

31 October 2014

QUARTERLY ACTIVITIES REPORT – September 2014

Highlights:

- Menzies - Potential for near term gold production progressed
- Menzies – AGTEM Project expected to generate additional R&D rebate
- Menzies – Fieldwork program targeting five areas undertaken

East Menzies Goldfield Project ('EMGP')

The company progressed the G-VAN Project, aimed at generating revenues via mining in the vicinity of the historic Granny Venn and Auntie Nellie open pits, via collection of infill samples for MMI analysis. Discussions have occurred with consultant Core Geophysics regarding the capacity of modern geophysical techniques to assist in drill targeting at a resource scale.

Documentation has been completed to support a rebate for FY 2013/14 in relation to the AGTEM R&D Project.

In addition to the G-VAN area MMI soil sampling has been completed on five target areas across the EMGP.

EMGP – The G-VAN Project

The company has previously identified the area around the existing Granny Venn and Auntie Nellie open pits as having strong potential for near term mining and work on this has been termed the G-VAN Project. During the quarter progress was made via the collection of infill MMI soil samples later in the quarter. The company has also investigated the potential to use geophysics to identify the felsic boudins representing the dominant ore target.

MMI soil sampling was used by the company to confirm the potential of the G-VAN area (reported in the March 2014 quarterly report). The dominant ore host in the area is a series of fractured felsic boudins pulled apart in later stage deformation; a key to cost effective resource development is being able to target these features with drilling rather than simple pattern drilling. The fact ionic migration, the process relevant to MMI sample analysis, is understood to relate to a vertical movement of metal ions means close spaced MMI can be used to narrow down the most prospective areas for drilling. The infill MMI sampling completed during the quarter was undertaken on a nominal 12.5 x 12.5 metre grid.

With delays in the recent capital raising the samples were held back from the laboratory. Figure 1 shows the recent sample program, which extends down the western side of Auntie Nellie to test an area of dacitic subcrop and some historic high grade soil samples. While the initial MMI sampling extended further north and along the west side of the Granny Venn Pit, recent sampling was limited to the southern area where existing drilling data also supports near surface gold mineralisation. This area has been identified as most likely to support the initial objectives of the G-VAN Project.

Late in the quarter the company met with consultants Core Geophysics to discuss the potential to utilise modern geophysical tools as a means to identify the felsic boudins thought to be the main ore host in the Granny Venn Pit and surrounding area. Stratum is currently assessing a proposal from Core to run a trial in the G-VAN area. If successful, this approach could better refine drill targets and potentially provide information to estimate target volume, and subsequently mineralisation extents if drilling is successful.

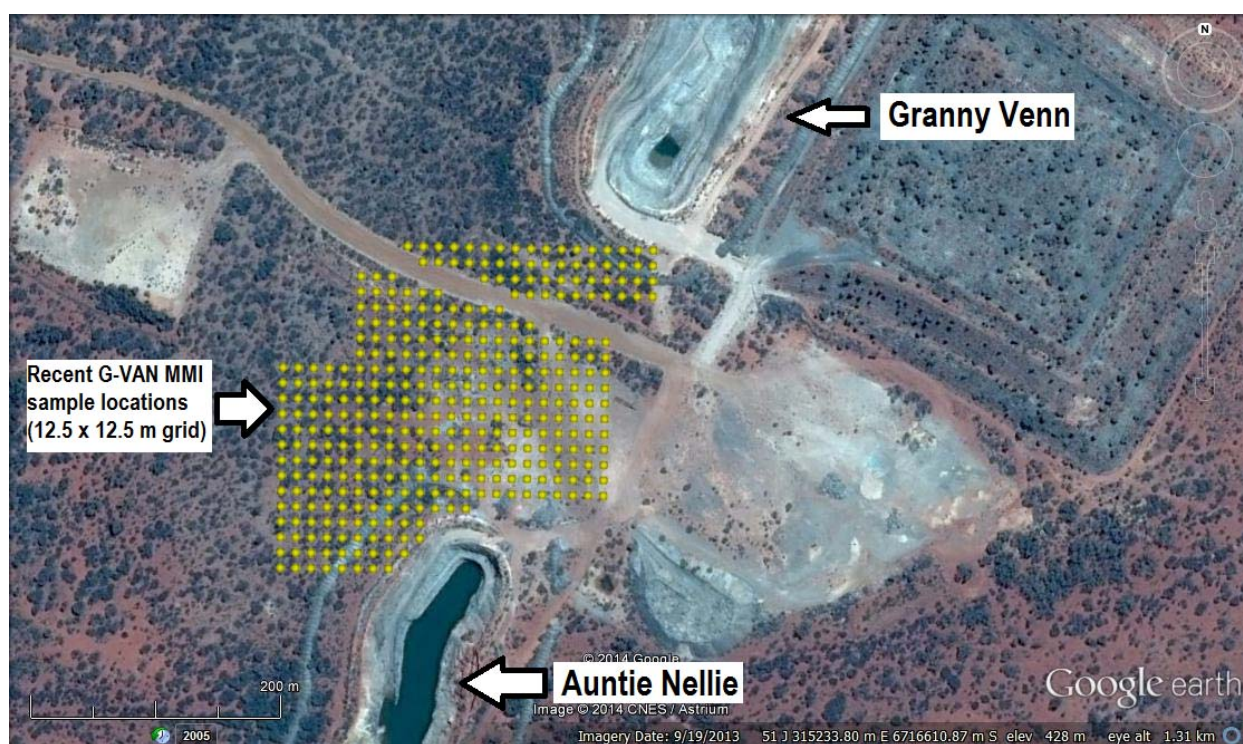


Figure 1: Location of recent infill MMI sampling over Google Earth Image targeting potential between existing pits

The company looks forward to being able to analyse the results of the infill sampling in the coming quarter, along with making a decision on whether to progress the geophysical trial. From that point detailed analysis of results and modelling of existing drilling will generate drill targets, determination of an exploration target as defined in the JORC Code (2012) is also expected as part of the next stage of exploration to progress G-VAN.

Research & Development Project

Work was completed during the quarter in order to support the application for a further R&D rebate in relation to the AGTEM Project work completed in the 2013/14 financial year. The project has steadily progressed in 2013/2014 and is expected to continue through the 2014/15 financial year.

Progression of EMGP fieldwork

During the quarter Stratum undertook a program of fieldwork focussed on collection of soil samples for MMI analysis to test for gold, nickel and base metals potential, while also supporting expenditure commitments. While all sampling is useful for progressive exploration on the company's tenement holding, some of this work is directly related to the AGTEM Project and will attract a rebate. This work was completed in the same field program as the G-VAN MMI sampling discussed above and resulted in collection of an additional 360 samples across five target areas (figure 2).

The samples are yet to be submitted for analysis, results are expected in the coming quarter and will be combined with the work completed on ten targets in the June quarter. Together this sampling represents a first pass test of 15 areas of interest identified primarily from the HeliTEM and past exploration data.

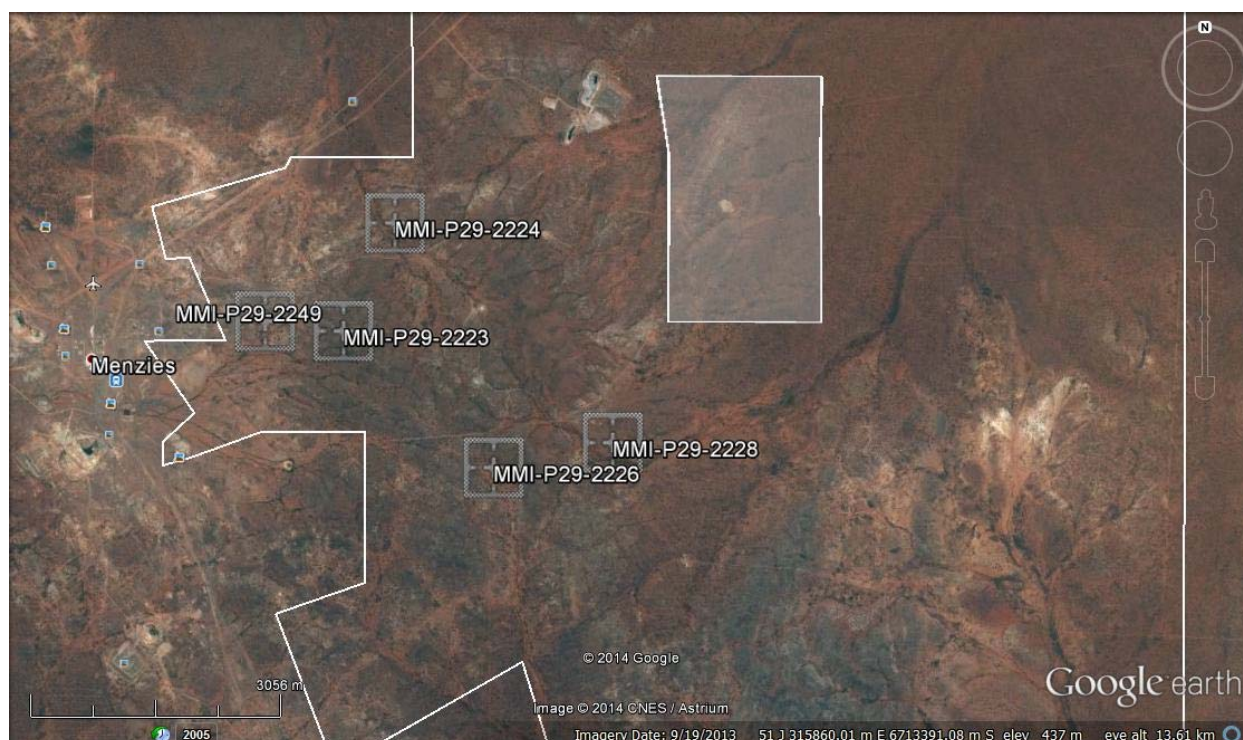


Figure 2: EMGP MMI sample collection area locations

Gidgee Project

No active fieldwork was completed during the quarter, work primarily focused on statutory reporting.

Tenement Movements

Please refer to appendix 1: DISCLOSURES REQUIRED UNDER ASX LISTING RULE 5.3.3

Corporate

As noted in the last quarterly report, the Company has received enquiries for funding alternatives and the director continued to seek and evaluate these alternatives.

On 10 September 2014 the Company announced that it had signed a mandate to appoint Armada Capital Limited (**Armada**) as Lead Manager to raise up to \$2.3 million via a two stage capital raising (**Mandate**).

Stage 1 - \$250,000

Stage 1 will comprise unsecured loans to Stratum of \$250,000.

The key terms of the Stage 1 raising are:

- Term of loans = repayable on the earlier of six months or completion of Stage 2 raising.
- Interest = 1% per month payable in cash or shares at the lenders election.
- Loan proceeds to be advanced to Stratum within seven days of the loan documentation being executed.
- Stratum has sought shareholder approval (at the Company's Annual General Meeting to be held on 10 November 2014) for the loans to be converted into Stratum shares at a price of 80% of the Stage 2 raising price. Each converted share will have one free attaching option (exercisable at \$0.02 on or before 29 February 2016). If shareholder approval for the loan to be converted in to shares (and attaching options) is received, the lender may elect to be repaid in cash or shares (and attaching options), or a combination thereof.

At the date of this report, Armada was well progressed in completing the Stage 1 raising.

Stage 2 - \$2,057,500

Stage 2 will comprise the issue of 274,333,333 new shares at \$0.0075 per share with one free attaching option (exercisable at \$0.02 on or before 29 February 2016) for every two shares issued to raise a total of up to \$2,057,500.

The key terms of the Stage 2 raising are:

- Raising to comprise the issue of 274,333,333 shares at \$0.0075 per share with one free attaching option (exercisable at \$0.02 on or before 29 February 2016) for every two shares issued, being a total of 137,166,667 options (**Stage 2 Options**).
- The Stage 2 raising is subject to receiving shareholder approval, which has been put to shareholders as a resolution in the Notice of Annual General Meeting, to be held on 10 November 2014.
- Stratum will apply to have the Stage 2 Options listed.

Further Terms and Conditions

The Stage 1 and 2 raisings are not underwritten and will be marketed by Armada on a best endeavours basis to Sophisticated Investors that fall under the Corporations Act 2001 Section 708 exceptions.

The Company has agreed with Mountain Gold International Ltd (**Mountain Gold**), the holder of outstanding convertible notes in the Company to the value of \$1.35 million, that Mountain Gold will accept a settlement of their notes of 50% of the face value (i.e. \$675,000) to be paid by the proceeds of the Stage 2 raising. Mountain Gold may accept a combination of cash and/or shares (and attaching options) on the same terms of the Stage 2 raising.

Upon successful completion of the raisings, Armada will be paid fees consisting of:

- 5% of the gross amounts raised (excluding GST);
- \$25,000 management fee (excluding GST); and
- 50.0 million options (exercisable at \$0.02 on or before 29 February 2016) issued to Armada (or its nominee/s).

Armada will also be reimbursed for out of pocket expenses regardless of whether the raisings are successful.

Subject to completion of the Stage 1 and 2 raisings, Armada will have the right to nominate two directors to the Board of Stratum, to replace Messrs Pierce and Anthon.

Use of Funds

Funds raised will be used to support further evaluation of the Company's East Menzies Goldfield and Gidgee projects, investigate other acquisition opportunities, repurchase convertible notes held by Mountain Gold, pay trade creditors, provide general working capital and meet the costs of the raisings.

As noted above, \$675,000 of the Stage 2 raising will be used to satisfy the outstanding Mountain Gold convertible note, in a combination of cash and/or shares.

The net proceeds available to the Company of the total funds raised will depend on the level of repayment of the Stage 1 raising (versus conversion to shares and options, subject to shareholder approval). The maximum amount of net proceeds (after Armada fees) will be \$1.50 million and the minimum amount of net proceeds (after Armada fees and repayment of all Stage 1 loans) would be \$1.25 million.

Armada Capital

Armada Capital is a Perth based specialist investment and advisory firm with a significant global network of brokers, industry professionals and investor access. Armada is a small cap sector specialist with industry experience in gold, copper, iron ore, oil, gas and renewable energy.

Annual General Meeting

As noted above, the Company's Annual General Meeting will be held on 10 November 2014. Meeting materials have been dispatched.

Andrew Pierce
Non-Executive Chairman

Keep up to date with Stratum's progress.

For additional updates on the company's progress throughout the year please visit www.stratummetals.com.au and join our newsletter mail list.

Attribution

The information in this release that relates to Exploration Targets and Exploration Results is based on information compiled by Todd Axford, who is a member of the Australasian Institute of Mining and Metallurgy. Todd Axford is a contracted to the company, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity 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". Todd Axford consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

APPENDIX 1

TENEMENT MOVEMENT

DISCLOSURES REQUIRED UNDER ASX LISTING RULE 5.3.3

1. Mining tenements held at the end of the quarter and their location

Project	Tenement	Location	% Ownership
GIDGEE	E53/1440	WA	100%
GIDGEE	E53/1494	WA	100%
GIDGEE	P53/1552	WA	100%
GIDGEE	P53/1553	WA	100%
GIDGEE	P53/1554	WA	100%
GIDGEE	P53/1590	WA	100%
GIDGEE	P53/1591	WA	100%
MENZIES	E29/0872	WA	100%
MENZIES	L29/0061	WA	80%
MENZIES	M29/0141	WA	100%
MENZIES	P29/1928	WA	100%
MENZIES	P29/1929	WA	100%
MENZIES	P29/1930	WA	100%
MENZIES	P29/1931	WA	100%
MENZIES	P29/2101	WA	85%
MENZIES	P29/2102	WA	85%
MENZIES	P29/2103	WA	85%
MENZIES	P29/2106	WA	100%
MENZIES	P29/2107	WA	100%
MENZIES	P29/2108	WA	100%
MENZIES	P29/2109	WA	100%
MENZIES	P29/2110	WA	100%
MENZIES	P29/2111	WA	100%
MENZIES	P29/2113	WA	100%
MENZIES	P29/2114	WA	100%
MENZIES	P29/2124	WA	100%
MENZIES	P29/2125	WA	100%
MENZIES	P29/2126	WA	100%

ASX ANNOUNCEMENT



Project	Tenement	Location	% Ownership
MENZIES	P29/2127	WA	100%
MENZIES	P29/2128	WA	100%
MENZIES	P29/2129	WA	100%
MENZIES	P29/2133	WA	85%
MENZIES	P29/2140	WA	85%
MENZIES	P29/2141	WA	85%
MENZIES	P29/2145	WA	100%
MENZIES	P29/2146	WA	100%
MENZIES	P29/2147	WA	100%
MENZIES	P29/2148	WA	100%
MENZIES	P29/2149	WA	100%
MENZIES	P29/2150	WA	100%
MENZIES	P29/2161	WA	100%
MENZIES	P29/2162	WA	100%
MENZIES	P29/2163	WA	100%
MENZIES	P29/2164	WA	100%
MENZIES	P29/2174	WA	100%
MENZIES	P29/2175	WA	100%
MENZIES	P29/2220	WA	100%
MENZIES	P29/2221	WA	100%
MENZIES	P29/2223	WA	100%
MENZIES	P29/2224	WA	100%
MENZIES	P29/2225	WA	100%
MENZIES	P29/2226	WA	100%
MENZIES	P29/2227	WA	100%
MENZIES	P29/2228	WA	100%
MENZIES	P29/2270	WA	100%
MENZIES	P29/2272	WA	100%
MENZIES	P29/2273	WA	100%
MENZIES	P29/2274	WA	100%
MENZIES	P29/2275	WA	100%
MENZIES	P29/2276	WA	100%
MENZIES	P29/2277	WA	100%
MENZIES	P29/2278	WA	100%

Project	Tenement	Location	% Ownership
MENZIES	P29/2279	WA	100%
MENZIES	P29/2280	WA	100%
MENZIES	P29/2281	WA	100%
MENZIES	P29/2282	WA	100%
MENZIES	P29/2283	WA	100%
MENZIES	P29/2284	WA	100%
MENZIES	P29/2285	WA	100%
MENZIES	P29/2242	WA	80%
MENZIES	P29/2243	WA	80%
MENZIES	P29/2244	WA	80%
MENZIES	P29/2245	WA	80%
MENZIES	P29/2246	WA	80%
MENZIES	P29/2247	WA	80%
MENZIES	P29/2248	WA	80%
MENZIES	P29/2249	WA	80%
MENZIES	P29/2250	WA	80%
MENZIES	P29/2222	WA	100%
MENZIES	M29/0189	WA	80%
MENZIES	P29/2337	WA	100%

2. Mining tenements acquired and disposed of during the quarter and their location

Project	Tenement reference	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Gidgee	E53/1680	WA	Surrendered	100%	0%
Gidgee	E57/0925	WA	Surrendered	100%	0%
Gidgee	P53/1592	WA	Surrendered	100%	0%
Gidgee	P53/1593	WA	Surrendered	100%	0%
Gidgee	P57/1324	WA	Surrendered	100%	0%
Gidgee	P57/1325	WA	Surrendered	100%	0%
Gidgee	P57/1326	WA	Surrendered	100%	0%

3. Beneficial percentage interests held in farm-in or farm-out agreements at end of the quarter and beneficial percentage interests in in farm-in or farm-out agreements acquired or disposed of during the quarter

The Company is not party to any farm-in or farm-out agreements.