



Merchant
FUNDS MANAGEMENT

22 October 2014

The Directors
Stratos Resources Limited
Level 1, 981 Wellington St
West Perth, WA, 6005

Company Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

By Facsimile: (08) 9322 6398

By Facsimile: 1300 135 638

**NOTICE OF INITIAL SUBSTANTIAL HOLDER
STRATOS RESOURCES LIMITED (ACN 110 884 262)**

In accordance with section 671B of the Corporations Act 2001, we enclose a Notice of Change of Interest of Substantial Holder for Stratos Resources Limited.

Yours faithfully

Andrew Chapman
Managing Director
Merchant Funds Management

Merchant Funds Management Pty Ltd Suite 42, 145 Stirling Highway, Nedlands WA 6009
P +61 8 9389 3600 F +61 8 9389 3699 W merchantgroup.com.au

AFSL Merchant Funds Management Pty Ltd (ACN 154 493 277) is a Corporate Authorised Representative No.420444 of Entrust Funds Management Pty Ltd (ACN 106 768 012) AFSL 275 934

Form 604
Corporations Act 2001
Section 671B
Notice of change of interests of substantial holder

To: Stratos Resources Limited

ACN: 110 884 262

1. Details of substantial holder (1)

Name: Merchant Funds Management Pty Ltd (ACN 154 493 277) as manager of the Merchant Opportunities Fund (ARSN 111 456 387) (Merchant) and Capricorn Investment Partners Limited (ABN 26 095 998 771) as the responsible entity of the Merchant Opportunities Fund (ARSN 111 456 387) (the **Merchant Opportunities Fund**)

ACN: See above

There was a change in the interests of the substantial holder on 22/10/2014.

The previous notice was given to the company on 19/09/2014.

The previous notice was dated 19/09/2014.

2. Previous and present voting power

The total number of votes attached to all the voting shares in the company that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company, are as follows:

| Class of securities (4) | Previous notice | | Present notice | |
|-------------------------|-----------------|------------------|----------------|------------------|
| | Person's votes | Voting Power (5) | Person's votes | Voting power (5) |
| Fully paid ordinary | 22,912,055 | 7.78% | 21,495,955 | 6.68% |

3. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company, since the substantial holder was last required to give a substantial holding notice to the company are as follows:

| Date of change | Person whose relevant interest changed | Nature of change (6) | Consideration given in relation to change (7) | Class and number of securities affected | Person's votes affected |
|-------------------------|--|----------------------|---|---|-------------------------|
| 07/10/2014 – 22/10/2014 | Merchant Opportunities Fund | Sale of Shares | \$0.006c - \$0.00889c per share | 4,416,100 fully paid ordinary | 4,416,100 |
| 09/10/2014 | Merchant Opportunities Fund | Share Purchase Plan | \$15,000 | 3,000,000 fully paid ordinary | 3,000,000 |

4. Present relevant interests

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

| Holder of relevant interest | Registered holder of securities | Persons entitled to be registered as holder (8) | Nature of relevant interest (6) | Class and number of securities | Person's votes |
|-----------------------------|--|--|---|--------------------------------|----------------|
| Merchant Opportunities Fund | The Trust Company Ltd (ABN33 106 768 012) as custodian for Merchant Opportunities Fund (TrustCo) | TrustCo as custodian for Merchant Opportunities Fund | Relevant interest under s608(1)(b) and (c) of the Corporations Act 2001 as the beneficial holder of securities | 21,495,955 FPO | 6.68% |
| Merchant | TrustCo as custodian for Merchant Opportunities Fund | TrustCo as custodian for Merchant Opportunities Fund | Relevant interest under s608(1)(b) and (c) of the Corporations Act 2001 as manager of the Merchant Opportunities Fund | 21,495,955 FPO | 6.68% |

5. Changes in association

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the substantial holder in relation to voting interests in the company are as follows:

| | Name and ACN/ARSN (if applicable) | Nature of association |
|--|-----------------------------------|-----------------------|
| | | |
| | | |
| | | |

6. Addresses

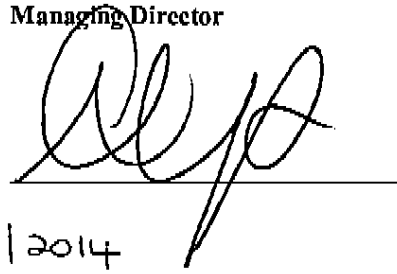
The addresses of persons named in this form are as follows:

| Name | Address |
|---------------------------------------|--|
| Merchant Funds Management Pty Ltd | Suite 43, 145 Stirling Highway, Nedlands WA 6009 |
| Capricorn Investment Partners Limited | Suite 1B, 103 Bolsover St, Rockhampton QLD 4700 |
| Merchant Opportunities Fund | Suite 42, 145 Stirling Highway, Nedlands WA 6009 |
| The Trust Company Ltd | Level 15, 20 Bond Street, Sydney NSW 2001 |

Name: Andrew Chapman

Capacity: Managing Director

Sign here:

A handwritten signature in black ink, appearing to be 'A Chapman', written over a horizontal line.

Date: 22/10/2014