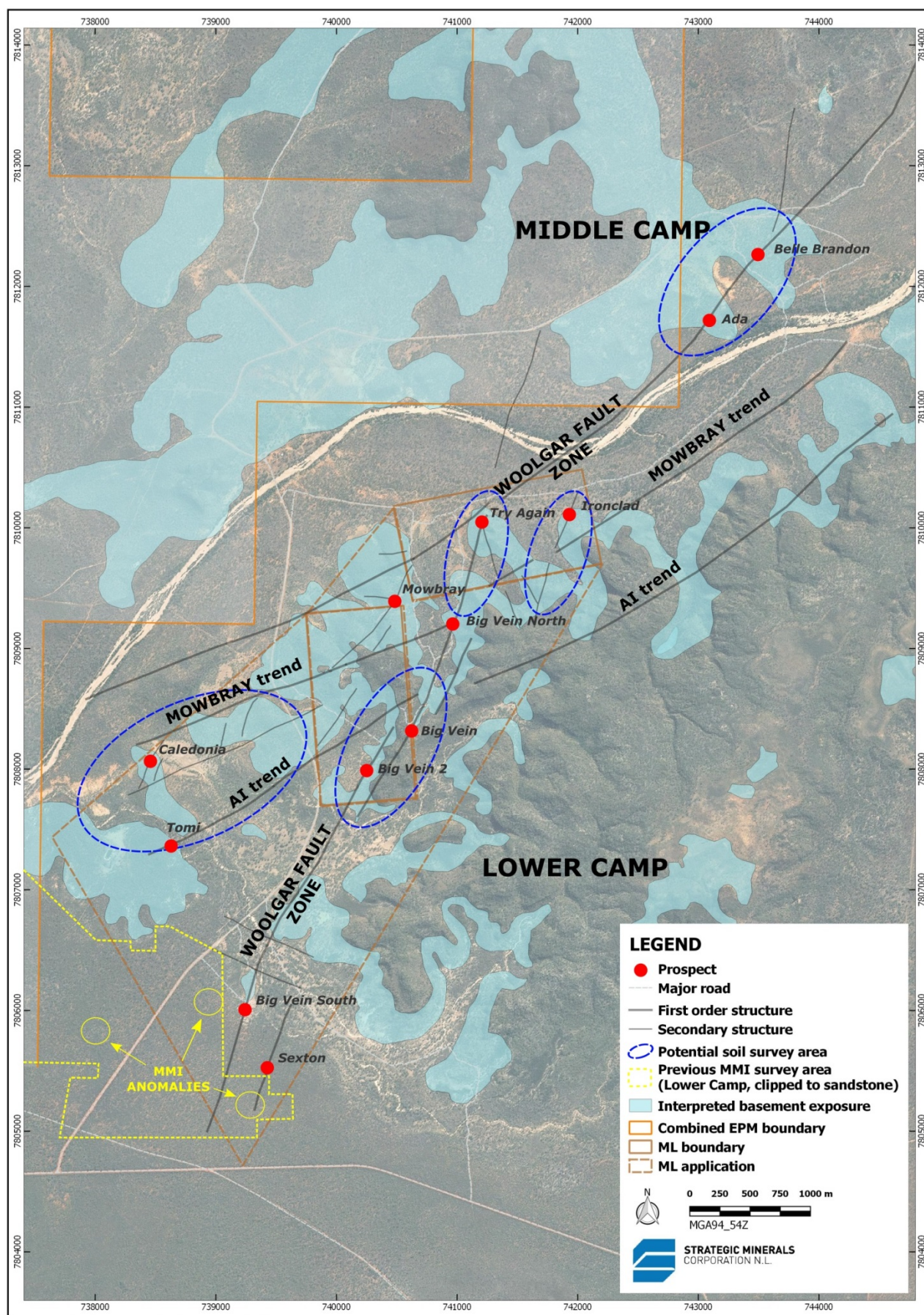


Figure 6: Aerial image of the Lower Camp showing the locations of potential soil surveys and MMI gold anomalies from previous surveys. The major structures are in black and approximate limits of basement exposure in pale blue.



Soil geochemistry would be suitable on any areas of exposed basement rocks in order to differentiate rapidly between more and less prospective areas and also provide initial assessments of the targets identified (see Figure 6). This would be carried out over the exposed basement in the Lower Camp initially, working north.

Further soil geochemistry is possible looking for very low concentrations of mobile elements in overburden soils over blind targets. The geological sequences at Woolgar appear perfect for this technique as a longer-term method to detect mineralisation under cover in the south of the project.

An existing MMI survey around the Lower Camp by a previous company appears poorly implemented, covering both sedimentary sequences and exposed basement, but reanalysis of their results have indicated that the technique was apparently effective. Several anomalies have been identified, that correlate to features identified in the IP and aeromagnetic surveys and the strongest anomaly correlates to the extension of the Sexton structure.

This method is suitable to areas with extensive sedimentary cover, such as in the south, southeast and west of the project. A limited trial of this technique may be conducted as a secondary priority to the drilling and geophysical surveys.

Conclusion

The 2016 exploration program is ready to commence and will include the definition and drill testing of new and existing prospects around the Lower Camp, as well as continued resource drilling at BVS. This represents the application of the major advances in geological understanding gained from the discovery at BVS and reinterpretation of Strategic's extensive exploration dataset.

With the sudden passing of its long serving MD, the Board appreciates the patience and understanding of Strategic shareholders whilst the business transitions under new leadership to continue the legacy of Mr Walter (Wally) Martin.

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 One: Project Location, Overview and Geological Setting

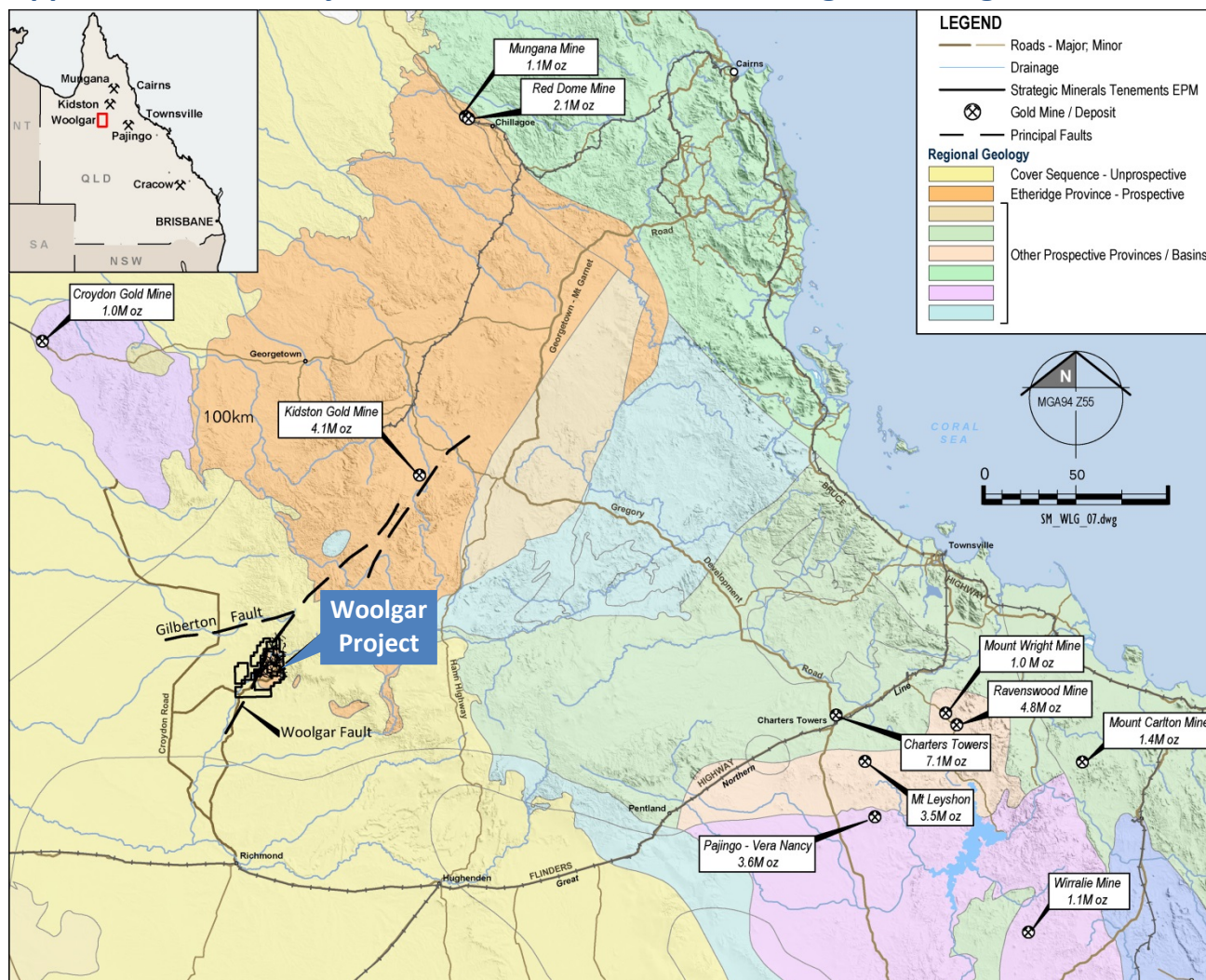


Figure 7: Geological location map of the Woolgar Project showing principle road and rail infrastructure, and the regional geological provinces. The deposits shown are existing epithermal, mesothermal and IRGS gold deposits greater than 1Moz throughout Northeast Queensland, which are considered to be of comparable ages, styles and occurrences to the known mineralisation at Woolgar. As can be seen, the Woolgar Goldfield corresponds to an inlier (erosional window) of the highly prospective and historically productive Etheridge Province exposed within the overlying generally unprospective sedimentary cover sequences.

The Woolgar Project consists of exploration permits and mining leases, in central north Queensland over a window of basement rocks within younger sedimentary cover. Initial exploration work targeted widespread historic workings from alluvial and reef mining from a gold rush in the 1880's.

Strategic has identified three styles of mineralisation at Woolgar: epithermal vein deposits at Sandy Creek, mesothermal veins along the WFZ and intrusive related mineralisation (IRGS) in the Upper Camp, as well as the alluvial gold associated with these. The Company has published resources from all three styles of mineralisation, see www.stratmin.com.au.

The Company's recent focus has been on the mesothermal veins in the Lower Camp area, but is now expanding its activities to reappraise the epithermal and IRGS, as well as further mesothermal veining.



Appendix Two: Location map of EPM Application 26263

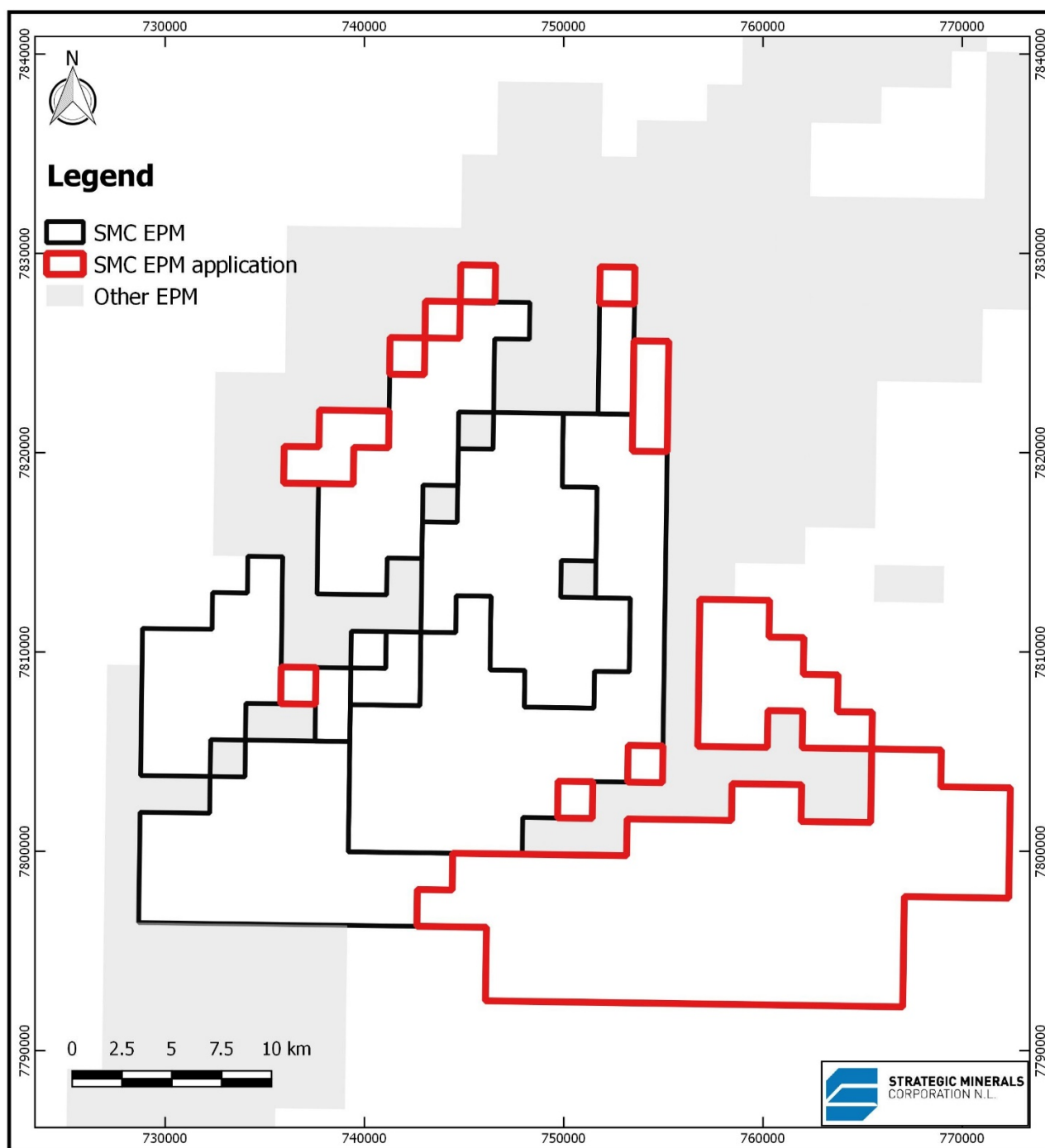


Figure 8: Location of exploration permit application EPM26263 (red), Strategic's existing exploration permits (black and third-party EPMs (grey). The application covers several known historic workings in limited basement exposure and several significant structural intersects interpreted from the regional data