
STRATOS RESOURCES LIMITED

ACN 110 884 252

NOTICE OF GENERAL MEETING

TIME: 11.00am (WST)

DATE: Wednesday, 3 September 2014

PLACE: Level 1, 981 Wellington Street,
West Perth WA 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Piers Lewis, on (+61 8) 6555 2950.

CONTENTS

Business of the Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	6
Glossary	13
Schedule 1 – Key terms and conditions of Convertible Notes	14
Schedule 2 –Terms and conditions of Attaching Options	15
Proxy Form	Attached

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.00am (WST) on Wednesday, 3 September 2014 at:

Level 1, 981 Wellington Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 5.00pm (WST) on 1 September 2014.

VOTING IN PERSON

To vote in person, attend the General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

1. **RESOLUTION 1 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO UNRELATED PARTIES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 104,421,918 Convertible Notes and 104,421,918 Attaching Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

2. **RESOLUTION 2 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO RELATED PARTY – MR PIERS LEWIS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 58,205,479 Convertible Notes and 58,205,479 Attaching Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Piers Lewis (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. **RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO RELATED PARTY – MR NEIL HACKETT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 32,001,095 Convertible

Notes and 32,001,095 Attaching Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Neil Hackett (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO RELATED PARTY – MR JAMES THOMPSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 90,260,274 Convertible Notes and 90,260,274 Attaching Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr James Thompson (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the issue price, will raise up to \$1.5 million on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to all other Resolutions in this Notice being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

(a) every 20 Shares be consolidated into 1 Share; and

(b) every 20 Options be consolidated into 1 Option,

and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

DATED: 30 JULY 2014

BY ORDER OF THE BOARD

**PIERS LEWIS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. RESOLUTION 1 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO UNRELATED PARTIES

1.1 Background

As announced to ASX on 15 April 2014, the Company has raised \$160,000 via a series of unsecured convertible loans (**Convertible Loans**).

Under the terms of the Convertible Loans, the Company is to seek Shareholder approval to permit conversion of these debts into equity securities of the Company being convertible notes (**Convertible Notes**).

In the event Shareholder approval is not obtained, the lending party has the right at any date before 30 September 2014 (**Termination Date**) to direct the Company in writing to:

- (a) apply the Converting Loan in payment of the subscription of Shares subject only to the consent of the Company which shall only be withheld due to the Company having insufficient capacity under ASX Listing Rule 7.1 to agree to issue the Shares in satisfaction of the Converting Loan; or
- (b) require repayment of the outstanding sum at any time prior to the Termination Date.

The key terms and conditions of the Convertible Loans and Convertible Notes are set out in Schedule 1.

The maximum number of Convertible Notes to be issued under Resolution 1 is 104,421,918. This includes 10,000,000 Convertible Notes in satisfaction of the unpaid outstanding sum (including accrued interest of \$4,422) owing to the same unrelated parties, to which are parties to the existing convertible loans approved at the 2013 AGM by Shareholders and expired on 30 June 2014.

1.2 General

Resolution 1 seeks Shareholder approval for the issue of Convertible Notes and Attaching Options in relation to the Convertible Loans.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the Convertible Notes and Attaching Options pursuant to Resolution 1 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

1.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) the maximum number of securities to be issued is 104,421,918 Convertible Notes and 104,421,918 Attaching Options;
- (b) the issue of Convertible Notes will occur immediately upon Shareholder approval by the Converting Loans converting to Convertible Notes and the issue of the Attaching Options is intended to occur on the same date but in any event will occur no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the deemed issue price per Convertible Note is \$0.001 which will be in satisfaction of \$0.001 owing as a Converting Loan and the Attaching Options will be issued for nil cash consideration on the basis of 1 Attaching Option for every \$0.001 advanced to the Company;
- (d) the Convertible Notes will be issued on the terms and conditions set out in Schedule 1;
- (e) the Attaching Options will be issued for free and on the terms and conditions set out in Schedule 2;
- (f) the Convertible Notes and Attaching Options will be issued to lenders under the Convertible Loans (or their nominees) who are not related parties of the Company; and
- (g) no funds will be raised from this issue, however, the funds advanced under the Convertible Loans will be used to enable the Company to continue to review the Yinchon and Sambas Projects and add to the Company's working capital.

2. RESOLUTIONS 2 TO 4 – ISSUE OF CONVERTIBLE NOTES AND ATTACHING OPTIONS TO RELATED PARTIES

2.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue Convertible Notes and Attaching Options (together, the **Related Party Securities**) to Messrs Lewis, Hackett and Thompson (or their nominees) (**Related Parties**).

The proposed issue of Related Party Securities is under Convertible Loans on the same terms detailed in section 1.1 of this Explanatory Statement.

The maximum number of Convertible Notes to be issued under:

- (a) Resolution 2 is 58,205,479 and includes 36,710,684 Convertible Notes in satisfaction of the unpaid outstanding sum (including accrued interest of \$1,173.68) owing to Mr Lewis under the existing convertible loans approved at the 2013 AGM by Shareholders;
- (b) Resolution 3 is 32,001,095 and includes 21,196,712 Convertible Notes in satisfaction of the unpaid outstanding sum (including accrued interest of \$645.28) owing to Mr Hackett under the existing convertible loans approved at the 2013 AGM by Shareholders; and

- (c) Resolution 4 is 90,260,274 and includes 47,722,191 Convertible Notes in satisfaction of the unpaid outstanding sum (including accrued interest of \$1,820.04) owing to Mr Thompson under the existing convertible loans approved at the 2013 AGM by Shareholders.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Related Party Securities constitutes giving a financial benefit and Messrs Lewis, Hackett and Thompson are related parties of the Company by virtue of being Directors. The Board considers the issue of Convertible Loans to be on arm's length.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Securities to the Related Parties.

2.2 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of the Related Party Securities:

- (a) the related parties are Messrs Lewis, Hackett and Thompson and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Securities (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 58,205,479 Convertible Notes and 58,205,479 Attaching Options to Mr Lewis;
 - (ii) 32,001,095 Convertible Notes and 32,001,095 Attaching Options to Mr Hackett; and
 - (iii) 90,260,274 Convertible Notes and 90,260,274 Attaching Options to Mr Thompson;

In addition, the Related Parties would each receive interest payments on the amount advanced until the time of conversion of the Convertible Notes or repayment to the Company.

- (c) The issue of Convertible Notes will occur immediately upon Shareholder approval by the Converting Loans converting to Convertible Notes and the issue of the Attaching Options is intended to occur on the same date but in

any event will occur no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

- (d) the deemed issue price per Convertible Note is \$0.001 which will be in satisfaction of \$0.001 owing as a Converting Loan and the Attaching Options will be issued for nil cash consideration on the basis of 1 Attaching Option for every \$0.001 advanced to the Company;
- (e) the Convertible Notes will be issued on the terms and conditions set out in Schedule 1 and the Attaching Options will be issued for free and on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from this issue, however, the funds advanced under the Convertible Loans will be used to enable the Company to continue to review the Sambas Project and add to the Company's working capital.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Securities to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Securities to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3. RESOLUTION 5 – PLACEMENT

3.1 General

Resolution 5 seeks Shareholder approval for the issue of up to that number of Shares, when multiplied by the issue price, will raise up to \$1.5 million (**Placement**).

A summary of ASX Listing Rule 7.1 is set out in section 1.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is up to that number of Shares which, when multiplied by the issue price, equals \$1.5 million. For example, if the issue price is \$0.0008 (being 80% of the volume weighted average marketprice for Shares calculated over the 5 days on which sales in the Shares are recorded before the date of this Notice), then the maximum number of Shares to be issued is 1,875,000,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be not less than 80% of the volume weighted average market price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed;

- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards exploration of the Company's Yinchon and Sambas Tin Projects, reviewing further projects and general working capital.

4. RESOLUTION 6 – CONSOLIDATION OF CAPITAL

4.1 Background

If Resolution 6 is passed and excluding any Securities issued pursuant to the other Resolutions, the number of:

- (a) Shares on issue will be reduced from 4,749,545,144 to 237,477,258 subject to rounding); and
- (b) Options on issue will be reduced from 485,000,000 to 24,250,000 (subject to rounding).

4.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

4.3 Fractional entitlements

Not all Security Holders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 20. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

4.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company does accept any responsibility for the individual taxation implications arising from the Consolidation.

4.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security Holder to check the number of Securities held prior to disposal or exercise (as the case may be).

4.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below.

Capital Structure	Shares	Convertible Notes	Listed Options ¹	Unlisted Options ¹
Pre-Consolidation Securities	4,749,545,144	Nil	Nil	485,000,000
Securities issued pursuant to Resolution 1	Nil	104,421,918	Nil	104,421,918
Securities issued pursuant to Resolution 2	Nil	58,205,479	Nil	58,205,479
Securities issued pursuant to Resolution 3	Nil	32,001,095	Nil	32,001,095
Securities issued pursuant to Resolution 4	Nil	90,260,274	Nil	90,260,274
<i>Sub-total</i>	4,749,545,144	284,888,766	Nil	769,888,766
Post Consolidation²	237,477,258	14,244,439	Nil	38,494,439

1. The terms of these Options are set out in the table below.
2. Assumes no Options are exercised or Convertible Notes are converted.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

Options – Pre Consolidation*

Terms	Number
Options exercisable at \$0.003 by 30 November 2015	375,000,000
Options exercisable at \$0.001 by 30 November 2015	394,888,766
Total	769,888,766

*Assumes Resolutions 1 – 4 are passed.

Options – Post Consolidation*

Terms	Number
Options exercisable at \$0.06 by 30 November 2015	24,250,000
Options exercisable at \$0.02 by 30 November 2015	14,244,439
Total	38,494,439

*Assumes Resolutions 1 – 4 and 6 are passed.

4.7 Indicative timetable*

If Resolution 6 is passed, the reduction of capital will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the ASX Listing Rules):

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	29 July 2014
Company tells ASX that Shareholders have approved the Consolidation.	3 September 2014
Last day for pre-Consolidation trading.	4 September 2014
Post-Consolidation trading starts on a deferred settlement basis.	5 September 2014
Last day for Company to register transfers on a pre-Consolidation basis.	9 September 2014
First day for Company to send notice to each holder of the change in their details of holdings.	10 September 2014
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Change of details of holdings date. Deferred settlement market ends.	16 September 2014
Last day for Securities to be entered into holders' Security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Attaching Option means an Option issued pursuant to Resolutions 1 to 4 with the terms and conditions set out in Schedule 2.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Stratos Resources Limited (ACN 110 884 252).

Constitution means the Company's constitution.

Convertible Loan means a convertible loan subscribed to by the Company with the terms and conditions set out in Schedule 1.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option or a Director Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Security means a Share or Option or Convertible Note as the context requires.

Securityholder means a holder of a Security.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – KEY TERMS AND CONDITIONS OF CONVERTIBLE NOTES

The key terms and conditions of the Convertible Notes are as follows:

	Details
Subscription Amount	\$1.00 each
Termination Date	30 September 2014
Interest	Interest accrues on a daily basis at the rate of 8% per annum on the outstanding Subscription Amount.
Secured / Unsecured	The Convertible Notes are unsecured.
Conversion	The Convertible Note can only be convertible into Shares by the Noteholder providing the Company with written notice that the Noteholder intends to convert the Convertible Note into Shares, such election made at any time prior to the Termination Date.
Conversion Price	<p>Subject to Shareholder approval, the Subscription Amount may be converted pursuant to the Convertible Notes into Shares equal to the lower of the price at which any capital raising is completed prior to the Termination Date or the lower of:</p> <ul style="list-style-type: none">(a) \$0.001 per Share; or(b) 20% discount of the VWAP price in the preceding 5 days of the conversion. <p>Where conversion results in a fractional entitlement the number of Shares issued will be rounded up to the nearest whole number.</p>
Redemption	<p>The Convertible Note can only be redeemed in the following circumstances:</p> <ul style="list-style-type: none">(c) upon the Noteholder providing the Company with notice that the Noteholder intends to redeem the Convertible Note; or(d) by repayment in cash automatically on the Termination Date.
Transferability	The Convertible Notes are transferrable.
No Participation or Voting Rights	The Noteholder will not have any voting rights prior to Conversion.
Governing Law	Western Australia, Australia.

The remainder of the terms and conditions of the Convertible Notes are customary for a transaction of this size and nature.

SCHEDULE 2 – TERMS AND CONDITIONS OF ATTACHING OPTIONS

1. Each Attaching Option gives the holder (**Optionholder**) the right to subscribe for one Share. To realise the right given by each Attaching Option, the Optionholder must exercise the Attaching Options in accordance with the terms and conditions of the Attaching Options.
2. The exercise price per Attaching Option is equal to the \$0.001 at the date of exercise of the Attaching Option (**Exercise Price**).
3. The Attaching Options may be exercised at any time until 5:00pm on 30 November 2015 (the **Expiry Date**). All Attaching Options which have not been exercised on or before the Expiry Date will lapse.
4. The Attaching Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
5. An Optionholder may exercise their Attaching Options by lodging with the Company, before the Expiry Date:
 - (a) a written notice of exercise of Attaching Options specifying the number of Attaching Options being exercised; and
 - (b) a cheque or electronic funds transfer for the Exercise Price for the number of Attaching Options being exercised; (**Exercise Notice**).
6. An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
7. Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Attaching Options specified in the Exercise Notice.
8. Options may be transferred in the same manner as Shares and may be exercised by any other person or body corporate.
9. Shares issued upon exercise of the Attaching Options will rank pari passu in all respects with the Company's fully paid ordinary Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon the exercise of Attaching Options within 5 Business Days after the date of allotment of these Shares.
10. The Company will not apply for quotation of the Attaching Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of the Attaching Options on ASX within 5 Business Days after the date of allotment of those Shares.
11. There are no participating rights or entitlements inherent in the Attaching Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Attaching Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 5 business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Attaching Options prior to the date for determining entitlement to participate in any such issue.
12. If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price will be reduced according to the formula set out in 6.22.2 of the ASX Listing Rules.

13. If there is any reconstruction of the issued share capital of the Company, the number of shares to which the Optionholder is entitled, and/or the Exercise Price, must be reconstructed in a manner which compiles with the Listing Rules (which will not result in any benefits being conferred on the Optionholder which are not conferred on shareholders and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Attached Option will remain unchanged.

PROXY FORM
APPOINTMENT OF PROXY
STRATOS RESOURCES LIMITED
ACN 110 884 252

GENERAL MEETING

I/We

of

being a Shareholder entitled to attend and vote at the Meeting, hereby

appoint

Name of proxy

OR

☐

the Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.00am (WST), on Wednesday, 3 September 2014 at Level 1, 981 Wellington Street, West Perth, Western Australia, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

FOR

AGAINST

ABSTAIN

Resolution 1 – Issue of Convertible Notes and Attaching Options

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Resolution 2 – Issue of Convertible Notes and Attaching Options – Piers Lewis

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Resolution 3 – Issue of Convertible Notes and Attaching Options – Neil Hackett

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Resolution 4 – Issue of Convertible Notes and Attaching Options – James Thompson

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Resolution 5 – Placement

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Resolution 6 – Consolidation

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Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolution 2

If you have not directed your proxy how to vote as your proxy in respect of Resolution 2 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

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I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolution 2 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolution 2 and that votes cast by the Chair for Resolution 2, other than as proxy holder, will be disregarded because of that interest.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolution 2 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 2.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Shareholder(s):

Date: _____

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Coy. Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Stratos Resources Limited, Level 1, 981 Wellington Street, West Perth WA 6005; or
 - (b) facsimile to the Company on facsimile number +61 8 9321 3102; or
 - (c) email to the Company at piers@stratosresources.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.