



Drilling Funds Follow Lost 5324 g/t Gold Assay From NZ Mine

Tuesday, 6th September 2016

ASX listed Strategic Elements (ASX: SOR) will fund **multiple drill holes** beneath a forgotten high grade gold mine on the South Island of New Zealand, where last underground exploration intersected a vein grading **663.8 g/t over 0.75m** across the full width of the quartz, including a select sample of **5324.5 g/t over 0.25m**. A subsidiary of the Company has just been granted a Minerals Exploration Permit giving it the exclusive right to explore the area for gold for an initial period of 5 years.

Triggering its interest in the area, the Company discovered an extensive set of records on the Aorangi Mine in the depths of Wellington Archives. These include **previously unknown** underground exploration assays of 663.8 g/t gold including 5324.5 g/t from a sample of selected specimens. Importantly, underground exploration also reported gold mineralisation continuing **beneath** the old mine¹.

Managing Director Mr Charles Murphy said "The memory technology project we are backing remains our priority focus, however we raised the capital to drill at Golden Blocks some years ago and have patiently waited until the gold price rebounded to progress to the next stage of permits. The recent capital we raised is earmarked for our technology investments, however we do have capital available to back our exploration projects further. We will ultimately look for larger partners to take them over at the right valuation".

"With interest in gold growing we have received a number approaches for the Golden Blocks project. However, Aorangi was a high grade, narrow vein gold mine where the gold was free milling. These types of projects are rare, especially those that have no modern exploration at all. If you are not willing to follow through with the initial drilling of something like Aorangi in this gold climate, you should roll over and take some other kind of job".

Company Exploration

The Company has previously under its Prospecting Permit mapped sections of the Golden Blocks area, located an extensive number of old workings, confirmed historical records and conducted sampling where access allowed.

The newly granted Exploration Permit enables the Company to conduct drilling for the purpose of identifying mineral deposits or occurrences and evaluating the feasibility of Golden Blocks. An Access Agreement will be sought from the Department of Conservation (the landowner) and resource consents from the Tasman District Council so drilling can be completed.

Four conceptual drill targets have been proposed to test below and down plunge of the historic workings as shown in Figure 1. These holes are intended as an **initial round of drilling** with further drilling to occur based on data received.

With reference to Figure 1:

- PDH 1 is located near No.3 Level to intersect the unmined mineralised blocks shown in red.
- PDH 2 is located 125m down plunge to the south from PDH 1 and 25 metres below Level 3. This hole will test for the continuation between the Level 3 and potential bottom of the mineralised shoot.
- PDH 3 is located a further 125m down plunge and will test the mineralisation between Level 4 and the potential bottom of the mineralised shoot.
- PDH 4 is located a further 125m down plunge and will test in the middle of the proposed mineralised shoot 50m down plunge from the historic Aorangi Mine.

The Company has recently conducted orientation soil lines south of the Aorangi Mine successfully confirming modern soil sampling methods as an effective exploration technique in this terrain. Although not targeted at Aorangi, these soil samples still showed anomalous gold along strike (Figure 2).

The success of the orientation soil lines has justified a more extensive soil sampling program to test for gold extensions both north and south of the Aorangi mine workings. **This soil sampling program is expected to commence shortly.**

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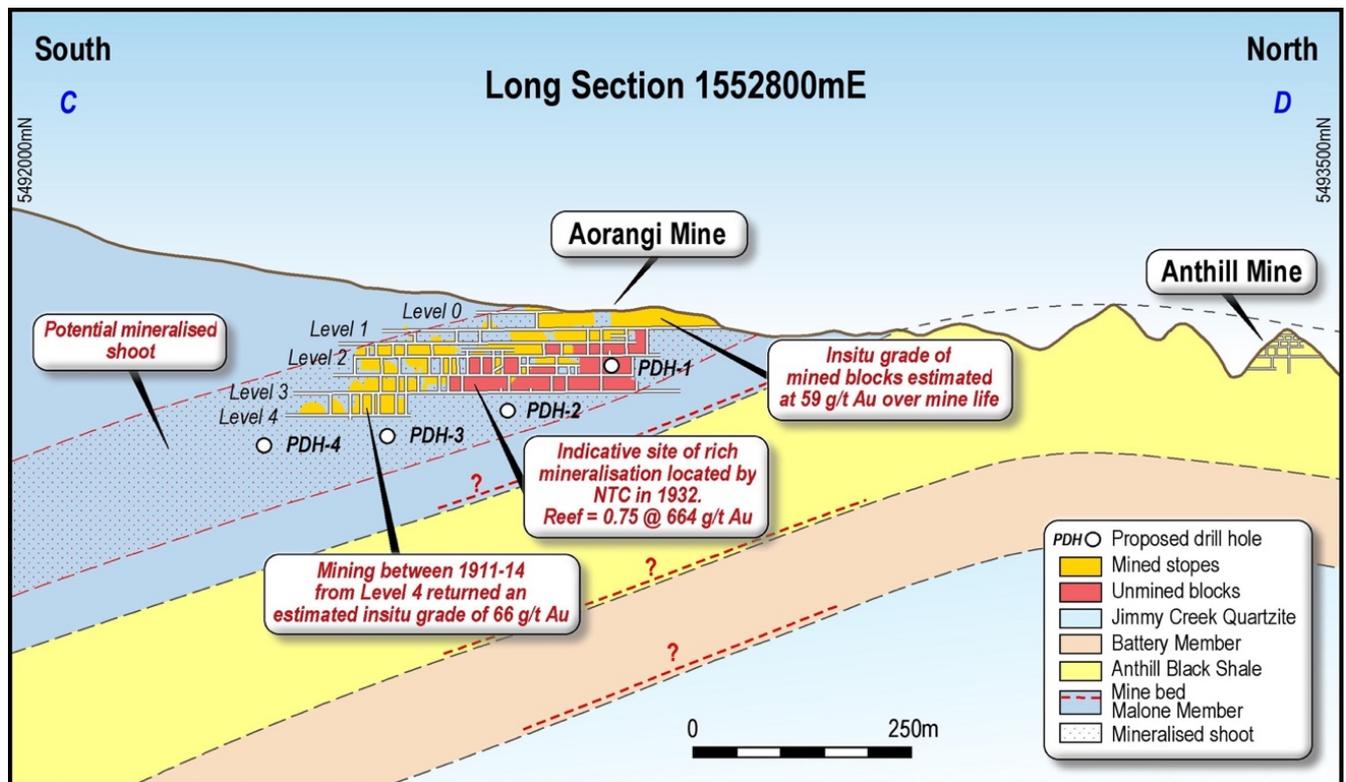


Figure 1 – Long Section

Records of Underground Exploration in 1931

Previously, accepted public record was that no attempt had been made to re-open the mine since it closed in 1914. However, over 1000 pages of archived **records discovered** by the Company included a little known effort to re-open the goldfield in 1932 by local company New Taitapu Gold Prospecting Company Ltd (NTC)².

NTC re-established the mine with 750m of crosscuts and levels re-conditioned and rails laid and the examination of over 1,800m of development work. A prospecting rise was developed in an ore block between No.3 and No. 2 levels with exceptionally high grade ore at the point marked on Figure 1. The reef at this point was 0.75m thick grading 663.8 g/t. Over the central 25cm of the reef, it was reported that the quartz was **thickly impregnated with coarse gold** and assayed 5,324g/t. The No.4 Level was flooded and was not entered.

Importantly, the **stone around the shoot** was also said to be “exceptionally good”. An extensive effort was made to validate the NTC results, with the Company successfully tracking the actual laboratory assay sheets from this underground work to the Thames School of Mines, now a mining museum in Thames, New Zealand.

Prospecting by NTC in the area around the mine resulted in the discovery of a reef (No 1 Reef) located around 100m to the east of the Aorangi Mine (Figure 3). This reef strikes N-S for 500m and dips 45° to the west parallel to the Aorangi mine reef. The reef thickness varies from 1 to 6m. Sampling has **proved the reef is gold bearing** and further opening up is justified on the evidence already obtained².

Archived records contained in the Wellington Archives also increase support for gold mineralisation to extend **beneath** the previously mined levels. Exploration in 1932 by NTC successfully tested for gold beneath No. 3 Level by sinking into the floor of the unmined level. They reported, “**gold showing**” in their workings².

Unfortunately, despite their success, the financial environment of the time cruelled NTC’s efforts to re-open the mine. For unknown reasons, **records of their successful work were not lodged** with the NZ government mining system. The land was eventually leased out for forestry until it was purchased by the crown in 1985.

Reports

Archived records also included a 1933 independent report¹ from highly distinguished New Zealand geologist Dr James Park, a former Director of the Thames School of Mines, “From what I know of the past history of this mine and the undoubted favourable geological conditions there is, in my opinion, warrant for the belief that valuable ore shoots may be looked for in the deeper ground”.

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Archived records also included a 1932 report from T.O. Bishop, former government Inspector of Mines, who inspected the mine multiple times in his official capacity. "I am of the opinion that the strength and continuity of the reef in the upper workings entirely justifies the expectation of it living to greater depths". He also confirmed that the last level mined (No. 4 Level), was accessed from No. 3 level and that "high grade ore was disclosed in both the shaft and the level".

The Golden Blocks Project

The project comprises a number of historic mines located at the contact between shale and sandstone lithology's with 85% of the gold production derived from a sheared shale unit called the Mine Bed.

The Mine Bed appears to extend approximately 2.5km and was intermittently mined at Perry's Drive, Aorangi, Fault Adits, Golden Ridge and the New Find mines (Figure 2).

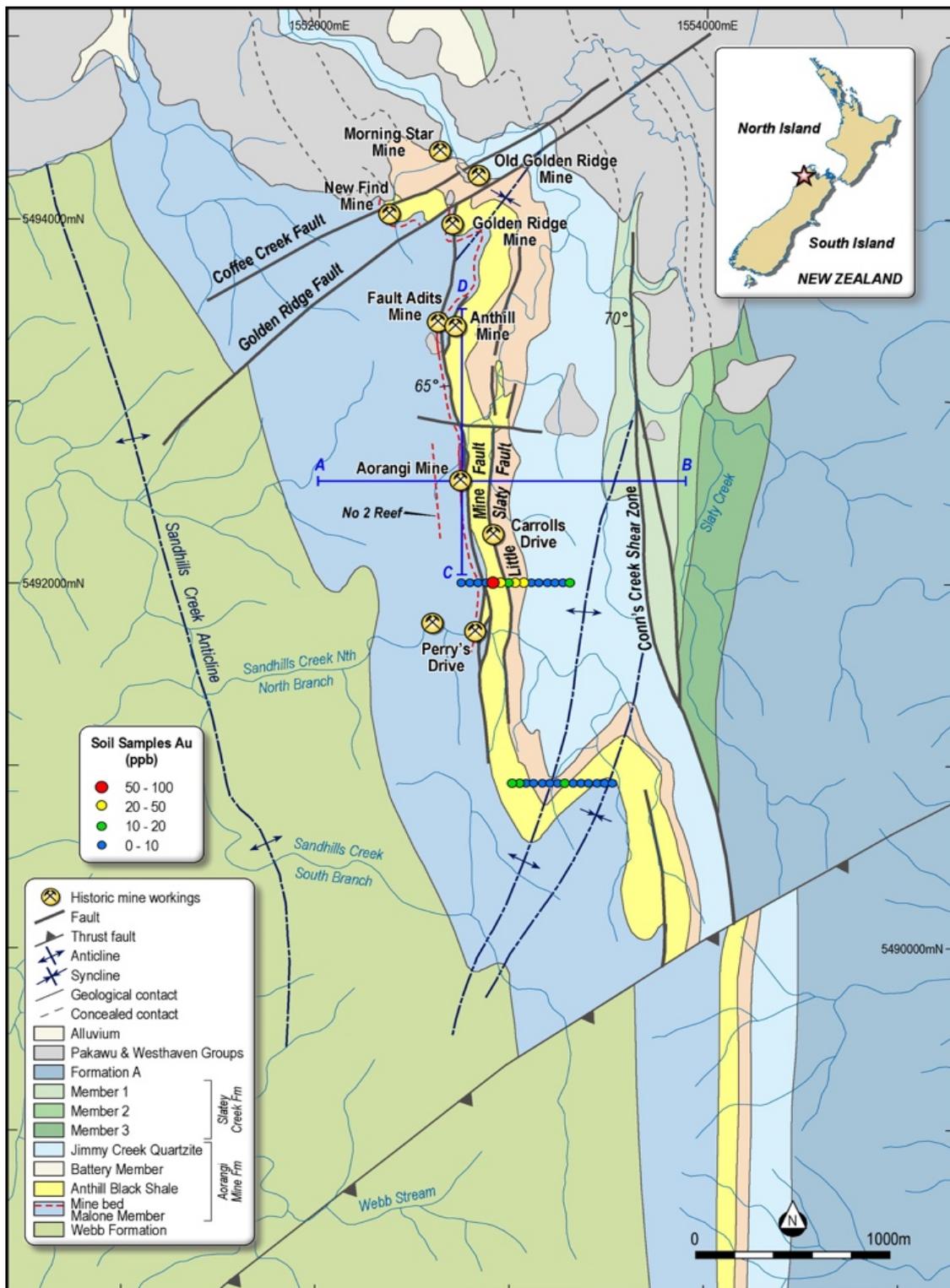


Figure 2 – Region Map

To the north the Aorangi Mine Formation is unconformably overlain by relatively thin Cretaceous sediments and the Aorangi Mine Formation extends for at least another 3kms further to the south.

The geology of the area is correlative with the Greenland Group of Westland which is the host for the economically extremely important Reefton Goldfield which **produced over 2Moz of gold**. The lithological content and structural style for both areas are very similar and fossils from the Aorangi Mine area and from near Reefton are of the same age and were effectively separated by the intrusion of the Karamea Batholith during Devonian times.

Other parallel mineralised reefs lie on the contact between the Anthill Black Shale and Battery Member (Carrolls Drive and Reef No. 1 an unmined reef east of the Aorangi Mine) and between the Battery Member and the Jimmy Creek Quartzite (Morning Star and Old Golden Ridge mines).

The No 2 reef identified in the Golden Blocks Mine Prospectus² lies approximately 200m to the west of the Mine Bed near the Aorangi Mine and lines up with a historic mine in Sandhills Creek (Figure 2).

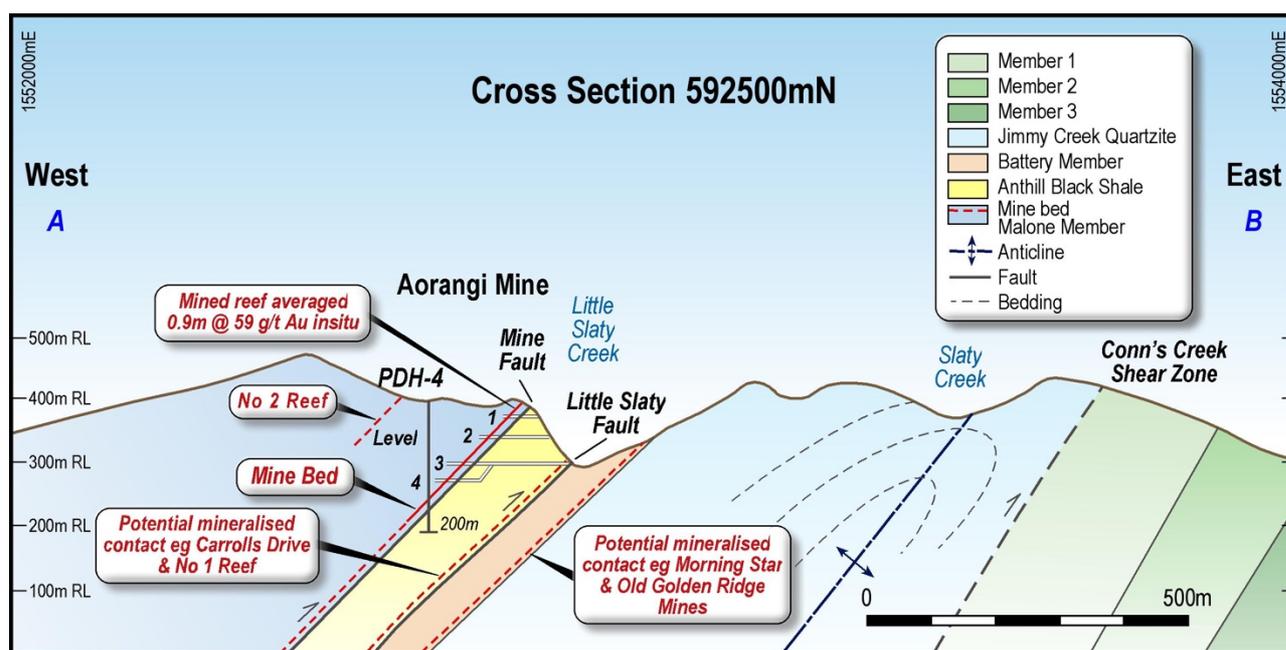


Figure 3 – Cross Section

Total gold production was 46koz with an average recovered grade of 36 g/t with the largest Aorangi mine producing 26koz between 1898 and 1914 when the mine closed due to shortages of labour with the outbreak of war. During the mine life 21kt of ore was processed and returned 27koz for an average recovered grade of 38.5g/t. Recovery was estimated at 65%² indicating an **insitu grade of 59.2g/t** for the ore processed.

The Mine Bed at the Aorangi was mined over 4 levels down to 130 metres below the surface (Figure 1). The **reef was strong and well defined** throughout the workings and had been developed for length of around 400m along the north-south strike.

The reef average around 1m thick and dipped ~45° to the west with a shallow 20° south plunge to the mineralised shoot. As shown in Figure 1, the vertical extent of the mineralised shoot is estimated at 150m based on the top and bottom of the stopped (gold) and unstopped blocks (red).

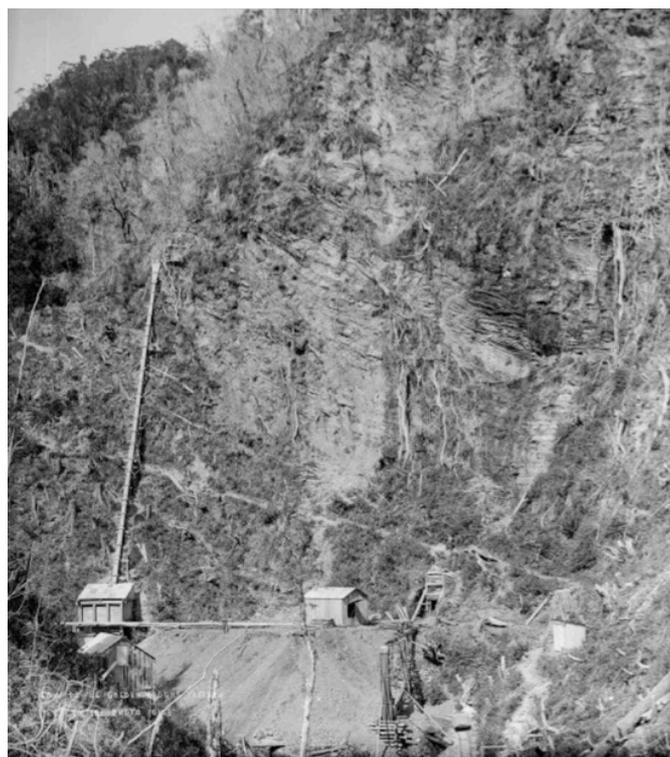


Figure 4 – Golden Block Mine (Aorangi).

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Importantly, the potential exists for **other mineralised shoots along strike to the north and south.**

The reef consists of a series of lenticular quartz veins continuously connected and mined along 400m and was considered to have considerable vertical and lateral extensions (Bell 1907).

In 1911 an inclined 5m by 5m shaft was sunk 30m from No 3 Level to No 4 level. The reef extended across the width of the shaft (0.30m thick on the south side and 0.75m on the north side) with 200oz's recovered during the shaft development.

From the bottom of the shaft the Level 4 drive has been driven approximately 110m. Production records from Level 4 between 1911 to 1914 when the mine closed indicated the insitu grade of the ore processed was 66g/t based on a recovery of 65%. Records show that the reef continues in the faces both to the north and south where the mine closed².

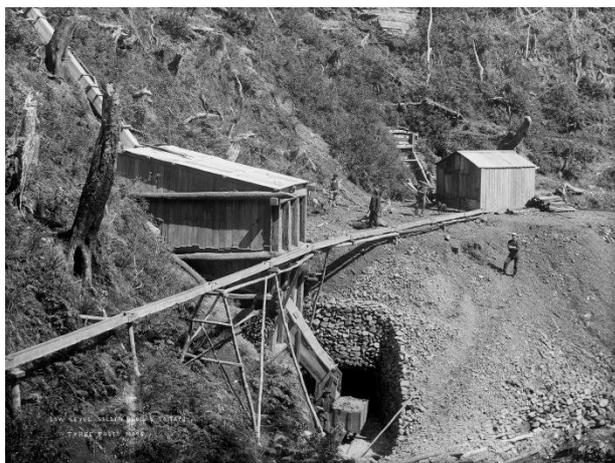


Figure 5 - Golden Block Mine (Aorangi).



Figure 6 – Taitapu Battery

ASX Listed Strategic Elements Ltd

The Company has a special registration from the Federal Government as a Pooled Development Fund enabling eligible shareholders to pay no capital gains tax when they sell their shares in ASX listed Strategic Elements (ASX: SOR). In return the Company must back only Australian SME's.

All enquiries please contact:

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References

1. ASX Announcement 18/03/2014
2. Golden Blocks Mines Limited, 1932, "Prospectus", Archives New Zealand Record R17869220

Regulatory Information

Competent Person

The information in this announcement that relates to Exploration Results is based on information compiled by Mr Paul Angus who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Angus is the Principal of ARC Ltd, a mineral exploration services company. Mr Angus has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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'. Mr Angus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Angus is not a stock holder in the Company

Soil Sample Results

Sample	Line	Easting	Northing	Au (ppb)	Depth (mm)
SO0067	North	1553300	5492000	17	300
SO0068	North	1553260	5492000	1	200
SO0069	North	1553230	5492000	4	350
SO0070	North	1553180	5492000	<1	150
SO0071	North	1553140	5492000	2	400
SO0072	North	1553100	5492000	2	200
SO0073	North	1553060	5492000	23	650
SO0074	North	1553020	5492000	24	300
SO0075	North	1552980	5492000	10	800
SO0076	North	1552940	5492000	46	500
SO0077	North	1552900	5492000	53	700
SO0078	North	1552860	5492000	1	400
SO0079	North	1552820	5492000	2	450
SO0080	North	1552780	5492000	4	700
SO0081	North	1552740	5492000	7	800
SO0093	South	1553520	5490900	2	400
SO0094	South	1553480	5490900	2	400
SO0095	South	1553440	5490900	5	500
SO0096	South	1553400	5490900	5	750
SO0097	South	1553360	5490900	1	700
SO0098	South	1553320	5490900	8	600
SO0099	South	1553280	5490900	N/A	400
SO0100	South	1553240	5490900	7	750
SO0101	South	1553200	5490900	10	500
SO0102	South	1553160	5490900	3	350
SO0103	South	1553120	5490900	4	800
SO0104	South	1553080	5490900	<1	300
SO0105	South	1553040	5490900	11	350
SO0106	South	1553000	5490900	10	400

JORC TABLE 1

Section 1 Sampling Techniques and Data

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

Criteria	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"> • Soil samples were collected using a spade up to a maximum depth of 800mm. The holes were logged and the samples were collected in the C horizon where possible. Samples were collected at 40m intervals.
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"> • Not relevant for data reported.
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"> • Not relevant for data reported.
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. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> • Not relevant for data reported.
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. 	<ul style="list-style-type: none"> • An approximate 200 gram sample was collected in the field and stored in a numbered plastic bag. The full sample was submitted to the SGS Laboratories NZ Ltd. Samples were dried, crushed, split and pulverised by SGS.. • A split of the pulverised samples were sent to SGS

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Criteria	Explanation	Commentary
	<ul style="list-style-type: none"> 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. 	Townsville for gold and multi-element analysis.
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"> Gold was analysed by 30gm fire assay and ICP for 1ppb detection limit (method FAI303) Multi-element analysis was completed using a 4 acid digest plus ICP-MS/OES read for 58 elements
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"> Sample collection and submission for analysis was undertaken by ARC Ltd, an independent mineral exploration services company, which undertook exploration work on behalf of Strategic Materials Pty Ltd. All documentation of sample locations and sample descriptions, and sample handling and storage was undertaken by ARC Ltd.
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"> Sample locations were surveyed using a Garmin GPS Map 625, with accuracy ranging from 3m to 20m depending topography and tree cover. Sample coordinates were recorded in New Zealand Transverse Mercator grid
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"> Only two orientation soil lines have been completed to test the soil sampling technique at Golden Blocks. The soil samples were taken at 40m intervals along each line.
Orientation of data in relation to	<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 	<ul style="list-style-type: none"> The soil lines were completed at right angles to the mineralisation.

Criteria	Explanation	Commentary
geological structure	<p>type.</p> <ul style="list-style-type: none"> 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. 	
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> The reported samples were under the control of ARC Ltd from the point of sampling to the point of delivery to a courier for delivery to the SGS laboratory. Samples were kept within the Company's secure storage facility in New Zealand.
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"> The assay results were reviewed by Paul Angus, an independent geological consultant and the principal of ARC Ltd, before being released to Strategic Materials Pty Ltd.

Section 2 Reporting of Exploration Results

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

Criteria	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"> Strategic Materials Pty Ltd holds the Golden Blocks Prospecting Permit 54207 and Exploration Permit 60810 in North West Nelson, New Zealand. Prospecting Permit 54207 and Exploration Permit 60810 are within Crown land administered by the Department of Conservation. Strategic Materials Pty Ltd holds 100% of the Golden Blocks project area.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<p>Exploration has been previously carried out by :</p> <ul style="list-style-type: none"> CRA Exploration Lime and Marble Ltd Newmont Pty Ltd New Taitapu Gold Prospecting Company Ltd <p>Additionally, this announcement refers to previously announced technical information generated from the Company's exploration programs. Where this is the case, the relevant information is referenced.</p>
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Structurally-hosted quartz lode gold mineralisation within metasediments
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 for all Material drill holes: <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. If the exclusion of this information is justified on the 	<ul style="list-style-type: none"> No drilling has been completed.

Criteria	Explanation	Commentary
	<p><i>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.</i></p>	
Data aggregation methods	<ul style="list-style-type: none"> <i>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.</i> <i>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.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> <i>Not relevant for data reported.</i>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>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').</i> 	<ul style="list-style-type: none"> <i>Not relevant for data reported</i>
Diagrams	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> <i>A plan of soil sample results is included in Figure 2 of this announcement.</i>
Balanced reporting	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> <i>Reporting of all relevant results has been provided in this announcement</i>
Other substantive exploration data	<ul style="list-style-type: none"> <i>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, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<p><i>Not relevant for data reported</i></p>
Further work	<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"> <i>Further soil sampling work to test Aorangi Mine area is planned.</i>

