STRATEGIC
ELEMENTS



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Strategic Granted Historic Goldfield in New Zealand

The granted area includes historic goldfields and gold mineralized granite dykes with potential to be related to a buried intrusion.

Strategic Elements Ltd (ASX: SOR) is pleased to report that 100% owned Strategic Materials Pty Ltd (Company) has been granted a prospecting permit over the historic Golden Blocks Goldfield region on the northwest tip of the South Island of New Zealand. The area contain two projects:

(1) The **Golden Blocks** project covers the entire Golden Blocks Goldfield that produced approx. 39,000 ounces of gold from pre-1913 mining methods. The Company will be the first modern explorer to systematically explore the area.
(2) The **West Wanganui** project contains multiple areas of gold mineralized rocks derived from granite dykes that are potentially sourced from a larger buried intrusion.

Regional Potential
Prior to formation of the Kahurangi National Park in 1996, the Ministry of Commerce made a submission to exclude areas of previous and present mining activity, or significant mineral prospectivity from the proposed boundary. The boundary was modified to exclude the former mines of the Golden Blocks area and Sam's Creek prospect (now a 1M+ intrusion style gold deposit).

In a report on mineral prospectivity of Kahurangi in 2009, leading research institute GNS stated, "despite its high mineral potential, past workings have been on a small scale, and little exploration has been carried out in the last 20 years. **The area is one of the most prospective regions of New Zealand** as a result of its geological history".

Golden Blocks Project

The Company's area contains the entire Golden Blocks Goldfield, which comprises a number of high-grade gold mines that produced approx. 39,000 ounces of gold up to 1913.

The main mine was the Aorangi Mine, which mined the Golden Blocks lode to creek level. An attempt was made to sink a winze to mine the lode below creek level, but this was unsuccessful due to water issues. Government records show that basic mining technology of the day, water issues and a fire at the Aorangi battery restricted production. The Company will be the first to apply modern exploration methods to this historic producing goldfield.

As well as potential at depth, there is also strike potential of the Golden Blocks lode, including gold remaining in historic mines (Aorangi, Anthill, Fault Adits, Golden Ridge, New Find), the area between historic workings, and possible extension south beyond historic mines to Sandhill Creek, as shown on a geological map prepared by the government geologist at the time.

The more significant mines lay within or close to the Mine Fault and are found along a strike length of 2.4 km. In 1972, Newmont Pty Ltd mapped the Golden Blocks lode as extending for 2km along the line of historic mines.

Aorangi Mine

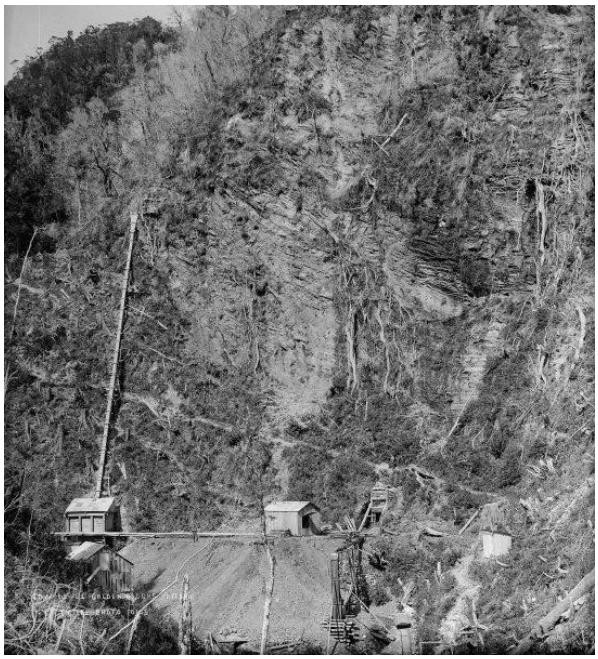
The Aorangi gold mine was the largest single mine in the goldfield and produced approx. 30,000 ounces of gold at a high average grade of 36g/t. Gold was produced from a strike length of 400m, **but only to about 100m depth** (creek level). Most of the gold came from quartz lodes within a bed of sheared and brecciated shale.

In 1913 the Minister of Mines reported, "There does not appear to be any reason why the mine should not be opened up on a bigger scale, **and have a long life ahead of it**". The mine appeared to close shortly after due to limitations of mining machinery of the day and the death of the mine manager.

The quartz bodies that hosted the gold were up to 1.5m thick, a width comparable to the historic Blackwater Mine in the Reefton Goldfield of New Zealand. Blackwater mine closed in 1952 due to a shaft collapse and labour shortages. Oceana Gold has recently drilled beneath the old mine and have intersected high grade gold up to **680m below** historic mining levels.

Golden Blocks Exploration Strategy

The near term exploration opportunity is to identify a high-grade underground gold resource beneath Level 3 of the Aorangi gold mine (creek level). Exploration would then turn to extending the strike towards other gold mines along the line of lode. Fieldwork to inspect mine shafts and plan a geophysical survey with the aim to identify gold mineralization beneath the Aorangi mine will commence in December 2012.



West Wanganui Project

The southern part of the 131 sq km permit **covers an area of gold mineralized rocks derived from granite dykes with potential for Intrusion Related Gold**. Features of Intrusion Related Gold style deposits are that gold in granite dykes potentially reflect the upper part of much larger deposits hosted in an intrusion below. The Company will use geochemical sampling and geophysics to search for a mineralized intrusion potentially buried beneath West Wanganui.

West Wanganui Nearby Comparative Model

The potential of West Wanganui is significantly enhanced by recent work nearby at the Sam's Creek gold deposit owned by Oceana Gold and MOD Resources. At Sam's Creek, a resource of over 1m ounces of gold has been defined in granite dykes, and a recent airborne geophysics survey has potentially identified the source intrusion buried below. The dykes form a 'ring' pattern around a large magnetic anomaly approximately 500m below the surface.

West Wanganui CRA (Rio Tinto) Exploration

At West Wanganui, granite dyke related gold mineralization was discovered by CRA (now global miner Rio Tinto) in 1987. CRA believed the gold mineralization had strong similarities to the type they also discovered at Sam's Creek, however a corporate decision caused their withdrawal from New Zealand in 1989. No one has followed up CRA's discovery of gold bearing granite dykes at West Wanganui.

CRA reported that rocks from granite dykes in the Anatori/Frazer stream area are "similar to those which host the important gold mineralization at Sam's Creek" and "the occurrences indicate potential for a similar system".

CRA identified several drainages with rocks derived from granite dykes, some outcrops of dyke with a true width of up to 20 metres, and reported rock chip assays from float up to 1 g/t Au. They reported "considerable potential for significant gold mineralization to occur in this anomaly". Gold was also found in other rock types including 7.15 g/t in a pyritic quartz vein and 13.7 g/t in quartz-veined siltstone.

West Wanganui Exploration Strategy

The nearby dykes at Sam's Creek have been shown to **wrap around** a potential buried intrusion. The Company will target **CRA's Frazer Stream anomaly that contains outcropping dykes** and numerous mineralized rocks derived from granite dykes found in float, with a helicopter assisted sampling program. The Company is also commissioning the first airborne magnetic survey focused on this area in order to detect any buried potential intrusions.

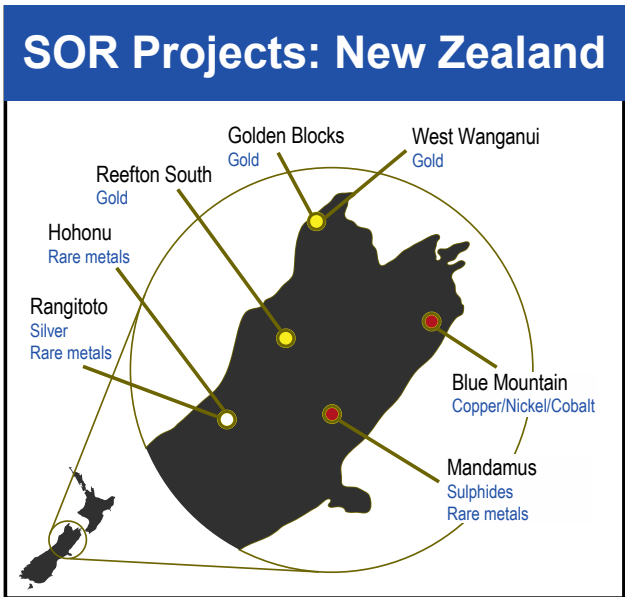
Managing Director Charles Murphy said, "The grant of this permit is quite significant for the Company as the ground contains intrusion related potential as well as having former producing gold mines. Modern 'under cover' exploration approach using geophysics data means the prospectivity of many intrusive areas in New Zealand are wide open. Most of the Company's focus to date has been on identification and analysis of a significant number of intrusion related projects across New Zealand whilst these opportunities were still available. These projects reflect that work with both owned 100% outright".

"The Company's main focus remains on rare metals, however intrusion related projects in other commodities have also been secured to spread commodity risk. This activity was prioritized when capital markets experienced a serious decline, the next phase of work is clearly focused on exploration in the field".

Nb: An intrusion is molten rock that forms under the Earth's surface. Magma from under the surface is slowly pushed up from deep within the earth. Many mountain ranges are formed by large granite intrusions. Globally, intrusion related gold deposits are a style of deposit with very large tonnage and a gold grade of between 1 g/t – 2g/t. Intrusion style gold deposits host some of the largest recently discovered gold systems such as Donlin Creek, Alaska (32M ounces).

Company Strategy

The Company is developing a significant first mover advantage by primarily targeting rare and precious metal intrusions in New Zealand. The focus on intrusions is due to the large-scale nature of this style of deposit. The focus on New Zealand is due to the mineral rich potential of its geology, availability of highly underexplored areas and stability of its mining laws. The Company controls a large strategic area of over 1350 sqkm of highly prospective ground on the South Island.



Hohonu Project covers over 10 separate intrusions with several primary areas of rare metal (rare earths, tungsten, tin,) mineralization.
Reefton South Project is along strike (and under cover) several kilometers from past producing mines of the prolific Reefton goldfield.
Blue Mountain Project and **Mandamus Project** both contain known intrusive bodies, significant sulphide mineralization and potential for rare metals.
Golden Blocks Project covers a historic producing goldfield with no modern exploration.
West Wanganui Project contains gold in granite dykes with potential to be related to a buried intrusion.

Note: The Company has withdrawn its application over the Rawlinna project.

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The information in this report that relates to Exploration Results is based on information compiled by Geoff Price, who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Geoff Price is employed by Geopex Ltd. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Geoff Price consents to the inclusion in the report of the matters based on his information in the form and context in which it appears".