



STRATEGIC MINERALS CORPORATION N.L.

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ACN 008 901 380

FIRST SUPPLEMENTARY TARGET'S STATEMENT

1. IMPORTANT INFORMATION

This document is a supplementary target's statement issued by Strategic Minerals Corporation NL (ACN 008 901 380) (**Strategic**) under section 644 of the *Corporations Act 2001* (Cth) (**Supplementary Target's Statement**) and is supplementary to Strategic's target's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 18 December 2017 (**Original Target's Statement**) in relation to the on-market takeover offer by QGold Pty Ltd (ACN 149 659 950) (**QGold**) for all of the fully paid ordinary shares in the capital of Strategic (**Offer**).

This Supplementary Target's Statement is dated 31 May 2018 and was lodged with the ASIC and given to the ASX on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Supplementary Target's Statement.

This Supplementary Target's Statement supplements and must be read together with the Original Target's Statement. If there is a conflict between the Original Target's Statement and this Supplementary Target's Statement, this Supplementary Target's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Target's Statement have the same meaning in this Supplementary Target's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Supplementary Target's Statement.

A copy of this Supplementary Target's Statement will be available on Strategic's website (www.stratmin.com.au).

2. TAKEOVERS PANEL PROCEEDINGS

On 1 February 2018, the Takeovers Panel made a declaration of unacceptable circumstances in response to an application made by Ms Veronica Oma. The nature of the unacceptable circumstances included:

- (a) deficiencies in the commissioning and engagement of experts to prepare the Original Valuation Report and Independent Expert's Report included in the Original Target's Statement; and

- (b) errors and deficiencies in the Original Valuation Report, which resulted in the Original Target's Statement not including all the information required under section 638 of the Corporations Act 2001 (Cth).

This decision was reviewed, prior to final orders being made on 15 February 2018. These orders were subsequently varied on 4 April 2018, 5 April 2018, 9 April 2018 and 1 May 2018, as released on Strategic's market announcements platform.

These varied orders included requiring Strategic to arrange for the preparation of the Updated Independent Expert's Report and New Valuation Report, and the Bidder to offer withdrawal rights to eligible Strategic shareholders (being those Strategic shareholders that sold Strategic Shares between the date that the Original Target's Statement and the date of this Supplementary Target's Statement).

3. REPLACEMENT OF THE INDEPENDENT EXPERT'S REPORT CONTAINED AS ATTACHEMENT 1 OF THE ORIGINAL TARGET'S STATEMENT

Stantons International Securities Pty Ltd, trading as Stantons International Securities (**Stantons International Securities**), the Independent Expert who prepared the Independent Expert's Report contained as Attachment 1 of the Original Target's Statement, has advised Strategic that the Independent Expert's Report has been amended to reflect a finding that the proposed Offer by QGold to the Strategic shareholders not associated with QGold is, as at the date of the Updated Independent Expert's Report, not fair but reasonable to the shareholders of Strategic (**Updated Independent Expert's Report**), based upon the New Valuation Report (details of which are set out below).

The Updated Independent Expert's Report contains, in Annexure B, the New Valuation Report prepared by AMC Consultants Pty Ltd (**AMC**), the Technical Expert engaged by Stantons International Securities on behalf of Strategic.

In the New Valuation Report prepared by Corvidae Pty Ltd as Trustee for Ravensgate Unit Trust Trading as Ravensgate (**Ravensgate**) that was included with the original Independent Expert's Report (**Original Valuation Report**), an error had been made with respect to the in-situ value per ounce paid by Gascoyne Resources Limited (**Gascoyne**) for its acquisition of a 20% interest in the Dalgaranga Gold Project. The Original Valuation Report contained an error in that it applied a valuation to Strategic's assets on the understanding that Gascoyne had acquired 100% of the Dalgaranga Gold Project. Ravensgate did not become aware of this error until late in December 2017.

In discussions with Ravensgate following it becoming aware of the error set out above (together with other comments received from ASIC during the Takeovers Panel proceedings relating to the Takeover Bid), it was determined that a significant number of changes were required to the Original Valuation Report in order to ensure that it was compliant with all relevant regulatory requirements and otherwise to the satisfaction of ASIC. Strategic and Stantons International Securities were working with Ravensgate to have the Original Valuation Report updated accordingly. However, during this process, Ravensgate indicated that it was not willing to prepare an updated valuation report as it did not have sufficient resources available to complete an updated report and have an updated report peer reviewed.

As a result of the above, Stantons International Securities spoke to a number of geological firms to prepare a valuation report to be provided with the Updated Independent Expert's Report, following which AMC was engaged to prepare a

new valuation report (**New Valuation Report**) to be enclosed with the Updated Independent Expert's Report. AMC was chosen to prepare the New Valuation Report on the basis of its credentials, significant experience and availability to provide sufficient resources to assist with the process.

Under the New Valuation Report, AMC has valued Strategic's assets as follows:

Location	Low (\$M)	High (\$M)	Preferred (\$M)
Woolgar project Mineral Resources	3	35	19
Woolgar project EPMs	17	23	20
Total	20	58	39

AMC ascribes a preferred value of \$39 million to the Strategic assets. This is within a range of values from a low of \$20 million to a high of \$58 million. It is noted that the New Valuation Report did not consider the Gascoyne transactions in preparing the report.

As a consequence of the above changes, Stantons International Securities' valuation per Strategic share has been updated from a range of 28.80 cents to 40.57 cents, with a mid-point value of approximately 34.57 cents to a range of 25.16 cents to 81.09 cents, with a mid-point value of approximately 54.12 cents.

A copy of the Updated Independent Expert's Report, together with the updated New Valuation Report, is provided as Attachment 1 of this Supplementary Target's Statement.

4. CHANGE TO INDEPENDENT DIRECTOR'S RECOMMENDATION

The Independent Director recommends that Strategic Shareholders now **REJECT** the Offer on the basis of the findings by Stanton International Securities in the Updated Independent Expert's Report and for those reasons set out in Section 5 of this Supplementary Target's Statement. The Independent Director advises Strategic Shareholders to still consider the details set out in Section 2.1 of the Original Target's Statement.

5. REPLACEMENT OF SECTION 2.2 OF THE ORIGINAL TARGET'S STATEMENT

Section 2.2 of the Original Target's Statement is removed and is replaced in its entirety by the following:

2.2 Independent Director's recommendation

The reasons for the Independent Director's recommendation that Strategic Shareholders reject the Offer in the absence of a superior proposal are set out below.

(a) **The Independent Expert has concluded the Offer is not fair but reasonable to Strategic Shareholders not associated with QGold**

A copy of the Updated Independent Expert's Report by Stantons International Securities, the Independent Expert appointed by Strategic, is included as Attachment 1 to this Supplementary Target's Statement. The Updated Independent Expert's Report states that, in the Independent Expert's opinion, the unconditional, on market Offer of \$0.40 cash for each Strategic Share is not fair but reasonable to

Strategic Shareholders not associated with QGold, and gives reasons for that opinion.

The Independent Expert has also assessed the value of a Strategic Share as being in the range of 25.16 cents to 81.09 cents, with a mid-point value of approximately 54.12 cents. The Offer of 40 cents per Strategic Share is therefore below the mid-point value per Strategic Share assessed by the Independent Expert. The Independent Director has sought to negotiate a higher bid price from QGold but no higher bid price has been offered to date.

As such, the Independent Director is of the view that the Offer of 40 cents per Strategic Share is inadequate and does not reflect the fair value of your Strategic Shares.

The Independent Director recommends that you read the Updated Independent Expert's Report in full.

(b) **Forgoing the opportunity to participate in the future growth of Strategic**

The Offer of 40 cents per Strategic Share is below the value of a Strategic Share being in the range of 25.16 cents to 81.09 cents, with a mid-point value of approximately 54.12 cents, as disclosed in the Updated Independent Expert's Report. As such, the Independent Director is of the view that those Strategic Shareholders that accept the Offer will be forgoing the opportunity to participate in Strategic's expected future growth.

(c) **QGold has not detailed how it intends to improve Strategic's performance**

QGold has not made it clear how it intends to improve Strategic's performance. QGold has stated that if it does not acquire 90% or more of the Strategic Shares), but still gains effective control of Strategic, it will consider the benefits and suitability of Strategic remaining listed on the ASX, re-constituting the Board to reflect QGold's majority ownership of Strategic, acquire additional Strategic Shares under the "creep" provisions set out in the Corporations Act and will consider the operations, assets, structure and employees of Strategic.

Strategic's senior management, employees and their reputation are its key assets. If QGold gains effective control of Strategic, the uncertainty may impact the ability to attract and retain key employees.

The Independent Director recommends that Strategic Shareholders reject the Offer but considers that Strategic Shareholders should also be aware of the following factors in making their decision in relation to the Offer:

(a) **The Offer is an unconditional 100 per cent cash offer**

The Offer is an unconditional 100 per cent cash offer. QGold has stated in its Bidder's Statement that the consideration payable will be satisfied using irrevocable and unconditional advances from Christopher Wallin, QGold's sole director. The Offer provides immediate and certain value for your Strategic Shares with settlement occurring two Trading Days after your acceptance (T + 2), in accordance with usual rules for settlement of on market transactions on ASX.

(b) **There may be adverse consequences associated with not accepting the Offer**

If you do not accept the Offer and QGold gains effective control of Strategic but is not entitled to proceed to compulsory acquisition of the outstanding Strategic Shares, then you might remain a minority shareholder in Strategic.

If Strategic remains listed and assuming the suspension presently in place on the Strategic shares is lifted, the Independent Director considers it is unlikely that the Strategic Share price will continue to trade at the share price available prior to release of the Original Target's Statement and, accordingly, would likely fall below the Offer Price. In particular, it is unlikely to increase to the preferred value set by the Independent Expert due largely to the anticipated limited liquidity available through QGold's significant shareholding in Strategic.

If only a limited number of minority shareholders remain, it is also possible that the market for your Strategic Shares may become less liquid, making it more difficult to sell your Strategic Shares in the future. Historically, Strategic Shares have experienced relatively low trading volumes. This may also result in Strategic having limited options available for capital raising activities that are non-dilutive to Strategic shareholders or are otherwise on favourable terms and conditions.

There is also a risk that, if there is insufficient spread of Strategic Shareholders, Strategic may be de-listed from the ASX, which could have an adverse effect on the price and marketability of your Strategic Shares.

QGold has indicated that if it gains effective control of Strategic but is not entitled to proceed to compulsory acquisition, it will consider the benefits and suitability of Strategic remaining listed on ASX and may seek approval from the ASX to delist Strategic. In accordance with the orders of the Takeovers Panel, Strategic must not (and QGold must procure that it does not) request removal of Strategic from the official list of the ASX, unless QGold and its related bodies corporate own or control at least 79.04% of Strategic's ordinary securities immediately following the later of:

- (i) the last off market transfer of Strategic shares contemplated by the withdrawal rights referred to in Section 2 being processed and registered; and
- (ii) close of the Offer.

QGold has also indicated that it will consider re-constituting the Board to reflect the Bidder's majority ownership of Strategic. Refer to Section 5.3 of the Bidder's Statement and Section 6.13 of the Target's Statement for further details.

(c) **No superior proposal for Strategic has emerged**

As at the last Business Day prior to the date of this Target's Statement, no competing proposal or superior proposal had been received by the Independent Director.

6. WITHDRAWAL RIGHTS

In accordance with the orders made by the Takeovers Panel, QGold must offer all Strategic Shareholders who sold Strategic Shares between the announcement on ASX of the takeover bid on 4 December 2017 (**Announcement**) and 4:00pm (AEDT) on 2 January 2018 (being the date that Strategic entered into a trading halt pending release of the Updated Independent Expert's Report) (**Eligible Shareholders**) the right to buy the same number of shares they sold after the Announcement (or part thereof) at the takeover offer price of \$0.40 per share. QGold will dispatch a letter and application form to each eligible Strategic shareholder within five (5) business days of the issue of this Supplementary Target's Statement. Eligible Strategic shareholders will have 15 business days from the date on which QGold dispatches the last application form to accept the offer.

7. CONSENTS

Stantons International Securities Pty Ltd, trading as Stantons International Securities (**Stantons International Securities**) has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in the Supplementary Target's Statement and to the inclusion of the Updated Independent Expert's Report in this Supplementary Target's Statement and any statement said in this Supplementary Target's Statement to be based on a statement by Stantons International Securities, in the form and context in which it is included.

Stantons International Securities:

- (a) has not caused or authorised the issue of this Supplementary Target's Statement;
- (b) does not make or purport to make any statement in this Supplementary Target's Statement or any statement on which a statement in this Supplementary Target's Statement is based, other than as included in the Updated Independent Expert's Report and statements in this Supplementary Target's Statement based on its Updated Independent Expert's Report; and
- (c) takes no responsibility for any part of this Supplementary Target's Statement other than the Updated Independent Expert's Report and statements in this Supplementary Target's Statement based on the Updated Independent Expert's Report and any reference to its name.

AMC Consultants Pty Ltd has given, and has not withdrawn before the lodgement of this Supplementary Target's Statement with ASIC, its written consent to be named in the Supplementary Target's Statement and to the inclusion of the New Valuation Report in this Supplementary Target's Statement and any statement said in this Supplementary Target's Statement to be based on a statement by AMC, in the form and context in which they are included.

AMC:

- (a) has not caused or authorised the issue of this Supplementary Target's Statement;
- (d) does not make or purport to make any statement in this Supplementary Target's Statement or any statement on which a statement in this

Supplementary Target's Statement is based, other than as included in the New Valuation Report and statements in this Supplementary Target's Statement based on the New Valuation Report; and

- (e) takes no responsibility for any part of this Supplementary Target's Statement other than the New Valuation Report and statements in this Target's Statement based on the New Valuation Report and any reference to its name.

8. DIRECTORS' AUTHORISATION

This Supplementary Target's Statement has been approved by a resolution passed by the Directors of Strategic.

Signed for and on behalf of Strategic:

Mr Jay Stephenson
Non-Executive Director
For and on behalf of
Strategic Minerals Corporation NL

ATTACHMENT 1 – INDEPENDENT EXPERT’S REPORT

25 May 2018

The Directors
Strategic Minerals Corporation NL
58 Jersey Street
JOLIMONT WA 6008

Dear Sirs

RE: STRATEGIC MINERALS CORPORATION NL (“SMC” OR “THE COMPANY”) (ABN 35 008 901 380) – REVISED INDEPENDENT EXPERT’S REPORT RELATING TO THE ON-MARKET TAKEOVER OFFER TO THE SHAREHOLDERS OF THE COMPANY BY QGOLD PTY LTD (“QGOLD”).

THIS REVISED INDEPENDENT EXPERT’S IS TO BE INCLUDED IN A SUPPLEMENTARY TARGET STATEMENT TO BE ISSUED BY SMC ON OR AROUND LATE MAY 2018 AND SHOULD BE READ WITH THE ORIGINAL TARGET STATEMENT OF 18 DECEMBER 2017. THE SUPPLEMENTARY TARGET STATEMENT WILL BE IN A RESPONSE TO A SUPPLEMENTARY BIDDERS STATEMENT DATED 22 MARCH 2018 AND LODGED WITH SMC ON 22 MARCH 2018

Stantons International Securities Pty Ltd, trading as Stantons International Securities (“Stantons International Securities”), the Independent Expert who prepared the Independent Experts Report contained as Attachment 1 of the Original Target’s Statement, has advised Strategic that the Independent Experts Report has been amended to reflect a finding that the proposed Offer by QGold to the Strategic shareholders not associated with QGold is, as at the date of the Updated Independent Expert’s Report, not fair but reasonable to the shareholders of Strategic (“Updated Independent Expert’s Report”), based upon a new Technical Experts Report (details of which are set out below).

The Updated Independent Expert’s Report contains, in Annexure B, a new Independent Valuation Report prepared by AMC Consultants Pty Ltd (“AMC”), the Technical Expert engaged by Stantons International Securities on behalf of Strategic.

In the valuation report prepared by Corvidae Pty Ltd, as Trustee for Ravensgate Unit Trust Trading as Ravensgate (“Ravensgate”) that was included with the original independent expert’s report (“Original Valuation Report”), an error had been made with respect to the in-situ value per ounce paid by Gascoyne Resources Limited (“Gascoyne”) for its acquisition of a 20% interest in the Dalgarranga Gold Project. The Original Valuation Report contained an error in that it applied a valuation to Strategic’s assets on the understanding that Gascoyne had acquired 100% of the Dalgarranga Gold Project. This error was not discovered by Ravensgate until late in December 2017.

In discussions with Ravensgate following identification of the error set out above (together with other comments received from ASIC during the Takeovers Panel proceedings relating to the Takeover Bid), it was determined that a significant number of changes were required to the Original Valuation Report in order to ensure that it was compliant with all relevant regulatory requirements. The Company and Stantons International Securities were working with Ravensgate to have the Original Valuation Report updated accordingly. However, during this process, Ravensgate indicated that it was not willing to prepare an updated valuation report as it did not have sufficient resources available to complete the updated report and have the updated report peer reviewed.

As a result of the above, Stantons International Securities spoke to a number of geological firms to prepare a valuation report to be provided with the Updated Independent Expert’s Report, following which AMC was engaged to prepare a new Independent Valuation Report to be enclosed with the Updated Independent Expert’s Report. AMC was chosen to prepare the updated valuation report on the basis of its credentials, significant experience and availability to provide sufficient resources to assist with the process.

This revised report replaces our independent expert's report dated 18 December 2017 and included in a Target Statement (Original Target Statement) of 18 December 2017. As a result of obtaining a new valuation report, the opinion by us has altered from fair and reasonable to not fair but reasonable.

Summary of Opinion

After taking into account all of the factors noted in this report, and in the absence of a more superior offer, we are of the opinion, that on an adjusted net asset value basis of valuing the SMC shares on a 100% control basis, the proposed On-Market Takeover Offer by QGold to the SMC shareholders not associated with QGold is not fair but reasonable to the shareholders of SMC as at the date of this report.

Shareholders should read the Supplementary Target Statement as to the recommendation of the Independent Director as to whether to accept or reject the On-Market Takeover Offer.

1. Introduction

- 1.1 We have been requested by the Independent Takeover Response Committee of SMC to prepare an Independent Expert's Report in accordance with Section 640 of the Corporations Act 2001 ("TCA") to determine whether the proposed on-market bid under Part 6.5 of TCA for all the shares in SMC (including those already held by associates of QGold) ("On-Market Takeover Offer" or "Takeover") is fair and reasonable to the ordinary shareholders of SMC. The full details of the On-Market Takeover Offer are included in the QGold's Bidders Statement dated 4 December 2017 and served on the Company on 4 December 2017 (as supplemented by a supplementary bidder's statement dated 22 March 2018). In effect, QGold is making a cash bid Offer of 40.0 cents per share for all of the shares in SMC including those that it already has an interest in (refer paragraph 1.5 below).
- 1.2 All shareholders of SMC should read the Bidder's Statement of QGold (as supplemented by a supplementary bidder's statement dated 22 March 2018) and the Target's Statement prepared by SMC (as supplemented by the supplementary target's statement with which this report is enclosed) to fully understand the implications of the On-Market Takeover Offer. QGold is effectively controlled by its sole director, Christopher Wallin.
- 1.3 Under the On-Market Takeover Offer, SMC ordinary shareholders will be entitled to receive 40.0 cents cash for each share held in SMC. The On-Market Takeover Offer is an on market takeover Offer and shareholders can sell their shares to QGold at any time and receive cash proceeds within three trading days. The On-Market Takeover Offer initially was to expire on 30 March 2018 (but may be extended or withdrawn in accordance with the Corporations Act 2001) and has subsequently been extended to 29 June 2018.
- 1.4 The Directors of SMC are required to issue a Target's Statement in response to the Bidder's Statement, which will include their recommendation as to whether the SMC shareholders not associated with QGold should accept the On-Market Takeover Offer. The Bidders Statement was released on 18 December 2017 that noted the Independent Directors stating that the On-Market Takeover Offer was fair and reasonable. Due to the change in value to the Woolgar Gold Project, our view is that the On-Market Takeover Offer is now not fair but may be considered reasonable in the circumstances. Our report is now included in a Supplementary Target Statement to be issued on or around late May 2018.
- 1.5 QGold is a private company and is effectively controlled by its sole director, Christopher Wallin. Details on control of QGold are outlined in the Supplementary Bidders Statement under Section 2. QGold holds exploration permits in Queensland and another company controlled by Christopher Wallin, Energy Minerals Pty Ltd holds exploration permits in Queensland. Sections 3 and 5.4 of the Supplementary Bidders Statement refers to further details on such permits. Another company controlled by Christopher Wallin, QCoal Pty Ltd ("QCoal") (not a subsidiary of QGold or vice versa) mines coal from the Bowen Basin, including the Sonoma Coal Mine. Further information regarding QGold can be found in the Frequently Asked Questions section of the Bidders Statement. We have not independently verified the information on QGold.

Mr Christopher Wallin had the following interest in SMC shares as at 4 December 2017 (the date of the Bidders Statement):

- QGold holds 48,755,227 shares in SMC and as stated above QGold is controlled by Christopher Wallin representing approximately 69.20% of the issued capital of SMC on that date (as at 14 December 2017, the shareholding of QGold has increased to 52,976,875 shares in SMC representing approximately 75.197% of SMC's capital as at that date);

The Chairman of SMC Laif McLoughlin is married to Fiona Wallin who is the daughter of Christopher Wallin, the sole director of QGold. Laif McLoughlin was appointed non-executive chairman of SMC on 1 June 2014 following the interests of Christopher Wallin obtaining a majority interest in SMC. As at 4 December 2017, he held 146,739 shares in SMC.

- 1.6 Further information regarding SMC can be found in the Original Target's Statement at "Section 4 - "Information regarding SMC" and the Company's website at www.stratmin.com.au in addition to the information contained in this report and the valuation report of AMC Consultants Pty Ltd (refer below). On 9 March 2018, the Company arranged a \$1,000,000 finance facility with Christopher Wallin on an interest free basis and repayable within 8 months of draw-down. Section 6 of the Supplementary Bidders Statement provides further details.
- 1.7 In assessing the On-Market Takeover Offer for SMC, we have had regard to relevant Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111: Content of Expert Reports ("RG 111"). RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the Takeover Offer.
- 1.8 An offer (in this case the On-Market Takeover Offer made by QGold through the takeover bid for SMC) is fair if the value of the offer price or consideration is equal to or more than the value of the securities the subject of the On-Market Takeover Offer (for the ordinary shares in SMC). An offer is reasonable if it is fair. In this situation, we are reporting on the proposals to the ordinary shareholders of SMC as to whether the proposed Takeover Offer is fair and reasonable to the ordinary shareholders not associated with QGold.
- 1.9 The Independent Directors of SMC have requested Stantons International Securities Pty Ltd trading as Stantons International Securities ("SIS") to prepare an Independent Expert's Report providing an opinion on whether the On-Market Takeover Offer to the SMC shareholders by QGold is fair and reasonable to SMC shareholders not associated with QGold. The report should not be used for any other purpose. Our original 18 December 2017 independent expert's report was included in the Original Target Statement issued to the shareholders of SMC on or about 18 December 2017. This updated Independent Expert's Report is to be included in a Supplementary Target Statement to be issued by SMC on or around late May 2018.
- 1.10 Apart from this introduction, this report includes the following:
 - Summary of opinion
 - Implications of the proposed On-Market Takeover Offer by QGold
 - Profile of SMC
 - Methodology
 - Valuation of SMC shares
 - Value and Fairness of Consideration Compared to Value of Assets Acquired
 - Reasonableness of the On-Market Takeover Offer to SMC shareholders
 - Conclusion as to Fairness and Reasonableness of the On-Market Takeover Offer
 - Sources of information
 - Shareholder Decision
 - Appendices A and B (the Independent Valuation Report of AMC Consultants Pty Ltd as noted below) and our Financial Services Guide.

2. Summary Opinion

- 2.1 In determining the fairness and reasonableness of the On-Market Takeover Offer relating to the SMC shareholders we have had regard to the guidelines set out by ASIC in its Regulatory Guide 111. RG 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and

an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). An offer is “fair” if the value of the consideration offered is equal to or greater than the value of the securities that are subject to the offer and an offer is “reasonable” if it is “fair”, or where it is not fair, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

Our report relating to the On-Market Takeover Offer by QGold regarding SMC shareholders is concerned with the fairness and reasonableness of the On-Market Takeover Offer. The advantages, disadvantages and other factors determined to arrive at our opinions are outlined in detail under Section 9 of this report.

- 2.2 **After taking into account all of the factors noted in this report, and in the absence of a more superior offer, we are of the opinion that on an adjusted net asset value basis of valuing the SMC shares (on a 100% control basis), the proposed On-Market Takeover Offer by QGold to the SMC shareholders not associated with QGold (the On-Market Takeover Offer was to all shareholders including those associated with Christopher Wallin) is not fair but reasonable to the shareholders of SMC as at the date of this report.**

SIS’s opinion should not be construed to represent a recommendation as to whether or not SMC shareholders should accept the On-Market Takeover Offer by QGold. Shareholders uncertain as to the impact of accepting the On-Market Takeover Offer should seek separate advice from their financial and/or taxation adviser. Shareholders should read the Supplementary Target Statement as to the recommendation of the Independent Director as to whether to accept or reject the On-Market Takeover Offer.

- 2.3 The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the revised Independent Valuation Report of AMC Consultants Pty Ltd (“AMC”) dated 19 April 2018 (Appendix B to this report). The original Independent Valuation Report by Ravensgate dated 13 December 2017 has been withdrawn and should not be relied upon.

3. Implications of the proposed On-Market Takeover Offer by QGold

- 3.1 As at 21 May 2018, there are 70,450,536 ordinary shares on issue in SMC (all of which are quoted on the Australian Securities Exchange (“ASX”).
- 3.2 As at 23 April 2018, the top five fully paid shareholders of SMC as disclosed in the top 25 shareholders report are as follows:

	Number	Percentage
QGold Pty Ltd	56,370,244	80.01
HSBC Custody Nominees Australia Limited	4,482,963	6.36
J P Morgan Nominees Australia	989,729	1.40
Citicorp Nominees Pty limited	659,755	0.94
Fields Limited	583,334	0.83
	<u>63,086,025</u>	<u>89.54</u>

The top 25 shareholders at 23 April 2018 as per the share register owned approximately 95.68% of the ordinary issued capital of the Company (top 25 shareholders, 92.06%). We have been advised that as at 24 April 2018, QGold is entitled to 56,684,380 shares in SMC that represents an approximate 80.46% shareholding in SMC.

Details on the Directors’ interests in SMC are outlined in the Original Target’s Statement under the heading of Section 8.1- Interests and Dealings in Strategic Securities”.

- 3.3 If the On-Market Takeover Offer is fully successful, the interests of QGold and Christopher Wallin would own 100% of the shares in SMC. The non-associated shareholders would no longer have a shareholding interest in SMC but would have been paid out 40.0 cents per share for each share held. There is no cost to the Company itself other than incurring fees approximating \$75,000 relating to the Original Target Statement issue. SMC would cease to be listed on the ASX.

In the event that the interests of QGold do not achieve over 90% acceptances (on achieving over 90%, QGold can compulsorily acquire the remaining 10%), the remaining shareholders will have a minority interest in SMC and depending on the number of shareholders and their shareholding, there is a risk that the Company could be suspended from trading on the ASX until such time as the Company met the Chapter 12.4 “spread” conditions for trading.

- 3.4 If the non-QGold associated shareholders sell their shares to QGold, they will no longer have any upside (or downside) exposure to the mineral assets of the SMC Group.

4. Profile of SMC - Background

4.1 Principal Activities

SMC is listed on the ASX. Its focus is mineral exploration in Australia. Its most significant area of interest (“Mineral Assets”) is:

- The Woolgar Gold Project in Queensland is the most significant mineral project of the Company.

In addition, it has an interest in a joint venture at Mt Frome Project in South Australia (10% interest) and a joint venture interest in the Reaphook Project, South Australia (7.5% interest).

Further details on the Mineral Assets of the SMC Group are outlined in the Ravensgate Valuation Report and Section 7 of the Original Target Statement.

In addition, as at 31 December 2017, the SMC Group had audited cash funds of approximately \$405,000 with liabilities of approximately \$369,000 (net cash \$36,000). Monthly administration and corporate costs approximate \$50,000. Based on the quarterly cash flow report for the quarter ended 31 March 2018, SMC expended a further \$680,000 on exploration and evaluation on the Woolgar Gold Project and \$188,000 in administration and corporate costs. As noted above, SMC has entered into a \$1,000,000, interest free, finance facility with Christopher Wallin and funds from the finance facility will be used to repay liabilities and fund exploration, staff and administration costs. The \$1,000,000 is repayable 8 months after draw-down. The loan funds were drawn down in full on 12 March 2018.

4.2 Directors of SMC

The directors of SMC are Laif McLoughlin (refer paragraph 1.4 above), Christopher Wallin and Jay Stephenson

4.3 State of Affairs

There have been significant changes in the state of affairs of the Company since 30 June 2017 (Interim Report for the half year ended 30 June 2017 lodged with ASX on 13 September 2017), including:

- Incurring of losses to 31 December 2017 at approximately \$266,000 (a loss of approximately \$621,000 since 1 January 2017 to 31 December 2017);
- The raising via a placement announced to the market on 15 November 2017 that raised a gross \$500,000 and 1,388,889 shares issued at 36 cents each;
- The entering into a \$1,000,000 loan facility with Christopher Wallin – all drawn-down on 12 March 2018.
- The financial position of the Company as at 31 December 2017 is weak as noted below.

On 20 July 2017, the Company announced a further drilling programme at Woolgar was to shortly commence. On 30 October 2017, the Company announced a Resource Update and on 1 December 2017 the Company announced further results of the 2017drilling program. On 4 December 2017, the Bidders Statement was lodged by QGold. On 14 March 2018, the Company announced encouraging Soil Chemistry and Exploration Results pertaining to Woolgar.

Details on the Takeover Panel's announcements pertaining to unacceptable conduct are outlined in the Supplementary Bidders Statement and announcements made by SMC in the period 4 January 2018 to 2 March 2018.

Details of all announcements made by SMC are available from SMC's website www.stratmin.com.au. In addition, copies of all announcements made by SMC are lodged with ASX. We encourage the non-associated shareholders to read all announcements made by SMC particularly over the past 12 months.

4.4 Change in Consolidated Net Worth

During the 12-month period ended 31 December 2017 and after allowing for the \$500,000 raised in November 2017, the shareholders' equity increased by approximately \$2,076,000 to a balance totalling approximately \$24,627,000, primarily due to the cash received from the placement in November 2017 (refer above), the rights issue of April/May 2017 that raised approximately a net \$2,200,000 and partly offset by the loss after tax incurred in the 12 months to 31 December 2017 of approximately \$621,000.

4.5 Financial Position

Set out below is a condensed audited statement of financial position of the SMC Group as at 31 December 2017 adjusted for estimated losses to 31 March 2018 of a further \$188,000 (decrease in cash) allowing for exploration and evaluation expenditure of approximately 680,000 to 31 March 2018 (capitalised exploration costs and decrease in cash) (both figures based on the figures contained in the quarterly report to shareholders to 31 March 2018 lodged with ASX on 30 April 2018) and allowing for the receipt of \$1,000,000 by way of a loan from Christopher Wallin (increase in cash and loan liabilities).

	SMC Adjusted 31 December 2017 \$000's
Current Assets	
Cash	547
Receivables and prepayments	134
	<u>681</u>
Non-Current Assets	
Fixed assets	18
Capitalised acquisition (mineral) costs	25,026
Investments (other financial assets)	18
Security bonds and other assets	81
	<u>25,143</u>
Total Assets	<u>25,824</u>
Current Liabilities	
Trade and other payables	317
Borrowings	1,009
Employee entitlements	43
Total Current Liabilities	<u>1,369</u>
Total liabilities	<u>1,369</u>
Net Assets	<u>24,455</u>

Equity	
Issued capital	52,236
Reserves	2,972
Accumulated losses	(30,747)
	<u>24,489</u>
Minority interests	(6)
Net Equity	<u><u>24,455</u></u>

The adjusted book net tangible asset backing as at 31 December 2017 equates to approximately 34.71 cents per share based on 70,450,536 ordinary shares on issue.

4.6 Financial Performance

The summarised audited consolidated statements of comprehensive income of SMC for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 are set out in the table below.

	Audited 12 months ended 31 December 2017 \$000	Audited 12 months ended 31 December 2016 \$000	Audited 12 months ended 31 December 2015 \$000
Interest Income	2	2	27
Other income	-	18	2
Revenue from continuing operations	<u>2</u>	<u>20</u>	<u>29</u>
Total other revenue	<u>2</u>	<u>20</u>	<u>29</u>
Administration, shareholder and other costs	188	158	123
Consultancy/legal	88	68	71
Depreciation	4	18	64
Employment costs	281	316	483
Impairment of available for sale investments	-	10	4
Impairment of tenements	(5)	-	-
Occupancy	59	14	46
Travel	8	15	-
Profit/(loss) before income tax	<u>(621)</u>	<u>(579)</u>	<u>(762)</u>
Income tax expense benefit	-	-	-
Loss after income tax	(621)	(579)	(762)
Other comprehensive income	-	-	-
Total loss and other comprehensive income/ (loss)	<u><u>(621)</u></u>	<u><u>(579)</u></u>	<u><u>(762)</u></u>

In assessing SMC's financial position, SMC's projects and the various stages of exploration and evaluation, SMC is unlikely to be in a position to pay dividends on the ordinary shares in the foreseeable future.

5. Methodology

5.1 Criteria for assessment of fairness and reasonableness

In forming our opinion as to whether the On-Market Takeover Offer by QGold is in the best interest of the shareholders of SMC, we have considered the following definitions of "fair" and "reasonable" outlined in RG 111 issued by the Australian Securities and Investments Commission.

- an offer is “fair” if the value of the offer price or consideration being offered is equal to or greater than the value of the securities that are the subject of the offer; and
- an offer is “reasonable” if it is fair, or where it is “not fair”, it may still be “reasonable” after considering other significant factors which support the acceptance of the offer in the absence of a higher bid.

5.2 Under these definitions, the On-Market Takeover Offer for all of the ordinary shares in SMC would be considered fair and reasonable to the shareholders of SMC and in the best interests of all such shareholders if the cash consideration under the On-Market Takeover Offer is an amount that is equal to, or greater than, the assessed value of the ordinary shares in SMC being acquired via the On-Market Takeover Offer.

5.3 Valuation Methodology – SMC

In assessing the value of SMC, we have considered a range of valuation methods. RG 111 states that it is appropriate for an independent expert to consider various methods of valuation. The valuation methodologies we have considered in determining a theoretical value of a SMC share are noted below.

5.3.1 Capitalisation of Future Maintainable Earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data. The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives. The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

5.3.2 Discounted Future Cash Flows (“DCF”)

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks. A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5.3.3 Net Tangible Asset Value on a Going Concern Basis

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimate the market values of the net assets of an entity, but do not take into account any realisation costs. Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life.

All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset-based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

5.3.4 Quoted Market Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon ASX. The use of ASX pricing is more relevant where a security displays regular high-volume trading, creating a "deep" market in that security.

5.3.5 Alternative Takeover Offer

Where any recent genuine offers have been received for the shares being valued, it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

6. Valuation of SMC Shares

6.1 Valuation Method Adopted for SMC

The preferred valuation method used to value the shares of SMC is the net asset value method although consideration has also been given to the share price at which SMC shares have transacted in the one month and three-month period before the announcement of the Takeover Offer. In order to determine the net asset value of SMC, we have instructed an independent technical expert, AMC specialising in the valuation of Mineral Assets to provide a range of values for SMC's Mineral Assets (the AMC Valuation Report). The AMC Valuation Report dated 19 April 2018 is appended to this report as Appendix B.

The valuation of a target should be based upon a 100% interest in that target which should include a premium for control. We have not considered the FME and DCF methods as appropriate to value the shares of SMC due to the lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity.

It is possible that a potential bidder for SMC could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no other current bids in the market place (other than the bid by QGold), thus the use of this valuation method is not relevant for the purposes of this report. There is always the possibility of another bid emerging, however to the date of this report, no other Takeover Offer has been made.

We set out in section 7.3 a summary of the fully paid share prices of SMC trading on ASX (on extremely low volumes) since January 2017.

6.2 Adjusted Net Asset Value of SMC Shares

We set out below SMC's audited net assets as at 31 December 2017, based on SMC being a going concern, adjusted after allowing for cash administration and corporate costs to 31 March 2018 of approximately \$188,000, (cash reduced and accumulated losses increased) and allowing for cash exploration expenditure of \$680,000 for the 3 months to 31 March 2018 (capitalised costs increased and cash reduced). It also has been adjusted for the \$1,000,000 under the loan facility with Christopher Wallin (cash and liabilities increased by \$1,000,000).

The low, preferred and high valuation figures have been adjusted for the technical valuations of the mineral tenement interests (“Mineral Assets”) of the SMC Group as noted below. As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We have been advised that SMC has not been involved in any significant (material) transactions subsequent to 31 December 2017 not already referred to in this report (mainly entering into a \$1,000,000 finance facility with Christopher Wallin) or the Supplementary Target’s Statement.

	Ref	Adjusted 31 December 2017 \$000	Low Valuation \$000	Preferred Valuation \$000	High Valuation \$000
Current Assets					
Cash assets	6.3.1	547	252	252	252
Trade and other receivables/Prepayments		134	134	134	134
Total Current Assets		681	386	386	386
Non -Current Assets					
Plant and equipment		18	18	18	18
Deferred exploration Available for sale	6.3.3	25,026	20,000	39,000	58,000
financial assets		18	18	18	18
Security bonds		81	81	81	81
Total Non-Current Assets		25,143	20,117	39,117	83,117
Total Assets		25,824	20,503	39,503	58,503
Current Liabilities					
Trade and other payables		317	317	317	317
Borrowings	6.3.1	1,009	1,009	1,009	1,009
Provisions		43	43	43	43
Total Current Liabilities		1,369	1,369	1,369	1,369
Total Liabilities		1,369	1,369	1,369	1,369
Net Assets		24,455	19,134	38,134	57,134
Shares on issue		70,450,536	70,450,536	70,450,536	70,450,536
Value of a SMC Share (in cents)		34.71	25.16	54.12	81.090

Thus, the net asset (book value) backing per fully paid share as at 31 December 2017(as adjusted) was approximately 34.75 cents per share. On an adjusted fair value basis, the technical value of a SMC share may fall in the range of **25.16 cents to 81.09 cents with a preferred technical value of approximately 54.12 cents.**

It is noted that in the six months prior to the On-Market Takeover Offer of 4 December 2017, the market capitalisation approximated between \$19.726 million to \$25.362 million based on share prices of 28.0 cents and 36 cents respectively. This range of market capitalisations’ is substantially below the adjusted range of net asset values as noted above. It is also noted that the Company has an estimated negative current liability (current liabilities exceed current assets of approximately \$(983,000)).

The following further adjustments were made to the 31 December 2017 (as adjusted) audited consolidated statement of financial position (balance sheet) of SMC to arrive at the range of valuations.

- 6.2.1 The audited cash balance as at 31 December 2017 was reduced to reflect the cash administration and corporate expenses of approximately \$188,000 for the three-month period to 31 March 2018, the cash exploration expenditure on the Woolgar Gold Project of approximately \$680,000 to 31 March 2018 (capitalised) and the borrowings of \$1,000,000 from Christopher Wallin on 12 March 2018 (borrowings increased). Furthermore, the cash position was reduced by an additional \$295,000 to reflect the estimated cash spend in April 2018 and to the end of May 2018 (based on forecasted cash

outlays for the three months ended 30 June 2018 as noted in the quarterly cash flow report to 31 March 2018 lodged with the ASX in late April 2018 and pro-rated to 31 May 2018)

- 6.2.2 The investments in available for sale assets (investments in other ASX listed companies) has not been adjusted to account for the value of the investments as last traded on the ASX as at 31 December 2017. The difference in value is immaterial and fluctuates daily.
- 6.2.3 Deferred exploration expenditure is adjusted to reflect the values indicated by the AMC Valuation Report. AMC was commissioned by us in April 2018 to provide a market valuation of SMC's Mineral Assets in order to assist us in assessing the market value of SMC when considering the Takeover Offer by QGold. AMC has provided three market indications as to the potential value of the Mineral Assets, which have been disclosed in the table above. Accordingly, the consolidated statement of financial position has been adjusted to reflect the valuation ranges. The valuation ranges of the Mineral Assets by AMC dated 19 April 2018 is substantially higher than the range of values in the Original Ravensgate Valuation Report dated 13 December 2017.

The AMC Valuation Report attached as Appendix B to this report should be read in its entirety.

- 6.2.4 There have not been any other material changes in the values of other assets.
- 6.2.5 We have used and relied on the AMC Valuation Report on the SMC Mineral Assets and have satisfied ourselves that:
- AMC is a suitable geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations (also the principal authors of the report are suitably qualified and experienced);
 - AMC is independent from SMC and QGold; and
 - To our knowledge, AMC have employed sound and recognised methodologies in the preparation of the AMC Valuation Report on the SMC Mineral Assets.

Discussions were held with a senior representative of AMC who have assured us that they have complied with the VALMIN Code in preparing such report.

- 6.2.6 AMC has ascribed a range of market values for the SMC Group's Mineral Assets as follows:

	Low \$000's	Preferred \$000's	High \$000's
Woolgar Mineral Resources	3,000	19,000	35,000
Woolgar Exploration EPM's	17,000	20,000	23,000
Mineral Assets of SMC	20,000	39,000	58,000

- 6.2.7 **The above table indicates the technical net asset value of a SMC share is between 25.16 cents and 81.09 cents, with a preferred value of 54.12 cents per SMC share.**

- 6.3 Quoted Market Price Basis – SMC Share Price

- 6.3.1 In addition to the adjusted net asset valuation of SMC shares in Section 6.2 of this report, we normally consider the quoted market price of a share where the shares are quoted.

We set out below a summary of the fully paid share prices of SMC trading on ASX (on extremely low volumes) since 1 January 2017 to 3 December 2017, the day before the announcement of the Takeover Offer by QGold.

	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
January	36.0	30.0	33.0	72
February	33.0	30.0	30.0	17
March	35.0	32.0	35.0	42

	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
April	36.0	32.0	35.0	171
May	35.5	33.0	35.0	289
June	36.0	35.0	35.0	68
July	36.0	35.0	36.0	9
August	32.5	30.5	32.5	8
September	30.0	28.0	30.0	55
October	33.0	30.0	33.0	24
November	35.0	35.0	35.0	2,037
December (to 2 nd)	-	-	-	-

- (i) On 13 April 2017, the Company released the Non-Renounceable Entitlements Issue Prospectus to raise capital at 33 cents per share to raise approximately \$2,089,000 (closed in May 2017) and on 13 April 2017 and the Company announced a placement of 916,667 shares at 36 cents to raise \$330,000;
- (ii) On 28 April 2017, 28 July 2017 and 30 October 2017 the Company released its Quarterly Activity Reports and Cash Flow Statement for the quarters ended 31 March 2017, 30 June 2017 and 30 September 2017 respectively (with positive news on the Woolgar Gold Project);
- (iii) On 1 March 2017, the Company announced a Resource Update on the Big Vein Project (part of Woolgar);
- (iv) On 20 July 2017, the Company announced drilling at the Big Vein Project area and announced the results on 12 October 2017;
- (v) On 30 October 2017, the Company announced an update to the resource figures at Woolgar;
- (vi) On 15 November 2017, the Company announced the placement of 1,388,889 shares at 36.0 cents each to raise a gross \$500,000.

6.3.2 The volume of trades in SMC shares to 3 December 2017 were extremely low and the share price was affected by relatively small volumes and the fact that approximately 69.15% of the shares were in the hands of QGold as at 4 December 2017 (as at 14 December 2017, 75.197%). However, SMC is a listed entity and it would be remiss not to refer to the share prices in evaluating the fairness of the proposed Takeover Offer by QGold. It is noted that the net book asset backing per share as at 31 December 2017 (as adjusted for cash costs to 31 March 2018) approximates 34.71 cents (but ignoring the technical range of values of the mineral interests). The asset backing per share using the audited 31 December 2017 net assets approximates 34.95 cents.

It is noted that post the issue of the Original Target Statement of 18 December 2017, the volumes of shares traded on ASX and acquired by QGold at 40.0 cents each) have been:

19 December 2017	725,654
20/21 December 2017	721,799
22 to 28 December 2017	1,152,856
29 December 2017	1,063,409

6.3.3 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between SMC and other parties. We also note it is not the present intention of the directors of SMC to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical.

The shareholders, existing and future, must acquire shares in SMC based on the market perceptions of what the market considers a SMC share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for SMC shares and the market is kept fully informed of the activities of the Company. SMC's market capitalisation as at 30 November 2017 approximated the book net equity position of around \$24.485 million as at 30 June 2017 (and as at 31 December 2017).

6.3.4 The future value of an SMC share will depend upon, inter alia:

- * The successful exploitation of the current Mineral Assets of SMC;
- * The state of the gold, uranium and base metal markets (and prices) in Australia and overseas;
- * The cash position of the SMC Group;
- * The state of Australian and overseas stock markets;
- * Membership and control of the Board and management of SMC;
- * General economic conditions; and
- * Liquidity of shares in SMC.

6.4 Conclusion on the Value of SMC Shares

6.4.1 In Sections 6.2 and 7.3 of our report we have discussed the adjusted net asset value and quoted market prices of SMC shares trading on ASX (based on the last four months of trading to 3 December 2017). The last traded price on 30 November 2017 (last trade before 4 December 2017) was 35.0 cents and the 10-day volume weighted average share price (“VWAP”) to 30 November 2017 approximated 34.93 cents. These values are summarised below:

	Low value per share Cents	Preferred value per share Cents	High value per share Cents
Adjusted Net Asset Value basis (preferred basis) (Section 6.2)	25.16	54.12	81.09
Quoted Market Price basis (cents) (Section 6.3.1)	28.00	35.00	36.00
On Market Bid Price by QGold	40.00	40.00	40.00
Excess / (Deficiency) of Offer Price over Technical value	14.84	(14.12)	(41.09)

In assessing the fair value of SMC and a SMC share prior to the On-Market Takeover Offer of 4 December 2017, we have selected the net assets at fair market values on a going concern methodology as the preferred methodology as:

- SMC does not currently generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 31 December 2017, 2016 and 2015. Therefore, the capitalisation of future maintainable earnings is not yet appropriate;
- SMC although has potential future net cash inflows if the Woolgar Project is commercialised (some way off before this may occur as it will depend on obtaining commercial resources/reserves and obtaining development finance, none of which are certain at this point of time), the Company still needs to raise significant cash funds to enter into the development and commercialisation mode and therefore the Discounted Cash Flow methodology is not considered appropriate; and
- There is not a sufficient “Deep Market” of share trading in SMC. However, we have used share prices as a secondary market valuation methodology.

6.4.2 **As stated at paragraph 6.2 we have assessed the preferred technical value of an SMC share (100% interest) on a net asset basis as adjusted and on a going concern basis as being approximately 54.12 cents (low, 25.16 cents and high, 84.09 cents).** This compares with the On-Market Takeover Price of 40.0 cents.

6.4.3 It is noted that control of SMC is already in the hands of QGold (refer paragraph 1.4 above) in that it controls approximately 69.15% of the issued capital of SMC as at 4 December 2017 (as at 14 December 2017, 75.197%). It is our view, taking into account the current shareholding of the interests of Christopher Wallin, is that a premium for control of 20% may be the preferred premium for control (when viewing share prices of SMC as traded on ASX and taking into account that QGold already owned approximately 69.15% of the issued capital of SMC immediately prior to the On-Market Takeover Offer).

A premium is not applied in the case of a net asset technical value as this valuation is based on a 100% interest in the Company as compared with the ASX share prices for SMC that are on a minority interest basis.

If we applied a control premium of between 20% and 30% (generally premiums offered on takeovers for small cap mineral companies are in the range of 20% to 30% although premiums can be less or more), then based on a range of share prices of an SMC share between 1 July 2017 and to 3 December 2014 (the day before the announcement of the On-Market Takeover Offer) as traded on ASX but on relatively low volumes, the adjusted SMC share price to reflect the premium may be in the range of:

20% premium	33.60 cents to 43.20 cents (preferred, 42.00 cents)
30% premium	36.40 cents to 46.80 cents (preferred, 45.50 cents)
25% premium	35.0 cents and 45.0 cents (preferred, 43.75 cents)

The share prices between 1 October 2017 and 3 December 2017 (last sale was 30 November 2017) were in the range of 30.0 cents and 35.0 cents with the majority of sales occurring in the few days to 30 November 2017 at 35.0 cents.

However, it should be noted that our preferred methodology is not a market-based methodology (as noted above) due to the thinness of trades in SMC shares as traded on ASX.

- 6.4.4 In assessing the reasonableness of the On-Market Takeover Offer by QGold, we have considered the share prices of SMC share transactions as a guide as to reasonableness or otherwise. However, the number of shares transacted on market has been low and the prices are not necessarily indicative of a market price. It is considered more suitable to assess a target's underlying technical value in assessing whether a takeover offer is fair and reasonable. Therefore, it is considered appropriate to use the adjusted net asset value for SMC, ranging from 21.48 cents to 74.00 cents per share, with a preferred value of 47.07 cents per share (for 100% of the Company).

Some shareholders may consider that technical values are just that and that a market-based approach is more suitable. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between SMC and other parties, including dealings with Christopher Wallin's companies (in relation to capital raisings). We also note it is not the present intention of the Directors of SMC to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical.

- 6.4.5 The shareholders', existing and future, must acquire or sell shares in SMC based on the market perceptions of what the market considers a SMC share to be worth. The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years. However, we note that as the shares are relatively illiquid (no Deep Market exists), the interests of QGold already controlled approximately 69.15% of the SMC shares as at 4 December 2017, a reliable market value is not readily ascertainable.

7. Value and Fairness of Consideration Compared To Value of Assets Acquired

7.1 Value of Consideration Compared to Value of Assets Acquired

The value of the share consideration offered by QGold being 40.0 cents cash for every one SMC shares is compared below:

	Section Ref	Low Cents	Preferred Cents	High Cents
<u>Technical Valuation Method</u>				
Value of Consideration for 1 SMC share		40.00	40.00	40.00
Value of a SMC share on a technical net asset value basis	6.2	25.16	54.127	81.09
Premium /(Discount) payable by QGold (cents)		14.84	(14.12)	(41.09)

	Section Ref	Low Cents	Preferred Cents	High Cents
Premium / (Discount) payable by QGold (percentage)		37.10	(35.30)	(102.73)

QGold is thus not paying a premium for control based on the preferred and high technical values for a SMC share.

7.2 Fairness of Consideration Compared to Value of Assets Acquired

The above table indicates that the On-Market Takeover Offer by QGold at 40.0 cents each is less than the assessed preferred technical fair value of a SMC share. Therefore, the On-Market Takeover Offer for all of the shares in SMC is considered to be not fair to the non-associated shareholders as at the date of this report.

8. Reasonableness of the On-Market Takeover Offer to SMC Shareholders

8.1 Under RG 111, an offer may be considered ‘reasonable’ if despite being ‘not fair’, sufficient reasons exist for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In considering the reasonableness of the On-Market Takeover Offer, we have considered, inter-alia the following factors:

- Significant shareholdings in SMC;
- Cash position of SMC;
- Liquidity of the market in SMC’s securities;
- Risks associated with developing the mineral projects of SMC;
- Any special value of SMC to QGold; and
- The value to an alternative bidder and likelihood of an alternative offer being made for the shares in SMC.

We set out below some of the advantages and disadvantages and other factors pertaining to the On-Market Takeover of SMC by QGold as they apply to the shareholders of SMC.

Advantages

8.2 Shareholders who accept the offer have certainty that they will receive a fixed sum of 40.0 cents for every one share in SMC (On-Market Takeover Offer expires 29 June 2018 (was initially to be 30 March 2018) unless extended further by QGold but QGold may withdraw the On-Market Takeover Offer before such date). The shares in SMC are thinly traded and the ability to sell shares in SMC (particularly a large volume) would be difficult. Between 1 January 2017 and 30 November 2017, only approximately 2,972,000 shares (out of over 70 million shares on issue) were traded in SMC on the ASX and a majority of these shares were acquisitions by the interests of Christopher Wallin (QGold).

8.3 The shareholders of SMC as at 4 December 2017, other than the interests associated with Christopher Wallin (QGold), hold approximately 30.85% of the shares in SMC (approximately 24.803% as at 14 December 2017 and 19.54% as at the date of this report). These shareholders individually have a very limited ability to influence the control and direction of the Company. The On-Market Takeover Offer may further increase Christopher Wallin/QGold’s effective control, which may increase the risks associated with being a minority shareholder. Should Christopher Wallin/QGold increase its shareholding in SMC to over 90%, QGold will have the ability to compulsorily acquire the remaining shareholding which it does not already control or have an interest in. As at 14 December 2017, QGold owns approximately 75.197% of the issued capital of SMC and thus can control all special resolutions. Based on announcements made to the ASX, QGold is now entitled to 56,684,380 shares in SMC, representing approximately 80.46% of the issued capital of SMC. It is noted that the Takeovers Panel has enforced that those shareholders who have sold shares on market (between 18 December 2017 and 2 January 2018) including those that accepted the On-Market Takeover Offer have the right to withdraw from their sale and to re-purchase shares sold from QGold at 40c per share.

- 8.4 The premium paid payable by QGold for the remaining shares in SMC (the subject of the On-Market Takeover Offer) based on the closing share price as at 30 November 2017 as traded on ASX approximates 14.28% and based on the last 10-day VWAP to 30 November 2017, the premium approximates 14.51% (30-day VWAP, approximately 14.90%). However, it is noted that pre-announcement of the On-Market Takeover Offer trades on ASX were extremely low with many trades initiated by the interests of Christopher Wallin (QGold).
- 8.5 We are informed by SMC that the On-Market Takeover Offer is the only proposed takeover transaction before the Company. This On-Market Takeover Offer provides a SMC shareholder an option to exit their investment in SMC with no transaction costs such as commissions and will no longer be exposed with the ongoing risks of holding an investment in SMC.
- 8.6 SMC's main project being the Woolgar Gold Project is still some way from generating cash flows and are subject to numerous risks including, gold prices, exchange rates, increases in costs, financing, legal and environmental. Currently, the Woolgar Gold Project has some announced resources (mainly inferred resources) but is a long way off from any potential commercialisation. Estimated planned forecasted costs relating to Woolgar for the period 1 November 2017 to 30 September 2018 are \$2,145,000 of which \$1,445,000 are forecasted 1 January 2018 to 30 September 2018 (based on SMC management forecasts) and for a junior mineral exploration company, this commitment is significant and material. The estimated net working capital as at the end of May 2018 is a deficiency (current liabilities exceed current assets) of \$983,000.

It is noted that the ability of junior exploration companies to raise cash funds over the past year or so is extremely difficult and no guarantee can take place that SMC could raise further capital at a price above the range of share prices as traded on ASX over the past few months.

It is noted that the interests of Christopher Wallin have been the only significant financial supporter of SMC over the past several years. Between January 2016 and 30 November 2017, the interests of Christopher Wallin have increased their shareholding in SMC from around 43.35 million to around 48.715 million, most of this being by subscription to rights issues (1 for 10 in May 2017 at 33.0 cents each. The total gross amount raised from the rights issue approximated \$1.901 million and the interests of Christopher Wallin subscribed for approximately \$1.69 million. Without the support of the interests of Christopher Wallin (who have also financially supported the Company in 2013 to 2015), the Company may not have survived as a going concern and could not have spent and would not have the ability to spend large sums of money on the Woolgar Gold Project.

- 8.7 The share price of an SMC share, post-the announcement of the On-Market Takeover Offer has traded on ASX in the range of 40.0 cents to 41.0 cents (between 4 December 2017 and 15 December 2017 with a last sale on 15 December 2017 of 40.0 cents) with the vast majority of the sales were to QGold under the On-Market Takeover Offer. Refer paragraph 6.2 above. The share price rose from around 35.0 cents pre-announcement of the On-Market Takeover Offer and shareholders can sell shares on market at or above the 40.0 cents On-Market Takeover Offer price. However, in the absence of the On-Market Takeover Offer or after the On-Market Takeover Offer expires (currently planned for 29 June 2018 but may be extended), the share price may (but not necessarily so) fall to pre-announcement On-Market Takeover Offer levels. However, the Company will be undertaking further drilling and evaluation programmes on the Woolgar Gold Project. If drilling results are positive, the share price as traded on ASX may well continue to exceed the 40.0 cents On-Market Takeover Offer price (but also may well fall if drilling results are not as positive as the market expects). The Company has minimal cash and will need to go to the market to raise further funds (and may need to continue to have the financial support of QGold).

As noted above, financial support has been recently provided by Christopher Wallin by way of a \$1,000,000, interest free finance facility, repayable within 8 months of draw-down. The loan was drawn-down on 12 March 2018 and is thus repayable on 12 November 2018. SMC may need to undertake further capital raisings in order to repay such loan and, in the absence of a rights issue, existing minority shareholders interest in SMC may be diluted.

Disadvantages

- 8.8 It is also noted that based on a market price basis for SMC shares (not a preferred methodology for the reasons outlined above), QGold is paying close to the share price of an SMC share after taking into account a range of premium for controls of between 20% and 30% but the On-Market Takeover Offer price is still below the ASX share prices over the past several months prior to 4 December 2017. The actual range of share premiums or discounts is 4.0 cents (premium) to 20.0 cents to 3.2 cents discount (using a 20% premium for control) and a premium of 1.0 cents and a discount of between 5.5 cents and 6.8 cents using a 30% premium for control. Using a 20% premium for control and based on a share price of an SMC share of 35.0 cents (refer paragraph 7.3 above), the Takeover Offer price would be 42.0 cents as compared with the Offer Price of 40.0 cents. All discounts/premiums in cents noted above are after applying a 20% to 30% premium for control to the share price of an SMC share as traded on ASX between 1 October 2017 and 30 November 2017 (on low volumes of trades). However, as noted volumes of trades in SMC prior to the On-Market Takeover Offer were extremely low.
- 8.9 SMC shareholders will be selling their interest in a company that has mineral resource targets that may have potential value in excess of the current market capitalisation of SMC. Thus, by accepting the On-Market Takeover Offer, the SMC shareholders (other than the interests of Christopher Wallin) will have no exposure to any potential upside in the value of SMC.
- 8.10 Should the On-Market Takeover Offer be accepted in full, SMC shareholders will no longer hold any shares in SMC. Accordingly, they will have no exposure to any improved offers that may be made in future by QGold or any other party (which may be unlikely).

Other Factors

- 8.11 The Australian tax consequences for SMC shareholders who accept the Takeover Offer for all of their shares in SMC will depend on a number of factors, including:
- whether the SMC shareholder holds their SMC shares on capital account, revenue account or as trading stock;
 - the nature of the SMC shareholder (i.e. individual, company, trust, complying superannuation fund); and
 - the tax residency status of the SMC shareholder (i.e. Australian resident or not).

Each SMC shareholder should seek their own independent tax advice on the consequences of accepting the On-Market Takeover Offer and receiving cash in exchange for SMC shares. For further information on the taxation position, please refer to Section 8 – Taxation Implications in the Bidders Statement.

- 8.12 There are other risks associated with the On-Market Takeover Offer and these are outlined in SMC Original Target's Statement Sections 4.10 to 4.11 that will continue to be applicable to SMC if the Takeover Offer is not successful or if current SMC shareholders remain as shareholders of SMC.
- 8.13 There is uncertainty that SMC could achieve the full underlying value for its assets in an orderly disposal of its assets. SMC is an exploration and mining company and is obliged to fulfil minimum mineral expenditure conditions in order to maintain the exploration leases/licences. We have been advised that planned exploration expenditure for the period 1 November 2017 to 30 September 2018 is around \$2,145,000 (\$1,445,000 between 1 January 2018 and 30 September 2018) and this is a large cash outlay for a small junior exploration company such as SMC. The ability of small cap exploration companies such as SMC to raise capital on commercial terms is very limited (although not impossible).
- 8.14 There are inherent risks involved in SMC pursuing other transactions to seek to unlock the value in SMC shares, and there can be no guarantees that any alternative transaction will be pursued or that SMC will have sufficient financial and other resources to pursue alternative transactions. Any new financing arrangements may result in significant dilution for existing shareholders. Further capital raisings will need to be undertaken sometime in the future, including in 2018 and there is no certainty that funds can be raised on commercial terms that do not dilute existing shareholders' interests. As noted above, in the interim, a \$1,000,000 loan facility has been entered into with Christopher Wallin.

- 8.15 There is unlikely in the short to medium term to be an alternative takeover offer by another party. In the event that QGold does not achieve a 100% shareholding interest in SMC, the remaining shareholders (other than the interests of Christopher Wallin/QGold) will be locked in as minority shareholders with reduced combined voting power.
- 8.16 It is noted that in the six months prior to the On-Market Takeover Offer of 4 December 2017, the market capitalisation approximated between \$19.726 million to \$25.362 million based on share prices of 28.0 cents and 3.06 cents respectively. This range of market capitalisations' is substantially below the adjusted range of net asset values as noted above. It is not unusual for share traded valued to be below technical values, as investors/shareholders also take into account other factors, as summarised under paragraph 8. Normally, investors start to pay full value when there is clear indication that the company's main mining project is financed for development and a decision to mine is made. The Woolgar Gold Project is not near a decision to mine stage and SMC is still required to raise further capital just to continue exploration and evaluation. As further funds are required, an in the absence of a 100% take up under a Rights Issue, the non-associated shareholders percentage interest in SMC would reduce and this could be substantial.
- 8.17 We note that QGold and another company associated with Christopher Wallin have tenements near the area relating to the Woolgar Gold Project but we are unaware of whether such tenements (exploration permits owned by QGold and Energy Minerals) have any gold resources or whether they have exploration potential. It is our understanding that no drilling has commenced on such tenements. QGold may find it advantageous to control both its own tenements and that of the Woolgar Gold Project. However, QGold would need to raise substantial funds to continue to explore its own tenements and that relating to the Woolgar Gold Project (refer comments above). The tenements owned by QGold and Energy Minerals cannot be included in the valuation of SMC as they are not owned by SMC but may have additional strategic value to QGold and Energy Minerals in the future (subject to further exploration success and the ability to fund future exploration). Notwithstanding that there may be some longer-term advantage to QGold in acquiring the Woolgar tenements (via the On-Market Takeover Offer for all of the remaining shares in SMC), and at the same time owing separate tenements in the vicinity of the Woolgar Gold Project, we are of the view that this fact does not on its own make the On-Market Takeover Offer not reasonable (and not fair). Further details on the mineral tenements of QGold and Energy Minerals are outlined in Sections 3 and 5.4 of the Supplementary Bidders Statement. The AMC Valuation Report also discusses the tenements owned by QGold and shareholders should read the AMC Valuation Report in full.

8.18 **Conclusion as to the Reasonableness of the On-Market Takeover Offer**

It is noted that ultimately the advantages of accepting the On-Market Takeover Offer noted in Section 8 of this report, arguably exceed the disadvantages, although the financial effects cannot be determined with any degree of certainty. In the absence of an alternative offer that is deemed to have value in excess of QGold's On-Market Takeover Offer price of 40.0 cents, in our view the On-Market Takeover Offer is reasonable to the non-associated shareholders of SMC.

Shareholder should read the Supplementary Target Statement as to the recommendation of the Independent Director as to whether to accept or reject the On-Market Takeover Offer.

9. **Conclusion as to Fairness and Reasonableness of the On-Market Takeover Offer**

- 9.1 **We have considered the terms of the On-Market Takeover Offer as outlined in the body of this report and in the absence of an alternative offer that is deemed to have value in excess of 40.0 cents, have concluded that the On-Market Takeover Offer by QGold to offer 40.0 cents cash for each share in SMC, is not fair but reasonable to the non-associated shareholders of SMC at the date of this report.**

- 9.2 SIS's opinion should not be construed to represent a recommendation as to whether or not SMC shareholders should accept the On-Market Takeover Offer by QGold. Shareholders uncertain as to the impact of accepting the On-Market Takeover Offer should seek separate advice from their financial and/or taxation adviser. Shareholders should be aware that other offers may be made by other parties after the preparation of this report. The shareholders of SMC will need to compare the current On-Market Takeover Offer and consider whether any other offer(s), if they are forthcoming (unlikely) are more superior. Shareholders should read the Supplementary Target Statement as to the recommendation of the Independent Director as to whether to accept or reject the On-Market Takeover Offer.

10. Shareholder Decision

- 10.1 Stantons International Securities has been engaged to prepare an independent expert's report setting out whether in its opinion the On-Market Takeover Offer is fair and reasonable and state reasons for that opinion. Stantons International Securities has not been engaged to provide a recommendation to shareholders in relation to the On-Market Takeover Offer. The responsibility for such a recommendation lies with the directors of SMC.
- 10.2 In any event, the decision whether to accept or reject the On-Market Takeover Offer is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the On-Market Takeover Offer, shareholders should consult their own professional adviser.
- 10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SMC. This is an investment decision upon which Stantons International Securities does not offer an opinion and is independent on whether to accept the Takeover Offer. Shareholders should consult their own professional adviser in this regard.

Shareholder should read the Supplementary Target Statement as to the recommendation of the Independent Director as to whether to accept or reject the On-Market Takeover Offer.

11. Sources of Information

- 11.1 In making our assessment as to whether the On-Market Takeover Offer to SMC shareholders by QGold is fair and reasonable to the non-associated shareholders we have reviewed relevant published available information and other unpublished information of the Company which is relevant to the current circumstances. In addition, we have held discussions with the management of SMC about the present and future operations of SMC. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of SMC.
- 11.2 Information we have received includes, but is not limited to:
- * Discussions with management and directors of SMC;
 - * Details of historical market trading of SMC from January 2017 to 29 December 2017;
 - * Shareholding details of SMC as supplied by the Company's share registry as at 4 December 2017 and 23 April 2018;
 - * Audited annual reports of SMC for the years ended 31 December 2017, 2016 and 2015;
 - * Half year report of SMC for the half year ended 30 June 2017;
 - * Announcements made by SMC for the period from 1 January 2016 to 20 May 2018;
 - * Bidder's Statement dated 4 December 2017 (and served on SMC on 4 December 2017) produced by QGold relating to the On-Market Takeover Offer for SMC;
 - * Unaudited financial statements of SMC prepared by SMC management as at 31 October 2017;
 - * The AMC Valuation Report on the Mineral Assets of SMC dated 19 April 2018 (received 25 May 2018) (replaces the Ravensgate Valuation Report dated 13 December 2017) and discussions with AMC management;
 - * Drafts of the Original Target's Statement prepared by SMC and its legal advisers in December 2017 and the Original Target Statement dated 18 December 2017;
 - * The Supplementary Bidders Statement dated 23 March 2018 and served on the Company on that date;

- * Media Release and appendices attached issue by the Australian Government's Takeover Panel;
- * A draft of the Supplementary Target Statement of April 2018; and
- * Cash flow forecasts from 1 September 2017 to 30 September 2018 on a monthly basis for SMC.

11.3 Our report includes Appendices A, our Financial Services Guide and Appendix B being the AMC Valuation Report attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)



John P Van Dieren- FCA
Director

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 25 May 2018 relating to the On-Market Takeover Offer by QGold of 40.0 cents cash for all of the shares in SMC which it already does not own or is associated with on the Record Date as stated in the Bidder's Statement dated 4 December 2017 and served on SMC on 4 December 2017 and the Supplementary Bidders Statement of 22 March 2018.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with SMC other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed \$25,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor John P Van Dieren or Martin Michalik have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stantons International Securities does not hold any securities in SMC or QGold. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr John Van Dieren (signing director) and Mr Martin Michalik (quality control director) have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (No 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities Pty Ltd. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren FCA (principal author of the report) and Mr Martin Michalik CA (quality control reviewer), the person's responsible for the release of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the independent Directors of SMC in order to assist the shareholders of SMC to assess the merits of the On-Market Takeover Offer to which this report relates. This report has been prepared for the benefit of SMC and those persons only who are entitled to receive a copy for the purposes of Section 640 of the Corporations Act and does not provide a general expression of Stantons International Securities opinion as to the longer-term values of SMC and its subsidiaries and assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of SMC, its subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the On-Market Takeover Offer and whether to accept or reject the On-Market Takeover Offer (refer Shareholder Decision section of our revised independent expert's report).

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by SMC and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), SMC has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which SMC may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by SMC; and
- (b) to indemnify Stantons International against any claim arising (wholly or in part) from SMC or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of SMC or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to SMC directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE DATED 25 MAY 2018

1. STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities (ABN 42 128 908 289 and AFSL Licence No 448697) (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about

whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report you should seek advice from a registered financial adviser.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (trades as Stantons International) may provide professional services, including audit, accounting, probity management, corporate and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at section 9.1 of this FSG or by phoning (08) 9481 3188.

APPENDIX B

**AMC CONSULTANS PTY LTD - TECHNICAL INDEPENDENT AMC VALUATION REPORT ON
THE SMC MINERAL ASSETS DATED 19 APRIL 2018**

**(Replaces the Original Ravensgate Valuation Report dated 13 December 2017 and included as an
Appendix to our Original Independent Expert's Report dated 18 December 2017)**

AMC Consultants Pty Ltd
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Report

Strategic Assets Valuation Report Strategic Minerals Corporation NL

AMC Project 318022
19 April 2018 rev 4

Mr John Van Dieren -FCA
 Director
 Stantons International Securities Pty Ltd
 Level 2, 1 Walker Avenue
 West Perth WA 6005
 Australia

Strategic Minerals Corporation NL (SMC) commissioned AMC Consultants Pty Ltd, to prepare a Valuation Report for its mineral assets (SMC Assets) under instruction from Stantons International Securities Pty Ltd (SIS). The SMC assets consist principally of the Woolgar project: a number of mining leases containing Mineral Resources and six EPMs with significant exploration activity over a long period of time, which has resulted in the current Mineral Resource estimates and prospectivity for further discoveries.

The values in Table 1 have been assessed based on the transaction multiples for comparable assets to derive yardstick values for Mineral Resources and the past expenditure method for exploration EPMs.

Table 1 SMC Assets Exploration values

Location	Low (\$M)	High (\$M)	Preferred (\$M)
Woolgar project Mineral Resources	3	35	19
Woolgar project EPMs	17	23	20
Total	20	58	39

AMC ascribes a Preferred Value of \$39 million to the SMC Assets. This is within a range of values from a low of \$17 million to a high of \$58 million.

Please find enclosed our Valuation Report which has been prepared on information available up to and including the date of this report 19 April 2018 (the Valuation Date). The primary author of this report is Peter Stoker HonFAusIMM(CP), who is a professional geologist with over 45 years of experience in the mining industry. Peter is an Honorary Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), a Chartered Professional and has the appropriate relevant qualifications, experience, competence and independence to be considered an "Specialist" under the definitions provided in the VALMIN Code (2015).

Quality control

The signing of this statement confirms this report has been prepared and checked in accordance with the AMC Peer Review Process.

Project Manager	 Peter Stoker	19 April 2018 Date
Peer Reviewer	 Ian Lipton	19 April 2018 Date
Author	 Peter Stoker	19 April 2018 Date

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Distribution list

- 1 e-copy to Stantons
- 1 e-copy to AMC Brisbane office

<p>OFFICE USE ONLY Version control (date and time) 28 May 2018 13.45</p>

1 Executive Summary

1.1 Context and scope

Stantons International Securities Pty Ltd (trading as Stantons International Securities) (SIS) has advised AMC Consultants Pty Ltd (AMC) in its instruction letter dated 6 April 2018 that SIS has been appointed by the Independent Takeover Response Committee of Strategic Minerals Corporation NL (SMC) to prepare an independent expert's report (IER) in relation to the Takeover Offer by QGold Pty Ltd (Takeover Offer).

SIS requested SMC to commission AMC as an independent mineral specialist to assist SIS by providing an independent valuation report (the Valuation Report) of SMC's exploration assets (SMC Assets) addressed to SIS.

The SMC Assets are located in Queensland (Table 3.1) and South Australia (Table 5.2). The principal asset is a series of tenements covering the historic Woolgar Goldfield in central Northern Queensland.

The Valuation Report is dated 19 April 2018 (the Valuation Date).

The present status of tenements, agreements and legislation described in this report is based on information provided by SMC from its independent tenement manager Hetherington Exploration & Mining Title Services (QLD) Pty Ltd (Hetherington), and has been accepted by AMC as independently provided. The report and valuation have been prepared on the assumption that all existing relevant information has been provided to the author and the information contains no material errors or omissions. AMC has however reviewed the data and satisfied itself that it is reasonable.

1.2 Project background

The historic Woolgar Goldfield was first discovered in 1879, with an alluvial goldrush into the area in 1880. Mining of reef gold commenced in 1881, with production peaking around 1907 (Denaro, 2001)

SMC commenced exploration in the area in 1979 and floated on the Australian Stock Exchange in 1981 based on tenure in the Woolgar area. The Woolgar project currently contains a number of gold resources hosted in mesothermal, epithermal and intrusion-related gold systems. The Big Vein South (BVS) deposit located within the Lower Camp is a shear-hosted mesothermal vein gold system and forms the current focus for the company. The historic resources of the Sandy Creek epithermal vein sector are located in the east of the Woolgar Project, approximately 10 to 13 kilometres east-northeast of the main BVS resource, and encompass Lost World, Explorer, Camp Vein and Grand Central. Lastly, Soap spar, an intrusion-related deposit, is approximately 15 kilometres northeast of BVS. The BVS resource is interpreted to be both spatially and genetically unrelated to the epithermal resources (SMC, 2018).

1.3 Geology and mineralisation

The Woolgar area contains basement Proterozoic metamorphic rocks intruded by late Proterozoic and Palaeozoic igneous rocks. The Mid Palaeozoic Hodgkinson basin lies to the north east separated by the north-northwest trending Palmerville fault. The Burdekin River fault zone forms the south-eastern contact with the Ordovician–Carboniferous Broken River Province. The western side of the block is unconformably overlain by Jurassic to Tertiary sediments of the Great Artesian basin.

Gold mineralisation is hosted by three deposit styles in the area.

- Mesothermal gold (e.g., Big Vein South)
- Epithermal gold (e.g., Lost World)
- and intrusion related gold systems (e.g., Soap spar)

The area has excellent outcrop exposed by erosion in valleys and in so-called whalebacks (areas of outcrop within generally alluvial areas), but is commonly covered by alluvial wash and significant areas of Jurassic sandstone which forms prominent mesas.

1.4 Valuation summary

AMC has adopted two valuation methods; a comparable transaction method to produce yardstick values for Mineral Resources as \$/oz and the past expenditure method with the application prospectivity enhancement multipliers to derive values for the EPMs.

The values in Table 1.1 have been assessed based on the transaction multiples for comparable assets to derive yardstick values for Mineral Resources and the past expenditure method for exploration EPMs.

Table 1.1 SMC Assets Exploration values

Location	Low (\$M)	High (\$M)	Preferred (\$M)
Woolgar project Mineral Resources	3	35	19
Woolgar project EPMs	17	23	20
Total	20	58	39

AMC ascribes a Preferred Value of \$39 million to the SMC Assets. This is within a range of values from a low of \$20 million to a high of \$58 million.

2 Introduction

2.1 Context, scope and terms of reference

Stantons International Securities Pty Ltd (trading as Stantons International Securities) (SIS) has advised AMC Consultants Pty Ltd (AMC) in its instruction letter dated 6 April 2018 that:

SIS has been appointed by the Independent Takeover Response Committee of Strategic Minerals Corporation NL (SMC) to prepare an independent expert's report (IER) in relation to the Takeover Offer by QGold Pty Ltd (Takeover Offer).

SIS requested SMC to commission AMC as an independent mineral specialist to assist SIS by providing an independent valuation report (the Valuation Report) of SMC's exploration assets (SMC Assets) addressed to SIS.

In addition, the Australian Government Takeovers Panel in Media Release No TP18/12 (released 15 February 2018) ordered in Annexure A that a new Supplementary bidder's statement be issued and in Item 1 (d) that "Details of each exploration permit held by an entity controlled by Mr Wallin, which abuts, or of which all or part is located within 100 kilometres of, a tenement held by Strategic Minerals." be considered. This is then pertinent to the Independent Technical Expert's Report in that Item 3 (b) states "the independent expert and independent technical expert must consider the effect of the information set out in the supplementary bidder's statement (including the exploration permits referred to in Order 1(d))".

The SMC Assets are located in the Queensland (Table 3.1) and South Australia (Table 5.2). The principal asset is a series of tenements covering the historic Woolgar Goldfield in central Northern Queensland.

The Valuation Report is dated 19 April 2018 (the Valuation Date).

AMC concludes that the South Australian assets are not material to the technical valuation of the SMC Assets and has assigned no value to them (refer to Section 5.4 for details). This report therefore deals primarily with the Woolgar assets.

2.2 Qualifications, experience and independence

AMC is a firm of mineral industry consultants whose activities include the preparation of independent technical specialist's reports, and due diligence reports on, and reviews of, mining and exploration projects for purposes related to equity and debt funding, and public reports. In these assignments, AMC and its subconsultants act as an independent party.

While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in SMC, neither AMC nor the contributors to this Valuation Report nor members of their immediate families have any interests in SMC that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with SMC.

SMC will pay AMC a professional fee according to AMC's normal per diem rates, for the preparation of this Report, plus reimbursement of out-of-pocket expenses. The fee is not contingent upon the outcome of the ITSR, and AMC will receive no other benefit for the preparation of this Valuation Report. AMC's professional fees total \$52,100 including GST.

In a letter relating to our engagement, SMC agreed to comply with those obligations of the commissioning entity under the VALMIN Code¹ including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

SMC represented in writing that, to the best of its knowledge, it has provided AMC with all material information relevant to its Mineral Assets described in this Valuation Report.

AMC has not audited the information provided by SMC. AMC has, however, reviewed the information to the extent necessary to satisfy itself that the information is reasonable, and that the information AMC has in relation to the valuation of the exploration properties is sufficient.

SMC has been provided with a draft of this Valuation Report to enable correction of any factual errors and notation of any material omissions.

This Valuation Report and the conclusions in it are effective at the Valuation Date. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments affecting the mining operations, underground resources, exploration tenements, and the market for mineral properties.

SMC has provided AMC with indemnities regarding damages, losses, and liabilities related to or arising out of its engagement other than those arising from illegal acts, bad faith or negligence on its part or its reliance on unauthorised statements from third parties.

This Valuation Report has been provided to SIS for the purposes of it forming its opinion and preparing its IER and for it to be provided to SMC shareholders attached to the IER. AMC consents to the inclusion of the Valuation Report in full attached to the IER, and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this Valuation Report nor any part of it may be used for any other purpose without AMC's written consent.

2.3 Principal sources of information

The principal sources of information used to compile this report comprise certain data files provided by SMC and publicly available information. A list of these sources is included in section 9 of this report.

2.4 Site Investigation

AMC conducted a two day visit to the Woolgar properties with the assistance of SMC geologist Alastair Grahame. The visit included visiting the mineralisation locations of Big Vein South, BV2, Big Vein, Mowbray, Belle Brandon in the Lower and Middle Camp areas. Sandy Creek prospects such as Lost World were inspected and surface outcrops examined. A selection of drillhole locations were independently checked and verified.

A review of a selection of drill core and RC chip trays was completed to verify geology and mineralisation. The focus was on BVS and Lost World due to the percentage of the gold endowment hosted in those deposits.

A review of recently completed core in the ALS laboratory facility in Townsville was conducted to review the core cutting protocols and mineralised core from BVS.

The South Australian assets are not material and were therefore not visited.

¹ The Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets. The VALMIN Code 2015 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists.

2.5 Reliance on Other Experts

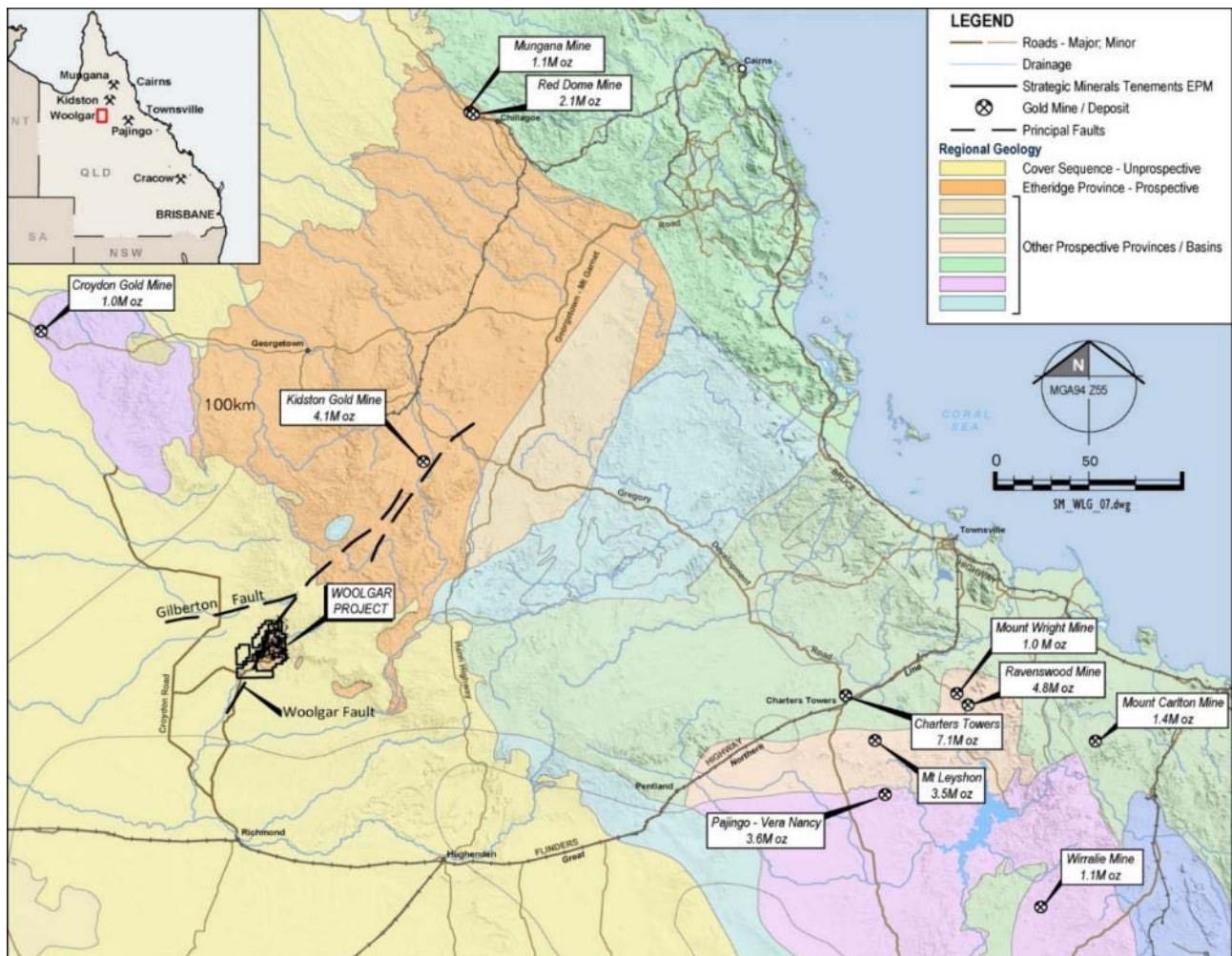
AMC has not independently validated the legal status of the mineral titles which comprise the Sale Assets or the terms of any agreements which might relate to those assets. The present status of tenements, agreements and legislation described in this report is based on information provided by SMC from its independent tenement manager Hetherington Exploration & Mining Title Services (QLD) Pty Ltd (Hetherington). The Valuation is provided on the basis of the tenements being unencumbered and legally available to SMC for mineral exploration and potential eventual development.

3 Project Background

3.1 Location and infrastructure

The Project is located approximately 80 km north of the town of Richmond in central Northern Queensland approximately eight hours drive west from Townsville on the Flinders Highway. The area is accessed by good quality dirt roads north of Richmond with creek/river crossings subject to occasional flooding events resulting in limited access during seasonal rainfall. Figure 3.1 displays the project location, regional geological provinces, regional gold mines and infrastructure.

Figure 3.1 Location map – Woolgar Project North Queensland



Source: SMC

There is minimal infrastructure available in the Project area. An exploration camp is established currently in the Sandy Creek area with transportable accommodation, ablution and office blocks. Access to the camp is via a narrow 4WD track prone to washouts in wet weather. Communications are currently only available via a copper wire landline, and satellite.

3.2 Projects tenure

Table 3.1 shows all tenure held 100% by SMC in Queensland.

Table 3.1 SMC Woolgar tenure

Permit Number	Project	Area	Grant Date	Expiry Date	Status
EPM 9599	Woolgar	32 blocks ~103.4 km ²	02/09/93	01/09/19	Granted
EPM 11886	Woolgar	21 blocks ~67.91 km ²	21/04/04	20/04/18	Renewal Lodged
EPM 13942	Steam Engine	3 blocks ~9.69 km ²	09/11/06	08/11/21	Granted
EPM 14060	Woolgar South	35 blocks ~113.1 km ²	21/04/04	20/04/21	Granted
EPM 14209	Woolgar	49 blocks ~158.3 km ²	21/04/04	20/04/21	Granted
EPM 26263	Woolgar	100 blocks ~323.00 km ²	05/12/16	04/12/21	Granted
ML2642	Soapspar	4.05 ha - 0.042 km ²	31/01/74	31/08/29	Granted
ML2728	Shamrock	128 ha - 1.285 km ²	25/05/89	31/08/29	Granted
ML2729	Mowbray	128 ha - 1.285 km ²	25/05/89	31/08/29	Granted
ML2739	Mowbray #3	128 ha - 1.285 km ²	25/05/89	31/08/29	Granted
ML2793	New Soapspar	146.4 ha - 1.464 km ²	08/08/91	31/08/29	Granted
ML90044	Sandy Dam	27.83 ha - 0.278 km ²	27/04/95	30/04/29	Granted
ML90122	Sandy Creek	350.89 ha - 3.509 km ²	02/09/04	30/09/29	Granted
ML90123	FlatCreek	124.73 ha - 1.251 km ²	23/11/04	30/11/29	Granted
ML90238	North Star	882.6 ha - 8.826 km ²	19/09/17	30/09/34	Granted

Source: Hetherington Exploration and Mining Title Services (Qld) Pty. Ltd.

The Takeovers Panel on 15 February issued Orders that at 1.(d) required details of each exploration permit held by an entity controlled by Mr Wallin, which abuts, or of which all or part is located within 100 kilometres of, a tenement held by Strategic Minerals to be included in the supplementary bidder's statement. At 3(b) the Order required that the independent expert and independent technical expert must consider the effect of the information set out in the supplementary bidder's statement (including the exploration permits referred to in Order 1(d)). As a result, AMC has included details of those tenement in this Valuation Report. Details of the EPMs controlled by Mr Wallin that are located within 100 km of SMC tenements are included here. Those tenements are shown in Figure 3.2.

Table 3.2 lists tenure within 100 km of the Woolgar Project which is held by QGold Pty Ltd a private company held by Mr Chris Wallin.

Table 3.2 QGold Pty Ltd - Woolgar tenure

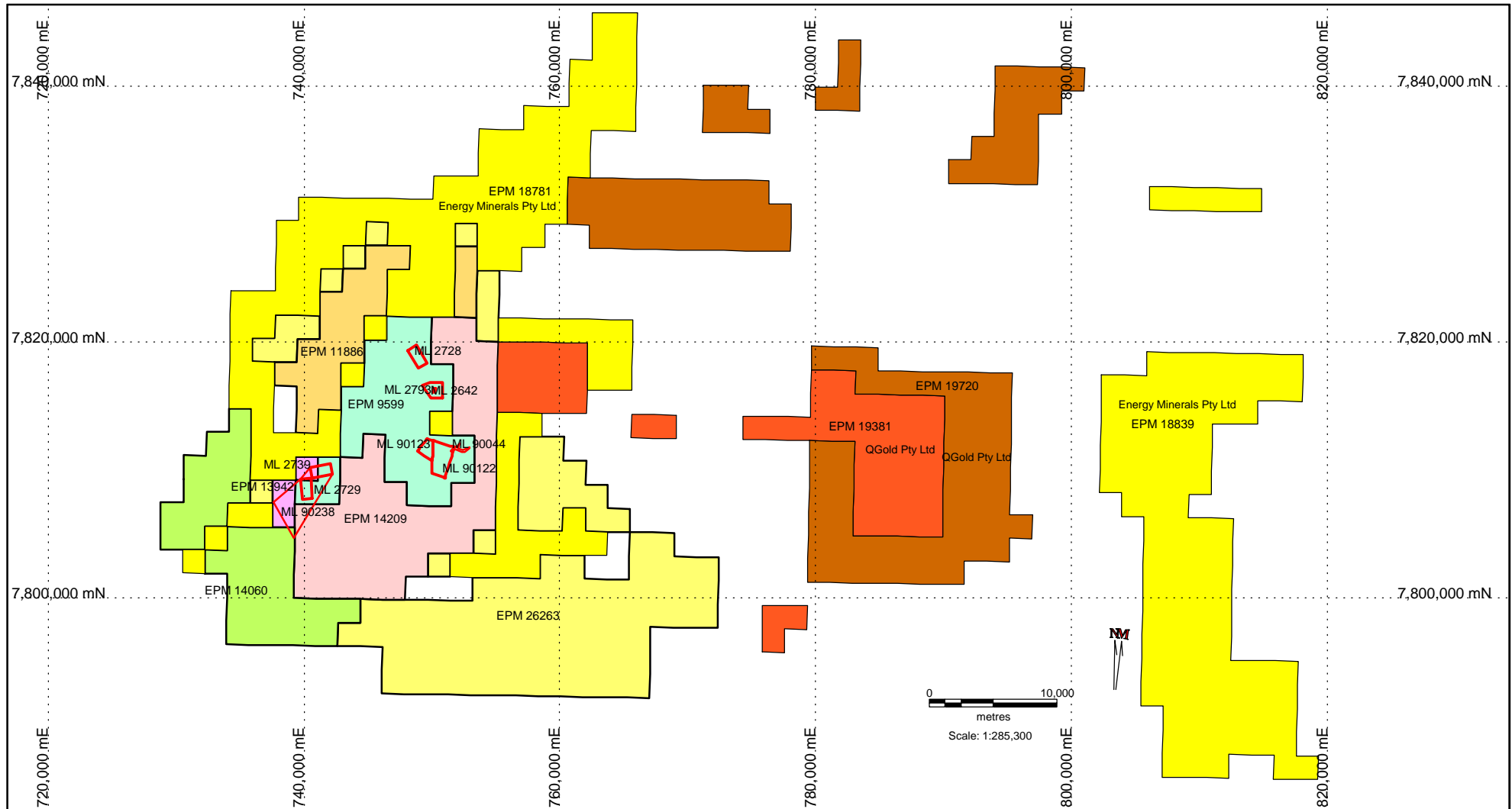
Permit Number	Project	Area	Grant Date	Expiry Date	Status
EPM 19381	Woolgar	50 blocks	25/11/13	24/11/18	Granted
EPM 19720	Woolgar	106 blocks	18/12/13	17/12/18	Renewal Lodged

Table 3.3 lists tenure within 100 km of the Woolgar Project which is held by Energy Resources Pty Ltd a private company held by Mr Chris Wallin.

Table 3.3 Energy Resources Pty Ltd - Woolgar tenure

Permit Number	Project	Area	Grant Date	Expiry Date	Status
EPM 18781	Woolgar	120 blocks	30/01/14	29/01/19	Granted
EPM 18839	Woolgar	101 blocks	30/01/14	29/01/19	Granted

Figure 3.2 Woolgar Project tenure location map

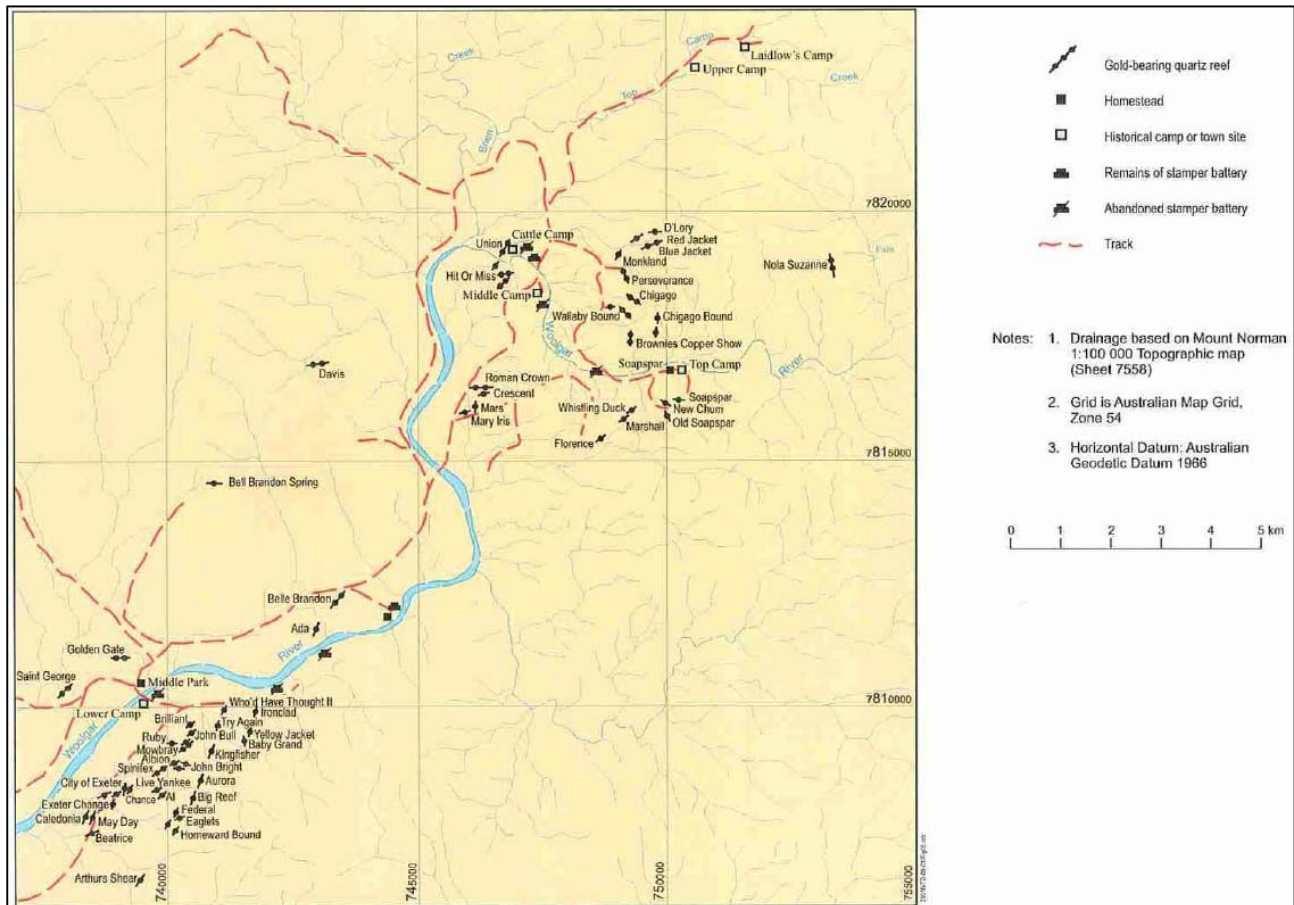


Source: AMC from DNRME MyMapsOnline data (Projection: MGA Zone 54 (GDA 94)). All tenements not labelled as QGold or Energy Minerals are SMC tenements.

3.3 Woolgar history

The historic Woolgar Goldfield was first discovered in 1879, and an initial rush to develop alluvial deposits followed in 1880. Mining of reef gold commenced in 1881 but waned after 1907 (Denaro, 2001). The location of many of the historic workings are collated in Figure 3.3.

Figure 3.3 Historic mines and sites in the Woolgar Goldfield



Source: Denaro, 2001

Historical records were incomplete but mining warden records of the period, compiled in Denaro (2001) record production as being 979.94 kg of gold, and 4.58 kg of silver from 31,375 t of material between 1879 and 1980.

SMC commenced exploration in the area in 1979 and floated on the Australian Stock Exchange in 1981 based on tenure in the Woolgar area. The Woolgar currently contains a number of gold resources hosted in mesothermal, epithermal and intrusion-related gold systems. The Big Vein South (BVS) deposit located within the Lower Camp is a shear-hosted mesothermal vein gold system and forms the current focus for the company. The deposits of the Sandy Creek epithermal vein sector are located in the east of the Woolgar Project, approximately 10 to 13 kilometres east-northeast of the main BVS resource, and encompass Lost World, Explorer, Camp Vein and Grand Central. Lastly, Soapspar, an intrusive-related deposit, is approximately 15 kilometres northeast of BVS. The BVS resource is interpreted to be both spatially and genetically unrelated to the epithermal resources (SMC, 2018).

3.4 Exploration history

Modern exploration of the Woolgar area commenced in the late 1960s with Kennecott Exploration Australia Ltd carrying out regional surveys for copper. In 1973, Auric Minerals Exploration N.L. completed limited drilling for gold at the Soapspar prospect.

Sovereign Mining Pty Ltd completed more exploration for gold in the Soapspar area from 1982 to 1984.

SMC commenced exploration in the area in 1986, with the Project having a number of Joint Venture operators during the period of ownership by SMC, such as:

- 1986-1988 Billiton / Central Coast Exploration
- 1994 Battle Mountain Gold Company
- 1998- 1999 Pacific Energy Ltd
- 2003 Barrick
- 2006 Oxiana

Exploration up until 2008 dominantly focussed on the potential for epithermal gold hosted in the Sandy Creek area at prospects such as Explorer, Lost World, Shanghai and Grand Central. Mineralisation more typical of intrusive related gold systems such as Soapspar and Perseverance to the north were also targeted and mined.

In 2010 the Big Vein South (BVS) deposit was discovered associated with the Woolgar Fault. The major focus of exploration from 2011 – 2017 was delineation of the mineralisation at BVS.

Detailed records of all historic drilling are sporadic, but a database has been compiled and verified where possible. The database includes:

- Camp (Sandy Creek) epithermal targets = 1,243 holes for 77,112 m.
- Soapspar Intrusive Related Gold (IRG) = 243 holes for 16,580 m.
- Upper Camp Mesothermal = 99 holes for 7,512 m
- Middle camp Mesothermal = 25 holes for 2,048 m
- Lower Camp Mesothermal (includes Big Vein South) = 447 holes for 47,327 m

Many datasets of geochemical (soil and rock chip) and geophysical (magnetic, IP) data are available.

4 Geology and mineralisation

4.1 Regional geology and mineralisation

The Woolgar inlier is situated on the 1:250,000 geological series map Gilberton, Queensland Sheet SE/54-16 (White, 1960). This inlier contains Proterozoic metamorphic rocks intruded by late Proterozoic and Palaeozoic igneous rocks. The Mid-Palaeozoic Hodgkinson basin lies to the north east separated by the north-northwest trending Palmerville fault. The Burdekin River fault zone forms the south-eastern contact with the Ordovician Carboniferous Broken River Province. The western side of the block is unconformably overlain by Jurassic to Tertiary sediments of the Great Artesian basin.

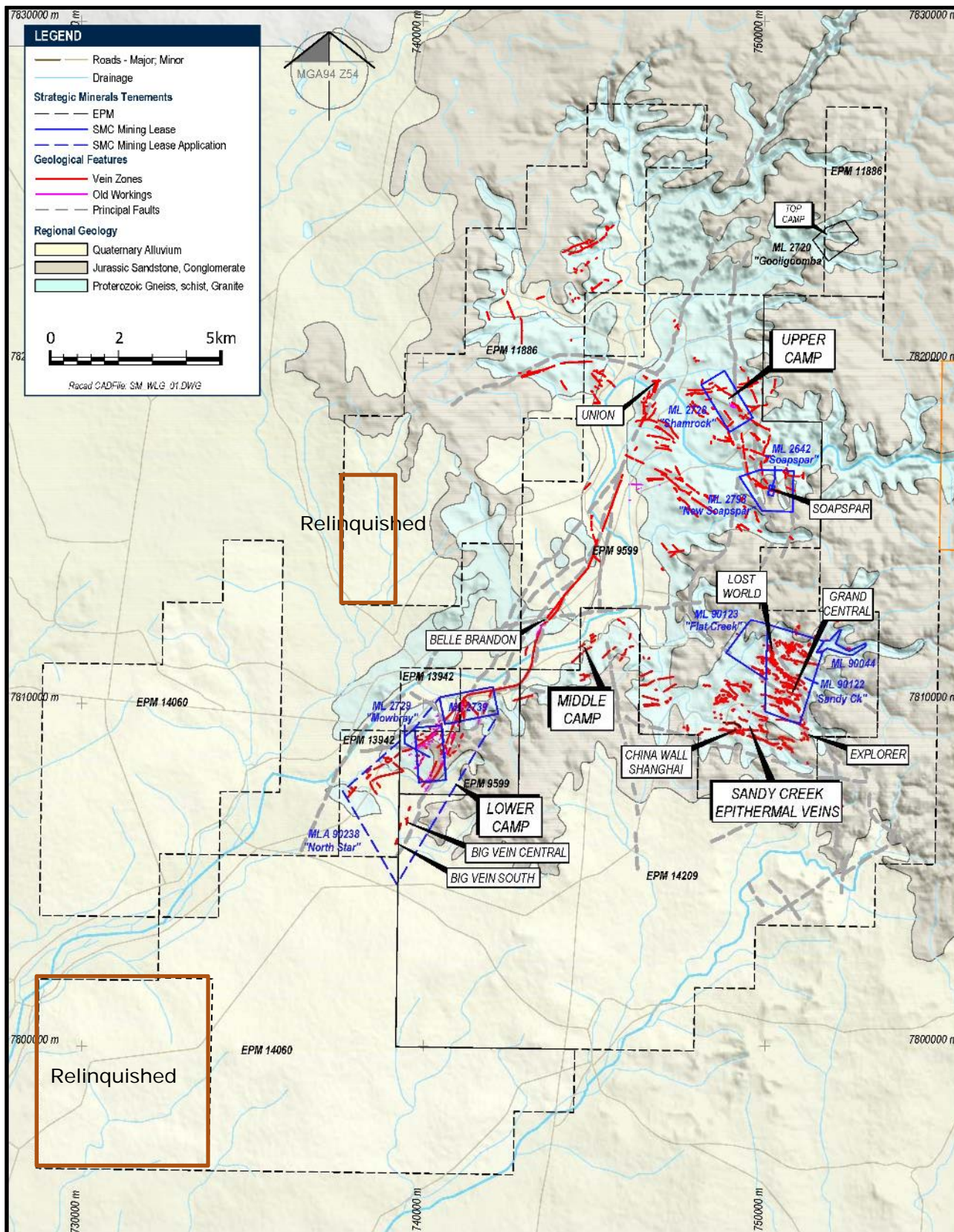
Jurassic sandstone is eroded in the Woolgar area to expose the Proterozoic metasediments. The Proterozoic metasediments consist of a sequence of pelitic schists and interbedded metasediments which have undergone tight to isoclinal folding. Cleavage and schistosity trend east–west to east northeast–west southwest. Dolerite and pegmatite dykes intrude the sequence and are the major features noticeable on the aeromagnetics.

The Woolgar Fault, a regional scale structure, passes through the Woolgar Project and is interpreted to continue northeast, towards the old Kidston gold mine.

4.2 Woolgar local geology and mineralisation

The local geology of the Woolgar project is shown in Figure 4.1. The geology is simplified to show where the basement Proterozoic metamorphics outcrop, or where the overlying Jurassic sandstone masks the basement, and the alluvium in the valleys. The principal faults, running dominantly from southwest to northeast, are outlined in grey.

Figure 4.1 Woolgar project simplified geology

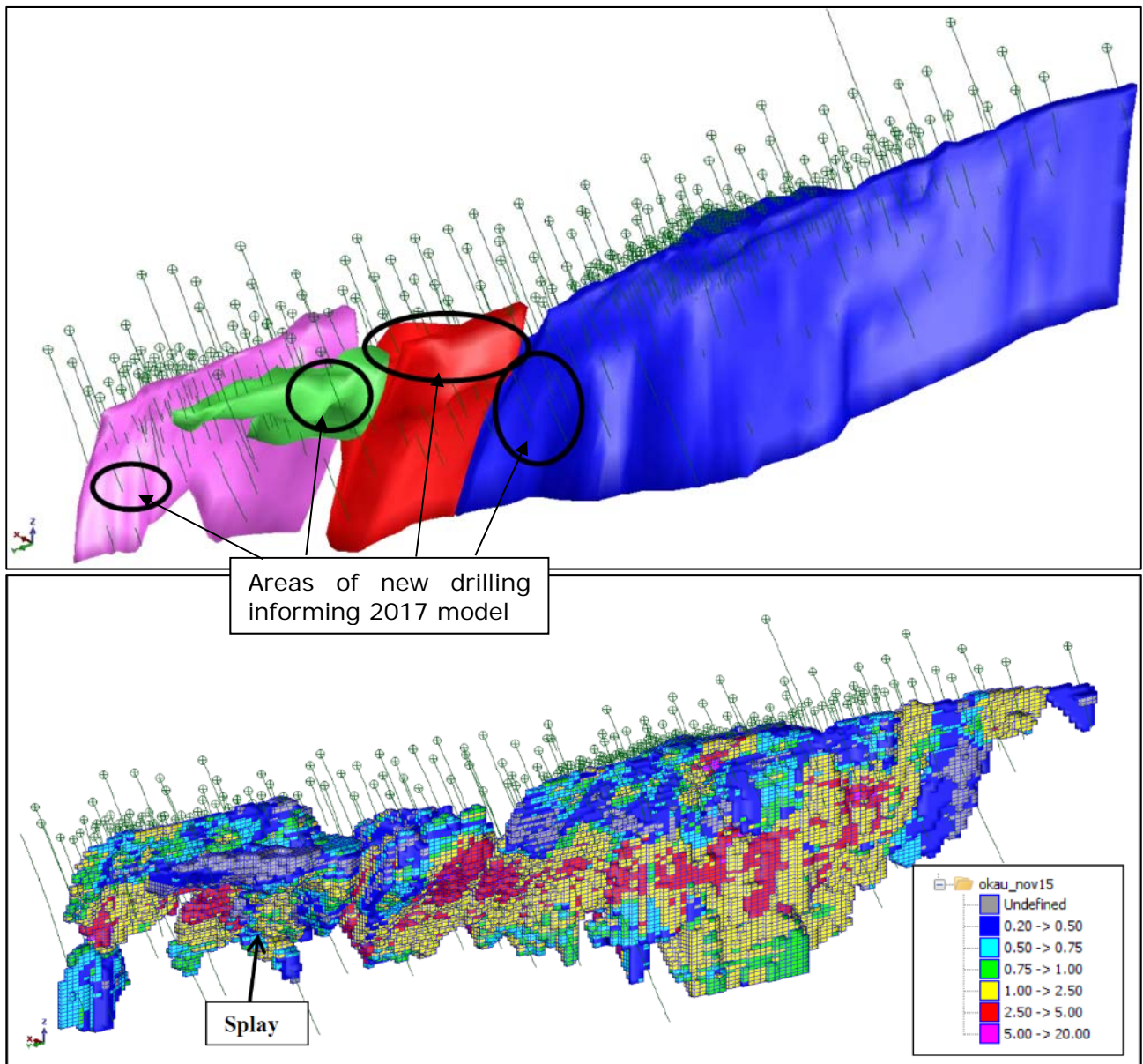


Source: SMC (Note boundaries of tenements EPM11886 and EPM14060 include recent part relinquishments) and Energy Minerals Pty Ltd and QGold Pty Ltd Tenure not shown

4.2.1 Big Vein South (BVS)

The Mineral Resource currently estimated at BVS contains approximately 66% of the estimated project resources and is the major focus of SMC at present. The BVS mineralisation comprises deformed, auriferous, quartz-sulphide veins with pervasive silica alteration. Host rocks consist of Proterozoic-age, amphibolite-grade quartz-feldspar-biotite-mica schists within a ductile deformation zone. The mineralisation is a mesothermal vein style. Structurally the deposit appears to be controlled by an upright sigmoidal fold developed during ductile deformation. Later, brittle faulting, perpendicular to the BVS has divided it into three main zones. A fourth zone forms a splay structure to the Northern zone of the main sigmoidal structure (H&S, 2017).

Figure 4.2 BVS mineralisation domains (top) and block model grades (bottom) – isometric views looking southeast



Source: H&S, 2017 – Blue = Southern Zone, Red = Central Zone, Purple = Northern Zone, Green = Splay Zone

AMC considers the current interpretation of shear hosted mesothermal gold mineralisation to be realistic and is consistent with AMC’s observations of core and RC chips. The higher-grade gold mineralisation occurs in zones of higher silicification and sulphidation within the highly deformed metapelites and migmatites. There is a broad halo of sericite alteration that forms the boundary to the mineralised package.

4.2.2 Mowbray, Big Vein, Big Vein 2, Just in time prospects

Approximately two thirds of the estimated Mineral Resources occur in prospects outside the BVS.

The Big Vein prospect lies along a rugged section of hills with thin Jurassic sandstone cover and is hosted by the same fault zone as BVS. Mineral Resources at the Big Vein prospect were previously estimated based on approximately 40 drill holes, but the estimate was withdrawn due to inability to confirm some aspects of resource drilling with confidence. There are no current Mineral Resource estimates for the Big Vein.

The Big Vein 2 prospect was visited by AMC and again appears to be mineralisation in a style similar to the BVS although possibly along a splay or parallel trending shear.

Just in Time prospect occurs along strike from Big Vein in similar rocks and mineralisation styles (Figure 4.4). It was not visited by AMC.

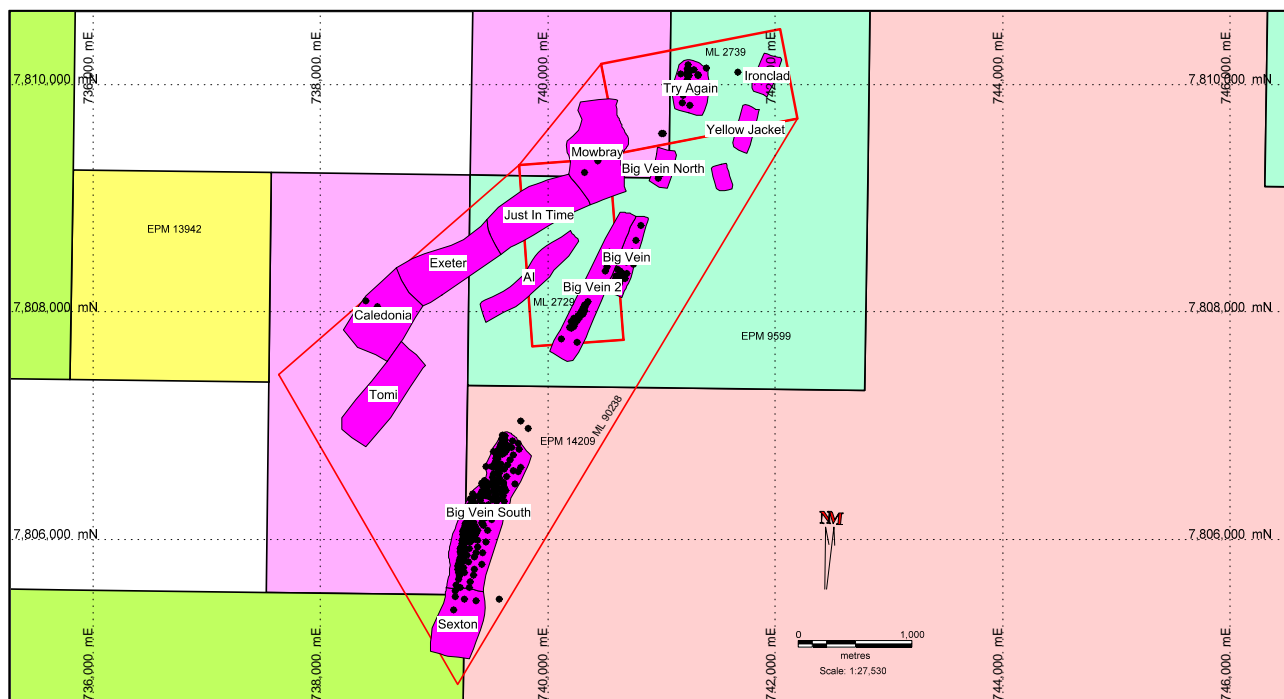
The inspections by AMC of the Mowbray prospect showed that historic mining of shafts and small pits had removed a moderate amount of material. The style of mineralisation has not been confirmed by SMC. Denaro (2001) records that 167 kg of gold was extracted from 3,862 t of ore, which appears consistent with the size of the shaft and mullock (waste) dumps (Figure 4.3).

Figure 4.3 Photograph of the Big Vein south grid line and Mowbray shaft and mullock pile



Source: AMC

Figure 4.4 Drilling and prospect locations in the Big Vein area



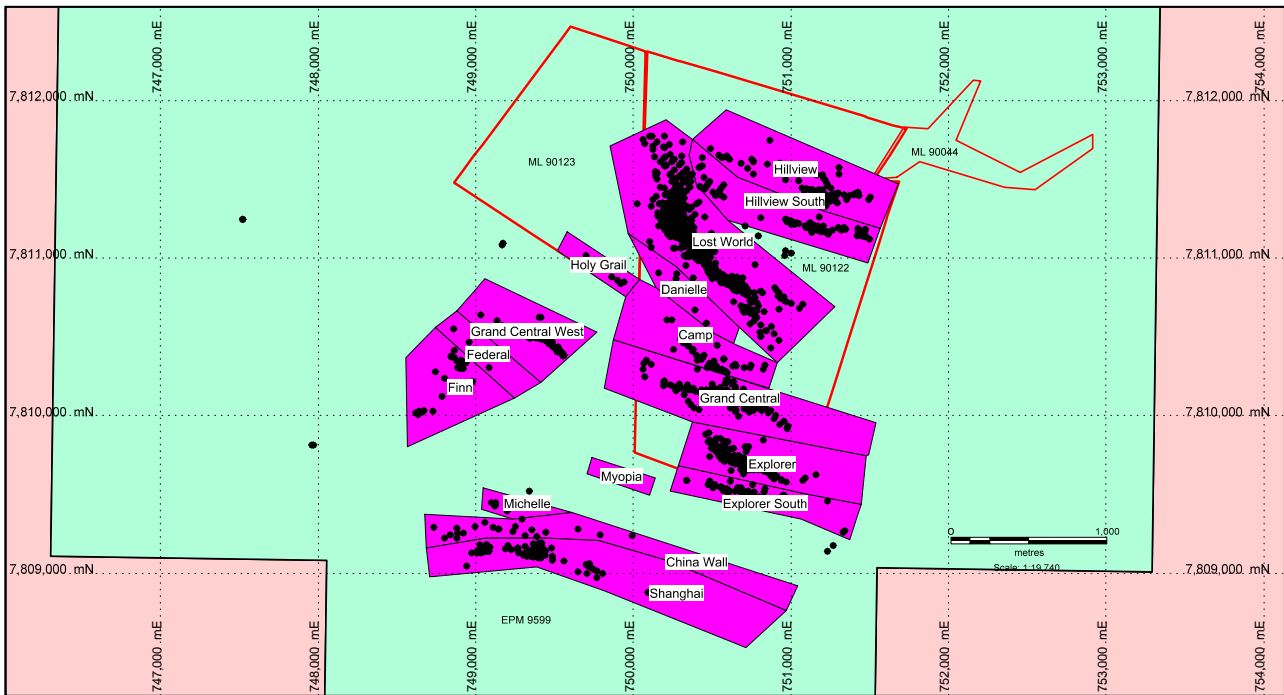
Source: AMC

4.2.3 Sandy Creek

The Sandy Creek area supports the majority of the epithermal vein gold prospects including the Lost World deposit that is estimated to contain 340,000 oz Au or 19% of the SMC gold resources. The area has large numbers of quartz veins with epithermal textures. Drilling since the mid-1980s focussed in this area which has now been tested by 1,243 holes (Figure 4.5). Extensive mapping, geochemistry and geophysics have been completed in this area. The drilling is dominantly shallow with the deepest hole to 612 m. The area clearly contains significant amounts of material with epithermal textures as seen on the field visit where multi-phased laminated and crustiform veins were observed. The area is deeply incised (Figure 4.6).

Mineral Resources have also been estimated for the Grand Central, Camp Vein, Explorer and Soapspar deposits.

Figure 4.5 Sandy Creek area prospects and drillhole locations



Source: AMC

Figure 4.6 View from the top of the Lost World outcrops



Source: AMC

5 Exploration results and potential

5.1 Recent exploration

Recent exploration by SMC has focussed on the development of the Big Vein South (BVS) prospect. Drilling in the last five years has consistently increased the size of the Mineral Resource defined higher grade areas within the lower grade halo. The BVS resource is currently at a stage where sufficient work has been completed to progress the project to a prefeasibility study (PFS) to evaluate the feasibility of project development.

5.2 Gold exploration potential at Woolgar

The exploration potential for gold in the Woolgar Project tenements is summarised in the following table.

Table 5.1 Exploration potential

Tenure	Potential
EPM 9599	<p>Hosts the Sandy Creek epithermal deposits. The current resources are dominantly low grade and are currently quoted at a 0.4 g/t Au cut-off which AMC considers may be geologically supported but is unlikely to be economic unless infrastructure costs are offset from other deposits.</p> <p>Epithermal mineralisation is an attractive exploration target due to the common occurrence of high gold grades. In the Sandy Creek area, it seems the peak boiling zone that may have hosted potentially higher-grade mineralisation may have been eroded away, and the current in-situ material lies at a deeper, lower grade level.</p> <p>Further mapping of vein textures and testing of areas under cover is warranted.</p> <p>This EPM also covers the extension of the prospective Woolgar Fault corridor northeast from the deposits at Big Vein South and Big Vein. In 2017, SMC recorded rock chip sample results of 62.7 g/t Au in outcrop and 13.4 g/t Au in subcrop at Belle Brandon Spring².</p>
EPM 11886	<p>Hosts the Upper Camp prospects of Perseverance, Hit-or-Miss, Union and others. The area is dominated by Jurassic cover rocks. There are no significant prospects with planned expenditure at present. The cover does not preclude exploration potential but it does incur significant access and cost issues to develop any potential resource.</p>
EPM 13942	<p>Is a small three sub-block EPM. It hosts the southern extension of the BVS. The Mowbray to Caledonia trend hosts a number of small anomalies worthy of follow up due to the proximity to BVS and the potential to add incremental ounces.</p>
EPM 14060	<p>Lies along strike to the south of BVS in an area east of the Woolgar River. The tenement is largely covered by Quaternary alluvium but is considered prospective for buried extensions of the BVS or additional mesothermal mineralised zones within the Woolgar Fault corridor. SMC has not yet conducted drill testing of the Woolgar Fault position.</p>
EPM 14209	<p>The area is dominated by Jurassic cover in the north and alluvium in the south. Incised creeks running east-west do expose the basement in areas and may be prospective for epithermal veins</p>
EPM 26263	<p>Hosts the Hampstead Queen prospect that has had some limited mapping and rock chip sampling, including a best result of 19.7 g/t Au in outcrop and 16.3 g/t Au in mullock³. The tenement is otherwise underexplored and of a low priority.</p>

5.3 Uranium exploration potential at Woolgar

SMC's subsidiary Signature Resources NL holds the uranium rights over the Woolgar Project as well as interests in the South Australian tenements (see Section 5.5). At Woolgar anomalous rockchip results up to 0.67% eU₃O₈⁴ are associated with large uranium aeromagnetic radiometric anomalies from unconformity style uranium mineralisation. The best drill intersection has been 6 m @ 0.25% eU₃O₈ at the Perseverance anomaly (Alpha Uranium Limited, 2007). With respect to the uranium rights, Woolgar is an early stage exploration project. Given the prevailing low uranium price and the ban on uranium mining in Queensland, AMC considers that the value of the uranium rights at Woolgar is very low in the current market, and consequently has not included any value for these rights in the technical valuation.

² SMC 2017 Annual Report reported in accordance with 2012 JORC Code.

³ Alpha Uranium Limited 2007 Replacement Prospectus reported in accordance with 2004 JORC Code.

⁴ SMC 2017 Annual Report reported in accordance with 2012 JORC Code.

5.4 QGold and Energy Resources Pty Ltd tenements

The Takeover Panel final orders required independent technical specialist to make reasonable enquiries of Mr McLoughlin and Mr Wallin regarding whether there may be any other information that should be made available to the independent expert and independent technical expert and by providing any such information to the independent expert and independent technical expert.

AMC has made those enquiries and notes that the tenements held by QGold Pty Ltd and Energy Resources Pty Ltd have had no significant exploration to date. Mr Wallin reports (Supplementary Bidder's Statement, 22 March 2018, and email dated 16 April 2018) that QGold and Energy Resources have undertaken studies of the available public domain data and undertaken field mapping within the tenements. In AMC's opinion, that public domain data does not highlight any significant potential to host new surface gold deposits apart from in some of the segregated sub-blocks that infill and surround some of the Middle and Upper Camp areas. However, these sub-blocks had been relinquished from SMC EPMs prior to the 2010 and 2011 applications by QGold and Energy Resources.

5.5 South Australian tenements

SMC, through its wholly owned subsidiary Signature Resources NL, holds a small percentage interest in two projects in South Australia, the Reaphook Project and the Mt Frome projects, see Table 5.2. Perilya Freehold Mining Pty Ltd (Perilya) is listed as the major partner, Zhongjin Lingnan Mining (HK) Company Limited is the parent company of Perilya.

Table 5.2 South Australian Tenements

Tenement Label	Tenement Number	Tenement Status	Holders	Operators	Commodities Sought	Location	Tenement Start Date	Tenement Expiry Date	Area Legal	Area Unit
EL 5773	5773	Active	Perilya Freehold Mining Pty Ltd (90%); Signature Resources Pty Ltd (10%)	Perilya Freehold Mining Pty Ltd; Signature Resources Pty Ltd	Silver; Gold; Zinc; Copper; Lead	Mount Frome area - approximately 90 km SE of Leigh Creek	4/11/2015	3/11/2020	200	Square Kilometres
EL 6132	6132	Active	Perilya Limited (85%); Paladin Energy Ltd (7.5%); Signature Resources Pty Ltd (7.5%)	Perilya Limited; Paladin Energy Ltd; Signature Resources Pty Ltd	Base Metals; Gold; Zinc; Copper; Lead	Reaphook Hill area approximately 110 km southeast of Copley	27/09/2017	26/09/2019	29	Square Kilometres

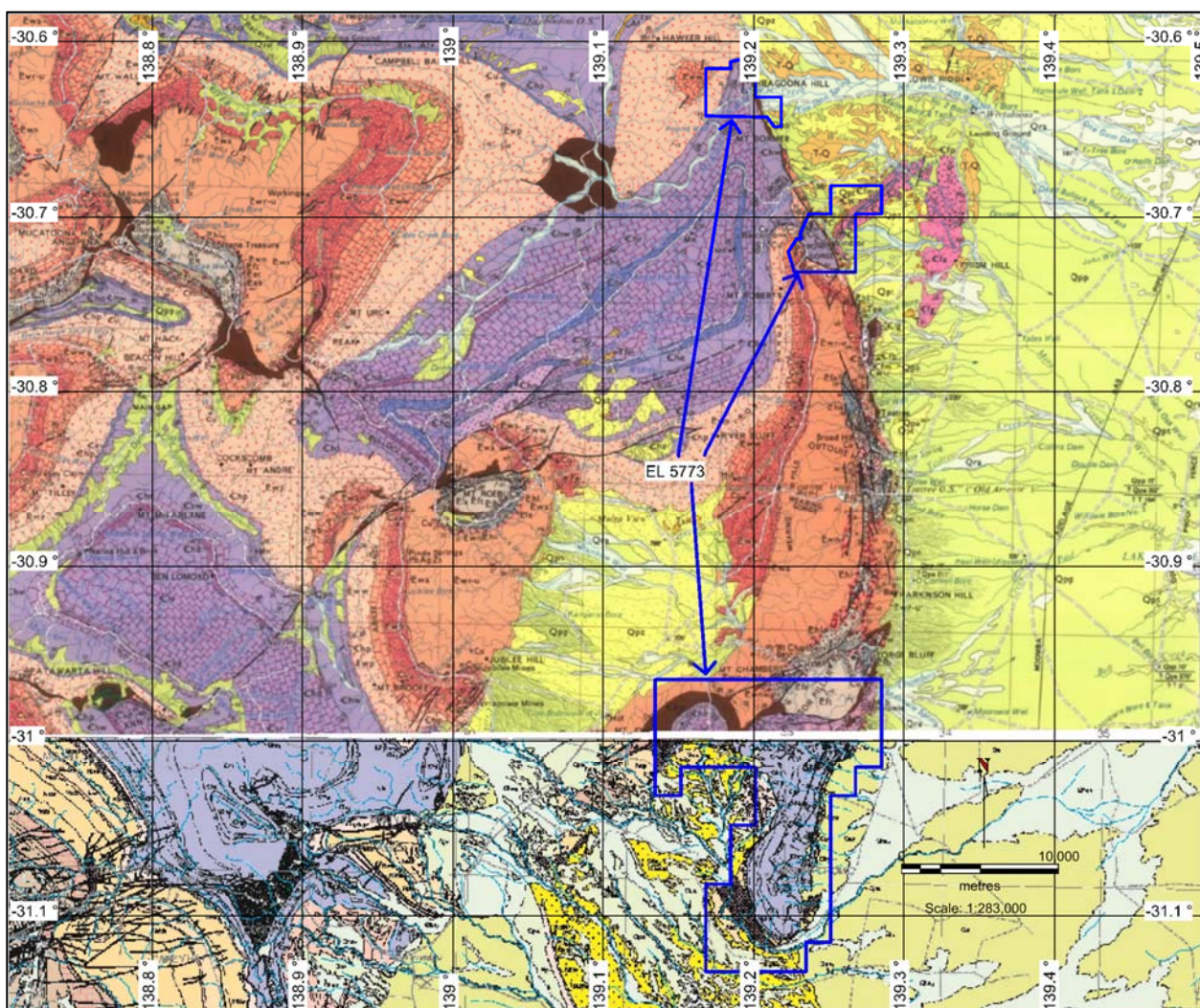
AMC did not visit the South Australian tenements and is satisfied that the exploration results and the lack of recent activity on the tenements supports this decision.

The South Australian tenements are located in the Frome Basin and are considered prospective for base metal and gold exploration potential within Proterozoic 'basement' rocks localised at the Frome Basin margins.

The Frome Basin properties also have potential for roll front or palaeo-channel style uranium mineralisation, similar in style to that at the operating Beverly mine located immediately north of the properties. Known uranium-anomalous sand channels are reported⁵ to cross the tenements.

EL 5773 (Figure 5.1) is retained as three separated parts focussed on the zones where the eastern Flinders Ranges Cambrian sediments and limestones overlie the Callabonna Basin sediments. The Upper Proterozoic sandstone and siltstone lithologies trend broadly north-south through the northern part of the licence area. Around the Mt. Frome and Mt. Chambers areas, the sediments wrap around diapiric breccias. Along the eastern and southern margins, Cambrian carbonates both conformably overlie and are faulted against Proterozoic sediments. Sporadic occurrences of disseminated copper mineralisation have been reported from within, and in close proximity to, the licence area. The most notable of these are the Arrowie Gorge Prospect and the Moro Mine. Zinc and lead mineralisation occur within the Cambrian carbonate sediments, mainly within the Wikawilinna Limestone. Several companies have explored in the area between 1966 and 1991, including Kennecott, Carpentaria Exploration, North Flinders Mines, Dampier Mining Co., BHP Minerals, ESSO Australia Ltd and Newcrest. Work consisted of stream sediment sampling, rock chip sampling, mapping, IP surveys and minor amounts of drilling. Perilya commenced exploration in 2000 undertaking stream sediment sampling and mapping. Zinc and lead mineralisation was investigated with no significant anomalism warranting further work.

Figure 5.1 EL 5773 Location and geology map

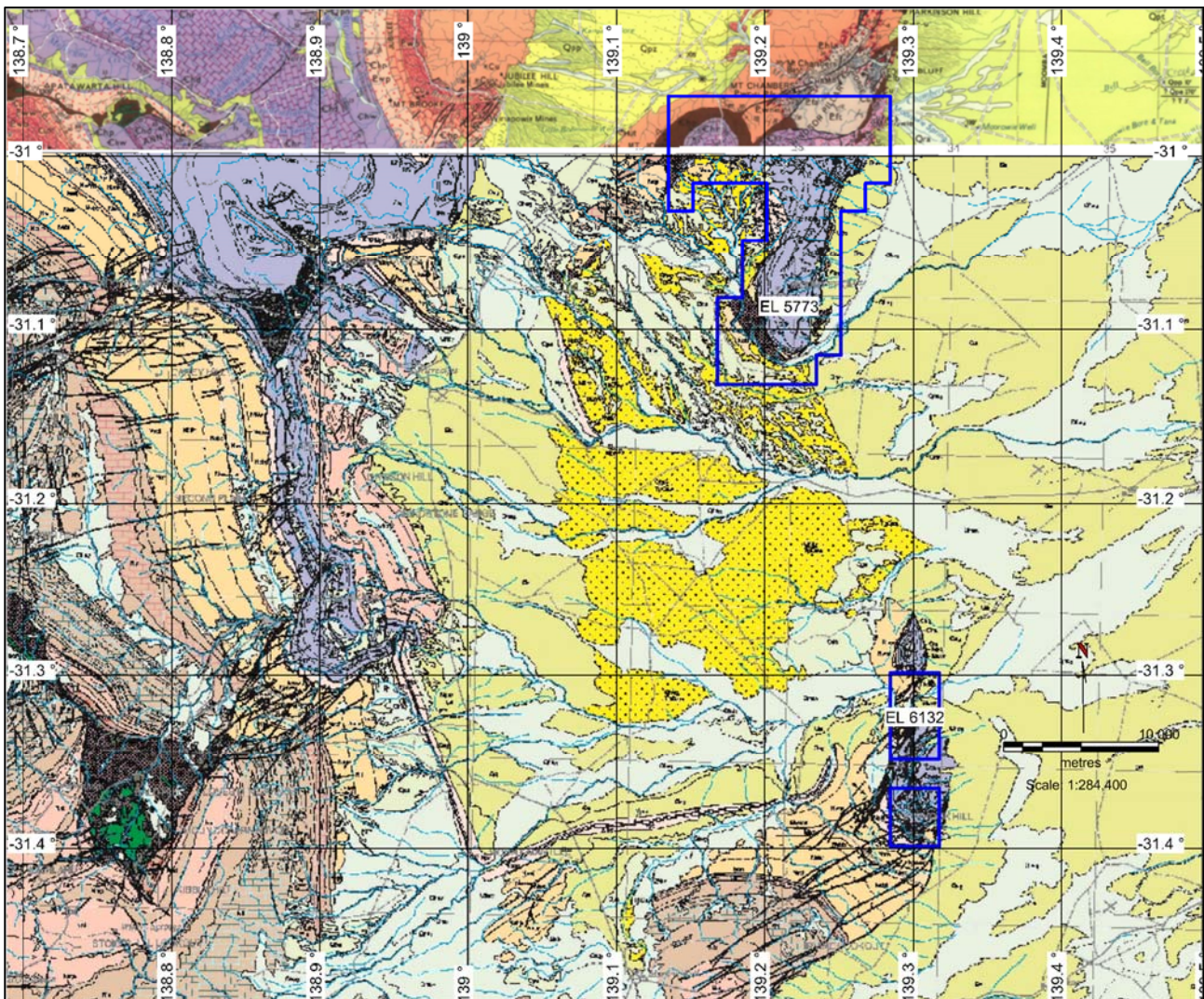


Source: AMC from SARIG data and 1:250,000 geological mapsheets Copley and Parachilna (Projection Lat/Long GDA94)

⁵ Alpha Uranium Limited, replacement prospectus 8 November 2007.

The small EL6132 Reaphook tenement area (Figure 5.2) contains Cambrian sediments overlying Proterozoic sediments with open file rock chip samples showing anomalous zinc and barite occurrences. The Reaphook zinc prospect is located in the southern portion of the tenement. Mineralisation is in the form of scholzite within Cambrian limestone. In 2008 Perilya reported rock chip sampling returned values up to 27% zinc and that past drilling returned intersections up to 18m @ 2.1% Zinc. The mineralisation is interpreted as Mississippi Valley Type or a possible higher-grade temperature variant, with similarities to the Beltana zinc deposit located to the west of the project.

Figure 5.2 EL 6132 Location and geology map



Source: AMC from SARIG data and 1:250,000 geological mapsheets Copley and Parachilna (Projection Lat/Long GDA94)

Due to the lack of high priority targets after grass roots exploration and the disjointed nature of the remaining tenements, AMC does not consider these properties to be material to the current Valuation Report.

6 Mineral Resources

6.1 Current Mineral Resources

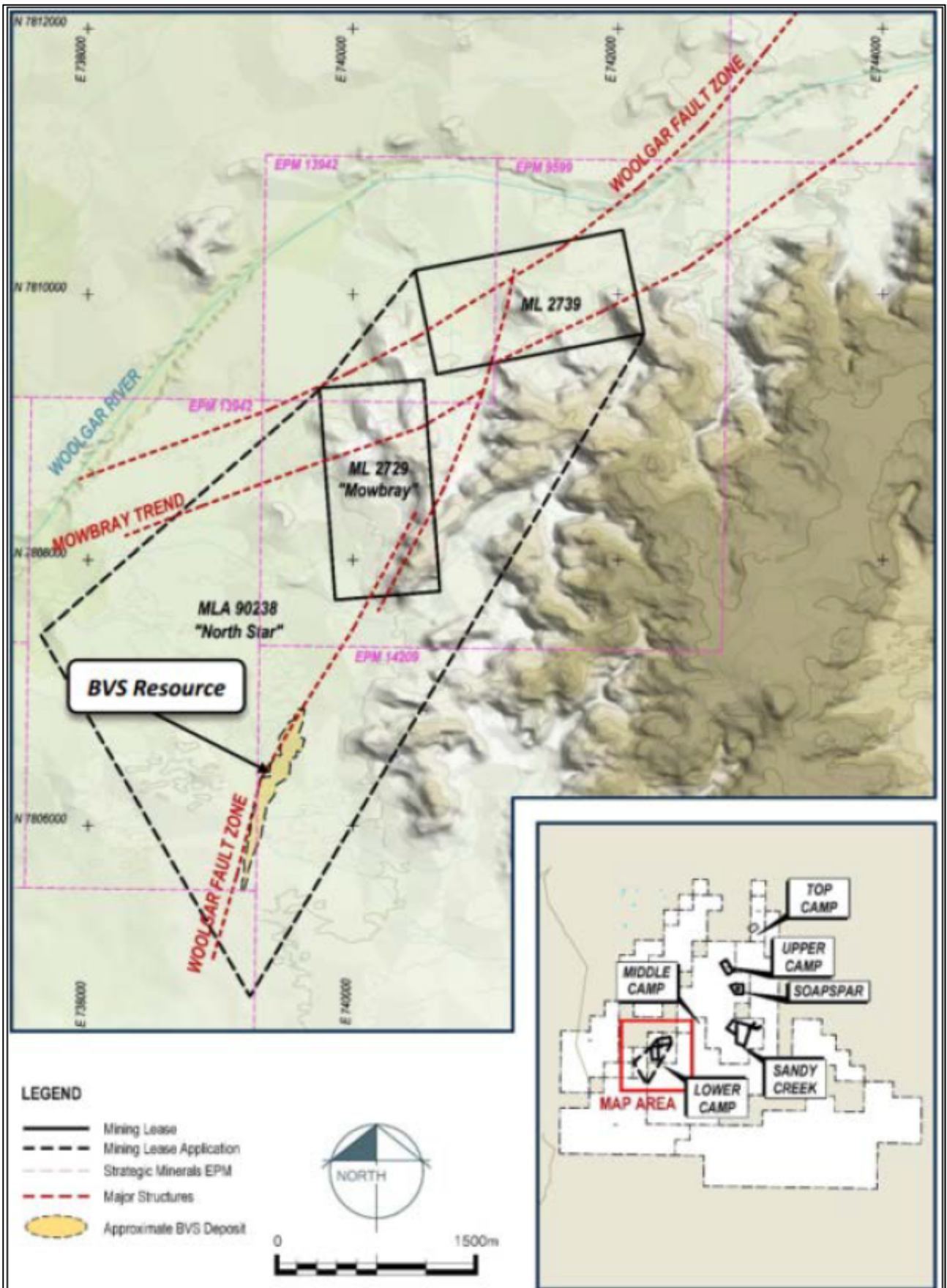
Current SMC Mineral Resource estimates are tabulated in Table 6.1. The general locations of the resources are shown in Figure 6.1 and Figure 6.2.

AMC has reviewed the Mineral Resource reports completed by H&S (2017) and SRK Consulting (2017a to 2017d) and considers them to be of a standard that are in alignment with reporting standards in the JORC Code (2012).

Table 6.1 SMC Woolgar Mineral Resources

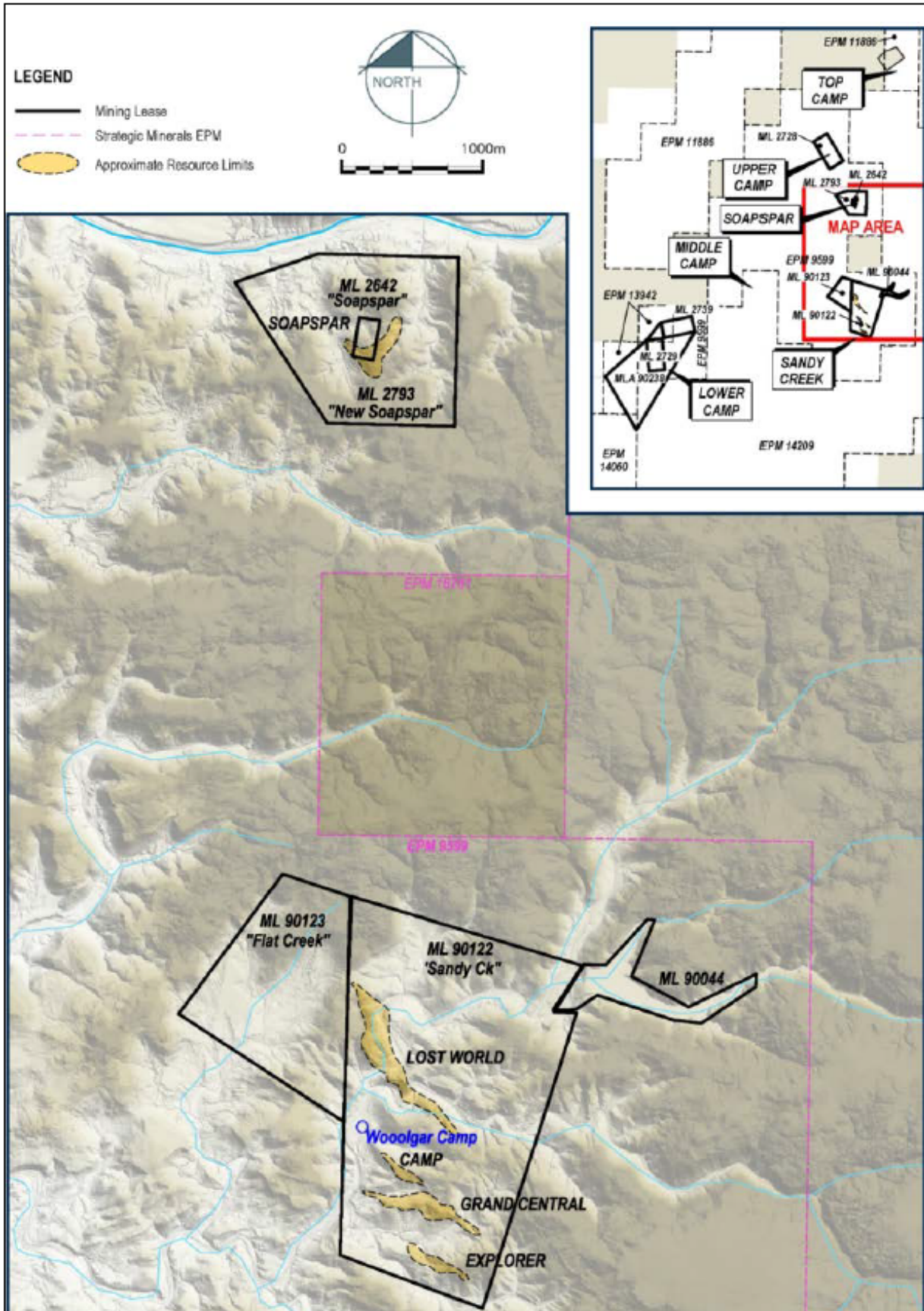
Deposit (author)	Category	Cut-off (g/t)	Tonnes (kt)	Grade Au (g/t)	Metal Au (oz)
Big Vein South (H&S, 2017)	Measured	0.75	200	2.3	11,000
	Indicated	0.75	4,800	2.1	324,000
	Inferred	0.75	13,400	2.0	839,000
	TOTAL		18,400	1.99	1,173,000
Explorer (SRK Consulting, 2017a)	Measured	0.40	395	3.61	46,000
	Indicated	0.40	149	2.22	11,000
	Inferred	0.40	351	1.45	16,000
	TOTAL		895	2.55	73,000
Grand Central & Camp Vein (SRK Consulting, 2017b)	Measured	0.40	-	-	-
	Indicated	0.40	2,157	1.18	82,000
	Inferred	0.40	607	1.02	20,000
	TOTAL		2,764	1.14	102,000
Lost World (SRK Consulting, 2017c)	Measured	0.40	3,474	0.87	97,000
	Indicated	0.40	8,074	0.68	177,000
	Inferred	0.40	3,155	0.66	66,000
	TOTAL		14,703	0.72	340,000
Soapspar (SRK Consulting, 2017d)	Measured	0.40	1,667	0.91	49,000
	Indicated	0.40	1,175	0.90	34,000
	Inferred	0.40	472	0.82	12,000
	TOTAL		3,314	0.89	95,000
WOOLGAR GLOBAL			40,076	1.39	1,783,000

Figure 6.1 Location map of Big Vein South Mineral Resource



Source: SMC. MLA90238 is now ML90238

Figure 6.2 Location map for the Soapspars, Lost World, Grand Central and Explorer Mineral Resources



Source: SMC

7 Valuation background

Three widely accepted valuation approaches used for valuation of mineral assets, as defined in the VALMIN Code⁶, are:

- (a) Market-based, which is based primarily on the notion of substitution. In this valuation approach the mineral asset being valued is compared with the transaction value of similar mineral assets under similar time and circumstance on an open market.

Valuation methods include but are not limited to comparable sales transactions and joint venture terms.

- (b) Income-based, which is based on the notion of cashflow generation. In this valuation approach the anticipated benefits of the potential income or cash flow of a mineral asset are analysed.

Valuation methods include but are not limited to discounted cashflow and multiples of earnings.

- (c) Cost-based, which is based on the notion of cost contribution to value. In this valuation approach the costs incurred on the mineral assets are the basis of analysis.

Valuation methods include but are not limited to sunk costs or current replacement costs.

Various methods have been traditionally used to value mineral exploration tenements that may or may not include a Mineral Resource.

In relation to the development status of a mineral asset, the VALMIN Code provides the following categories:

- Exploration areas (market-based and cost-based methods): properties where mineralization may or may not have been identified, but where a Mineral Resource has not been estimated.
- Advanced exploration areas (market-based and cost-based methods): properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching, or some other form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken on at least one prospect to provide a good understanding of the type of mineralization present and encouragement that further work may lead to estimation of a Mineral Resource.
- Pre-development projects (market-based method and, in some cases, income-based or cost-based methods): properties where Mineral Resources have been estimated and their extent determined (possibly incompletely), but where a decision to proceed with development has not been made.
- Development projects (income-based and market-based methods): properties for which a decision has been made to proceed with construction or production, but which are not yet commissioned or are not yet operating at design levels.
- Operating mines (income-based and market-based methods): properties, particularly mines and processing plants which have been commissioned and are in production.

The valuation of exploration projects, particularly those for which it is not possible to quantify Mineral Resources, is very subjective. There are, however, several generally accepted procedures to value exploration projects and AMC has used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC attempts to use more than one method before selecting the valuation appropriate to that project. Values have been rounded, outliers in contributing estimates sometimes excluded. AMC has considered the following methods of valuation:

⁶ Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets The VALMIN Code 2015 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists.

The past expenditure method

A prospectivity enhancement multiplier (PEM) generally between 0.5 and 3.0 is applied to past expenditure which we judge to be effective in regard to future prospectivity.

The yardstick value method

Rules of thumb or yardstick values can be used for properties where a Mineral Resource has been quantified, particularly in the case of gold. A value per contained ounce of gold or gold equivalent (based on treatment recoveries and net smelter return factors) is assigned to an actual Mineral Resource or to a preliminary mineralization estimate. The yardstick values AMC has considered are based on our assessment of transactions in recent years.

Actual or comparable transaction method

A value is determined by reference to either actual transactions for the property in question or to recent transactions for projects considered to be similar to those under review. Comparable transactions are normally converted to a value per unit area.

Joint venture terms method

Many transactions on exploration tenements are of a farm-in nature and AMC assesses a "cash equivalent" value for them by assessing from the terms the "deemed expenditure" on the property at the time of the deal, discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. AMC adjusts the resulting value for any other terms of the joint venture or for the results of work carried out since the commencement of the farm-in.

Expected value method

Expected values are estimated where it is reasonably possible to target a range of economic parameters that can be applied to a project that may result from ongoing exploration, usually with allowance for the costs of that ongoing exploration and with a probability or risk factor for the chances of that exploration being successful.

Values for exploration properties vary widely with time and also with the nature of the deal, the purpose of the valuation and/or the strategic value of the property to the hypothetical buyer. A cash transaction will normally be at the low end of a value range obtained by methods discussed above. Share market values, as in a float, will often be at the higher end.

Valuation of mineral tenements is normally carried out for groups of tenements as small tenements may have almost no stand-alone value. An individual tenement holds its value as part of a group of tenements covering a larger area with exploration potential or covering a complete Mineral Resource rather than part of it.

8 Project Valuation

8.1 Introduction

The SMC Assets principally consist of the Woolgar project: mining leases with Mineral Resources and six EPMs with significant exploration activity over a long period of time, which has resulted in the current Mineral Resources and prospectivity for further discoveries.

AMC has adopted two valuation methods; a comparable transaction method to produce yardstick values for the mining leases containing Mineral Resources and the past expenditure method with the application prospectivity enhancement multipliers to derive values for the EPMs.

8.2 Comparable transaction method

Where a Mineral Resource has been quantified, yardstick values can be applied that have been determined from comparable transactions. In this method, a value per unit of metal contained in the Mineral Resource is calculated from comparable transactions, located in Australia and based on the presence of (mainly) Indicated and Inferred Mineral Resources in the target properties. These yardstick values have been derived having regard for inflation of the deal value by the inflation factor⁷ (listed in Table 8.1) and adjustment of the deal value for relative changes in the Australian gold price from the transaction date (both listed in Table 8.1) to the Valuation Date, at which date the gold price was USD1342.70/Oz⁸ converted to Australian gold price of AUD 1738/oz. The yardstick values were then applied to the contained metal in the Mineral Resource that is the subject of the technical valuation.

AMC searched for comparable transactions meeting the following criteria:

- tenements in Australia, outside major gold production regions, containing undeveloped gold Indicated and Inferred Mineral Resources
- transactions between 2012 and 2018

The value of each transaction is specific to the geology of the deposit, the state of the market at the time of the transactions, and the circumstances and strategies of the buyer and seller at the time of the transactions. The range of transactions is taken to be broadly comparable and AMC is of the opinion that the midpoint of the range is the logical preferred value.

Six transactions were used define a range of yardstick values, see Table 8.1.

⁷ <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Consumer+Price+Index+Inflation+Calculator>

⁸ http://www.kitco.com/scripts/hist_charts/daily_graphs.cgi

Table 8.1 Comparable transactions to develop yardstick values

Project /Company Name	Date	Project description	Deal description	Mineral Resources	Deal Price*	Contained Oz Au *	Inflation factor	Au price transaction date AUD/Oz	Yardstick AUD/AuOz
Hudson Resources Limited/ Mount Adrah Gold Limited	30/06/2014	Mount Adrah Gold Limited NSW. Advanced project	Hudson Resources acquired a 17.2% interest in Mt Adrah Gold which held the Mt Adrah Gold project in NSW for \$2 million.	Indicated 12.1 Mt @ 1.1 g/t Au Inferred 8.4Mt @ 1.1 g/t Au for 770,000 oz Au	2,000,000	770,000	1.05	1410	19.5
Keras Resources Plc/ Klondyke gold project	12/09/2016	The Klondyke gold project Western Australia	Keras Resources Plc paid A\$1.42 million in cash and issued 100.0 million shares of its common stock to acquire a 100% interest in Klondyke gold project from Arcadia Minerals Pty Ltd. In addition, Arcadia Minerals Pty Ltd. will retain a 2.50% royalty of gross value of proceeds on production of gold from the tenements, up to \$3.5m.	Inferred Resource of 5.6 Mt at 2.08 g/t for 374,000 oz Au	2,500,000	374,000	1.02	1751	6.77
Regis Resources Limited/ Blayney exploration project	23/02/2017	Blayney exploration project (EL5922) NSW	Regis Resources Ltd. paid A\$3.25 million in cash to acquire a 100% interest in the Blayney exploration project (EL5922) from Aeris Resources Ltd.	Indicated 4.8Mt @ 1.3 g/t Au Inferred 9.1 Mt @ 1.2 g/t Au Inferred 37Mt @ 0.5 g/t Au for a total of 1.01 Moz Au	3,250,000	1,096,000	1.01	1619	3.21
GBM Resources Limited/ Twin hills project	22/12/2017	Twin Hills Gold project Qld	GBM Resources Ltd. will pay A\$150,000 in cash and issue 50 million shares of its common stock to acquire a 100% interest in the Twin hills project from Shandong Tyan Home Co. Ltd. In addition to this, GBM Resources Ltd. will also pay an additional A\$350,000 in cash consideration on 30 June 2018, A\$350,000 in cash consideration on 30 September 2018 and A\$650,000 in cash consideration on 30 December 2018.	Inferred Mineral Resource of 4.62 Mt @ 2.68 g/t Au for 398,000 oz Au	2,000,000	398,000	1	1645	5.31
Evolution Mining Limited/ Marsden project	17/10/2016	Marsden Gold Project NSW	Evolution Mining Ltd. paid A\$3.0 million at closing and will pay a further A\$7.0 million contingent payment based on a decision to mine, to acquire a 100% interest in the Marsden project from Newcrest Mining Ltd.	Indicated 160Mt @ 0.21 g/t Au 0.40% Cu Inferred 15 Mt @ 0.074 g/t Au 0.19% Cu for 1.1 Moz Au 0.67 Mt Cu	10,000,000	1,100,000	1.02	1645	9.79
Agricultural Equity Investments Pty Ltd. acquires Cargo project	31/01/2017	Cargo project Cadia Valley NSW	Agricultural Equity Investments Pty Ltd. paid A\$0.50 million in cash to acquire the Cargo project from Golden Cross Resources Ltd.	Inferred 10.4 Mt @ 0.84 g/t Au for 280,000 oz Au	500,000	280,000	1	1600	1.94

* Source: SNL, 2018

AMC has considered these transactions in developing the range of values for tenements of the Woolgar project. The Woolgar project is considered an Advanced Exploration Project as defined in the VALMIN Code with Mineral Resources containing 1.78 Moz of gold (Table 6.1 of this report).

AMC has selected the range of yardstick values allocated for valuation, as follows, to apply to the Woolgar Mineral Resource:

- Low: \$1.9/oz.
- High: \$19.5/oz.
- Preferred: \$10.7/oz.

AMC thus derives the value for the Woolgar Mineral Resources ranging from \$3.5 million to \$34.7 million with a preferred value of \$19 million.

8.3 Past Expenditure Method

AMC received copies, from Hetherington via SMC, of the annual expenditure statements for each EPM which had been submitted to the Government for the SMC EPMs since 1995. There are a large number of these statements and the format varies year on year, making full collation a time consuming and imprecise task. AMC examined and collated sufficient of these annual statements to ascertain that, of the total reported expenditure, only \$105,667 was reported as unallowable costs, and some of that expenditure was drilling expenditure on mining leases within the EPM. In addition, AMC is satisfied that the statutory requirement that 10% or less of the total expenditure is made up of operational and administrative expenses and the statutory requirement has been met and so the relevant exploration expenditure can be regarded as 90% of the total allowable expenditure.

The relevance and effectiveness of this exploration expenditure needs to be considered. SMC has held tenements over the Woolgar project since 1986, and steadily increased the geological understanding of the tenements. SMC has progressively discovered several substantial gold deposits and defined Mineral Resources. There remains potential for discovery of additional mesothermal gold mineralisation in the Woolgar Fault corridor and related structures and additional epithermal gold deposits. AMC has therefore retained expenditure back to 1995, past which time there are no easily accessible records.

SMC informed AMC that the Company has spent \$24,346,337 on its Woolgar Project to the end of December 2017. This total expenditure is slightly higher than the total of \$22,637,127 reported from the Queensland Department of Natural Resources, Mines and Energy (DNRME). AMC therefore concludes that after deduction of unallowable costs and administrative expenses it is reasonable to ascribe \$20,278,314 as relevant exploration expenditure on the Woolgar EPMs, see Table 8.2.

AMC adjusted the past expenditure for inflation using the Consumer Price Index Inflation Calculator⁹, which increased the relevant Exploration Expenditure to \$25,535,588. These inflated Exploration Expenditures are listed in Table 8.2.

⁹ <http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Consumer+Price+Index+Inflation+Calculator>
amcconsultants.com

Table 8.2 Inflation adjusted relevant Exploration Expenditure

Year	Inflation factor*	EPM						TOTALS
		9599	11886	13942	14060	14209	26263	
2017	1.000	310,314	79,065	539,114	79,024	491,419	148,963	1,647,899
2016	1.019	172,052	79,005	208,059	193,334	551,003		1,203,453
2015	1.032	109,349	44,523	182,373	85,065	873,093		1,294,403
2014	1.048	76,050	97,087	914,228	132,156	640,359		1,859,880
2013	1.074	735,108	56,707	339,215	43,454	454,689		1,629,173
2012	1.100	913,664	100,721	286,637	42,621	369,303		1,712,946
2011	1.120	394,910	22,735	187,713	29,628	94,710		729,696
2010	1.158	336,675	32,369	37,579	26,152	27,574		460,349
2009	1.190	610,850	131,486	67,547	127,441	132,069		1,069,393
2008	1.212	275,587	87,558	215,360	130,001	87,554		796,060
2007	1.265	1,524,532	258,926		221,981	270,803		2,276,242
2006	1.295	655,868	132,742		118,391	107,628		1,014,629
2005	1.341	712,679	201,464		29,432	175,129		1,118,704
2004	1.377	2,730,743						2,730,743
2003	1.409	2,176,646						2,176,646
2002	1.448	788,944						788,944
2001	1.492	482,162						482,162
2000	1.557	212,798						212,798
1999	1.627	272,369						272,369
1998	1.651	815,420						815,420
1997	1.665	1,549,075						1,549,075
1996	1.669	1,276,653						1,276,653
1995	1.712	1,360,905						1,360,905
EPM Total		\$18,493,353	\$1,324,388	\$2,977,825	\$1,258,680	\$4,275,333	\$148,963	\$28,478,542
Non-allowable expenditure		\$35,112	\$4,253	\$0	\$6,474	\$29,138	\$30,690	\$105,667
Inflated relevant expenditure (90%)		\$16,612,417	\$1,188,122	\$2,680,043	\$1,126,985	\$3,821,576	\$106,446	\$25,535,588
Estimated resource drilling costs on MLs % **		50%		70%		95%		
Drilling Related Costs on MLs (\$)		\$8,306,208		\$1,876,030		\$3,630,497		\$13,812,735
Exploration Expenditure		\$8,306,208	\$1,188,122	\$804,013	\$1,126,985	\$191,079	\$106,446	\$11,722,853
*	http://www.abs.gov.au/websitedbs/d3310114.nsf/home/Consumer+Price+Index+Inflation+Calculator							
**	Expenditure allocated to Mineral Resources in MLs valued by Comparable Transaction method (see also Table 8.4)							

Source AMC spreadsheet derived from SMC's annual exploration expenditure reports to Mines Department.

AMC was not provided with a comprehensive breakdown of costs by precise location of the activity but had access to the drill hole database and so could determine the metres drilled in each tenement and the metres drilled to define each of the Mineral Resources. AMC has assumed that non-drilling expenditure can be allocated to Mineral Resource areas in proportion to the drilling expenditure. The Mineral Resource areas are considered in section 8.2.

Expenditure has been broken down by EPM and consideration of the prospectivity resulting from that activity determined, and a prospectivity enhancement multiplier (PEM) allocated according to the following scheme:

Table 8.3 Description of prospectivity enhancement multipliers (PEM)

PEM	Description
0.5 to 1.0	Prospectivity downgraded
1	Prospectivity maintained. Exploration to date justifies the next stage of exploration.
2	Prospectivity enhanced. Strong indications of potential for economic mineralisation have been identified and there are untested targets or anomalies.
3	Mineral Resources defined (note all mineral resources within MLs and separately valued). Potentially 'ore grade' intersections have already been intersected, indicating high potential for discovery of economic mineralisation.

AMC has allocated a lower PEM value and an upper PEM value to each EPM, based on its opinion of the remaining prospectivity, to estimate a range of values and derive a preferred value for the EPMs as detailed in Table 8.4. This results in technical value for the Woolgar EPMs ranging from \$17 million to \$23 million with a preferred value of \$20 million.

Table 8.4 Valuation of Woolgar EPMs using the Past Expenditure Method

Tenement	Description of Activities and Outcomes	Comments on expenditure	Relevant Expenditure	Prospectivity Enhancement Multiplier		Estimated Value (\$M)		Preferred Value (\$M)
			Inflation adjusted (\$M)	PEM Low	PEM high	Value low	Value high	<i>usually the mid-point of the range</i>
EPM 9599	Hosts the Sandy Creek epithermals. The current resources (on mining leases within the EPM) are dominantly low grade which may not be economic unless infrastructure costs are offset from other deposits. The peak boiling zone level that could host potentially higher grade may have been eroded away, and the current in-situ material lies at a lower grade and deeper level. Further mapping of vein textures and testing of areas under cover is warranted. This EPM also covers the extension of the prospective Woolgar Fault corridor northeast from the deposits at Big Vein South and Big Vein. In 2017, SMC recorded rock chip sample results of 62.7g/t gold in outcrop and 13.4g/t in subcrop at Belle Brandon Spring.	Major expenditure was drilling. Approximately 50% of drilling inside EPM9599 is in MLs with mineral resources. Therefore assume 50% of expenditure is directly relevant to EPM9599 rather than the mineral resources	\$8.3	1.5	2	\$12.5	\$16.6	\$14.5
EPM 11886	Hosts the Upper Camp prospects of Perseverance, Hit-or-Miss, Union and others. The area is dominated by Jurassic cover but there is potential for gold and uranium mineralisation beneath the Jurassic. There are currently no significant targets with expenditure planned.		\$1.2	1	1.5	\$1.2	\$1.8	\$1.5
EPM 13942	Is a small three sub-block EPM. It hosts the southern extension of the BVS. The Mowbray to Caledonia trend hosts a number of small anomalies worthy of follow up due to the proximity to BVS, and the potential to add incremental ounces.	Major expenditure was drilling. Approximately 70% of drilling inside EPM13942 is directly associated with the BVS mineral resource. Therefore assume 30% of expenditure is directly relevant to EPM13942 rather than the BVS mineral resource.	\$0.8	1.5	2.5	\$1.2	\$2.0	\$1.6
EPM 14060	Lies along strike to the south of BVS in an area east of the Woolgar River. The tenement is largely covered by Quaternary alluvium but is considered prospective for buried extensions of the BVS or additional mesothermal mineralised zones within the Woolgar Fault corridor. SMC has not yet conducted drill testing of the Woolgar Fault position.		\$1.1	1.5	2	\$1.7	\$2.3	\$2.0
EPM 14209	The area is dominated by Jurassic cover in the north and alluvium in the south. Incised creeks running east-west expose the basement in areas and may be prospective for epithermal veins.	Major expenditure was drilling. Approximately 95% of drilling inside EPM14209 is directly associated with the BVS mineral resource. Therefore assume 5% of expenditure is directly relevant to EPM14209 rather than the BVS mineral resource.	\$0.2	0.75	1.25	\$0.14	\$0.24	\$0.20
EPM 26263	Hosts the Hampstead Queen prospect. mapping and rock chip sampling, including a best result of 19.7g/t gold in outcrop and 16.3g/t in mullock. The tenement is otherwise underexplored and of a low priority		\$0.1	0.75	1.5	\$0.08	\$0.16	\$0.10
		Expenditure allocated to Mineral Resources (mainly drilling) in the MLs valued by Comparable Transaction method	\$13.8	Range of PEM values		Low	High	Preferred Value
Total		Total expenditure	\$25.5			\$16.8	\$23.0	\$19.9

With regard to SMC’s tenement holdings in South Australia, due to the lack of high priority targets after grass roots exploration, the disjointed nature of the remaining tenements, and SMC’s very small equity share, AMC does not consider these properties to be material to the current Valuation Report.

8.4 Previous valuations

Ravensgate International Pty Ltd ATF Ravensgate Unit Trust (Ravensgate) on 27 June 2014, in a report titled Technical Project Review and Independent Valuation Report, Strategic Minerals Corporation N.L. - Australian Mineral Assets’ for SIS reported a valuation for the SMC Assets. That valuation resulted in a range of Technical Values for a Low of \$17.6 M to a high of \$25.8 M with a preferred technical value of \$21.7 M.

The South Australian tenements were valued in 2014 as part of the Ravensgate technical valuation. The contribution of the Reaphook and Mt Frome assets to Ravensgate’s technical valuation was approximately 0.3%, clearly not material to the valuation of the SMC Assets.

Ravensgate conducted another valuation contained in SMC’s Target’s Statement as part of the SIS IER dated 18 December 2017. The Ravensgate Valuation Report dated 13 December 2017 again valued the Reaphook and Mt Frome assets at less than 0.3% of the total technical valuation.

8.5 Valuation summary

The values in Table 8.5 have been assessed based on the transaction multiples for comparable assets to derive yardstick values for Mineral Resources and the past expenditure method for exploration EPMs.

Table 8.5 SMC Assets Exploration values

Location	Low (\$M)	High (\$M)	Preferred (\$M)
Woolgar project MLs with Mineral Resources	3	35	19
Woolgar project EPMs	17	23	20
Total	20	58	39

AMC ascribes a Preferred Value of \$ 39 million to the SMC Assets. This is within a range of values from a low of \$20 million to a high of \$58 million.

9 Bibliography

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