

5 January 2015
ASX ANNOUNCEMENT

East Menzies Goldfield Project (EMGP) – Royalty Financing Mandate signed

Stratum Metals Limited (**Stratum** or **Company**) advises that it has signed a mandate to appoint RRT Management Pty Ltd (**RRT**) to introduce royalty finance provider(s) to raise \$1.8 million in the Company's 100% owned subsidiary, Menzies Goldfield Ltd (**MGL**) (**Mandate**). The Mandate is for a 90 day period and is non-exclusive.

The funds raised will principally be applied to further exploration & development of the G-VAN Project (owned by 80% subsidiary Riqo Pty Ltd (**Riqo**)), and aiming for early gold production in late 2015 via an ore processing agreement (subject to positive economic evaluation and approvals).

Proposed Royalty Financing

The proposed royalty financing is structured as a loan with repayments linked to a gross revenue royalty over Stratum's entitlement to future production from the EMGP tenements (including the G-VAN Project).

The key terms of the proposed royalty financing are:

1. Loan Amount - \$1.8 million (before costs) payable in 2 tranches of \$900,000 each. First Tranche of \$900,000 upon execution of loan documentation and Second Tranche of \$900,000 within 4 months of Tranche 1. Payment of the Second Tranche is subject to a positive economic evaluation of the G-VAN Project. In the event the Second Tranche is not provided, the Interest Rate and GRR reduce to 4%.
2. Interest Rate – 18% per annum (compound daily).
3. Gross Revenue Royalty (**GRR**) – 18% payable monthly on proceeds from the sale of all minerals and metals from the EMGP (in the case of gold, the royalty finance provider(s) has the option if permissible under any ore processing agreement, to receive the GRR "in-kind" as refined bullion).
4. GRR payments will be credited against the loan amount and accrued interest. The GRR will continue after the loan is repaid subject to a "Royalty Buy-Back Option" (refer below).
5. Security – The loan is secured by mortgages over the EMGP tenements and will be released upon repayment of the loan and interest.
6. Royalty Buy-Back Option – The Company has the right, after repayment of the loan and interest, to reduce the GRR to 5% through the issue of new shares in MGL representing 85% of the issued capital (subject to shareholders approval if required under ASX listing rules).

Stratum Metals Limited ACN 147 867 301

Level 5, 10 Market Street (GPO Box 2676) Brisbane QLD 4001

Ph +61 7 3212 6230 | Fax +61 7 3212 6250

ASX Code: **SXT** | www.stratummetals.com.au

7. MGL Board & Management – Richard Group Pty Ltd (**RG**), an associate company of RRT, is appointed to provide the services of a Managing Director to MGL (and Riyo). The Board of MGL (and Riyo) is restructured by appointing one director nominated by Stratum, one independent director as Chairman and the Managing Director.

Use of Funds

The \$1.8 million loan amount will be applied as follows:

- \$70,000 - Transaction costs incl. RRT introduction fee of 2.5%;
- \$245,000 – Loan repayment from MGL to Stratum; and
- \$1,485,000 – Working capital for payment of trade creditors of MGL & Riyo at settlement, and then further exploration and development of EMGP.

About RRT Management Pty Ltd and Richard Group Pty Ltd

The principal of RRT and RG is John Shepherd, who for over 20 years has specialized in the analysis of resource (and other) royalties and sourcing royalty finance providers, for both private and public companies.

Mr Shepherd is currently a non-executive director of Stratum, MGL and Riyo.

For further information on the Company's activities, please refer to ASX announcements or the Company's website www.stratummetals.com.au

On behalf of the Board
DP Cornish
Company Secretary

About Stratum Metals Limited

Stratum Metals Limited was formed to utilise some of the latest innovations in geosciences to target areas in Western Australia prospective for the discovery of gold and copper-gold ore bodies. Stratum Metals has acquired a tenement portfolio located in the prospective gold and copper mineralisation region of Yilgarn in Western Australia. These tenements cover a range of mineralising systems in known and emerging mineral provinces in Western Australia, where potential exists for new gold, copper and nickel discoveries. Stratum Metals has commenced comprehensive and intensive exploration of the targets identified in the search for new ore bodies.