

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

Stratos Resources Ltd

ABN

82 110 884 252

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	<table><tr><td>1.</td><td>Convertible Notes</td></tr><tr><td>2.</td><td>Convertible Notes</td></tr><tr><td>3.</td><td>Unlisted options</td></tr><tr><td>4.</td><td>Unlisted options</td></tr></table>	1.	Convertible Notes	2.	Convertible Notes	3.	Unlisted options	4.	Unlisted options
1.	Convertible Notes									
2.	Convertible Notes									
3.	Unlisted options									
4.	Unlisted options									
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	<table><tr><td>1.</td><td>104,421,918</td></tr><tr><td>2.</td><td>180,466,848</td></tr><tr><td>3.</td><td>104,421,918</td></tr><tr><td>4.</td><td>180,466,848</td></tr></table>	1.	104,421,918	2.	180,466,848	3.	104,421,918	4.	180,466,848
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4.	180,466,848									

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Appendix 3B
New issue announcement

- 3 Principal terms of the ⁺securities (eg, if options, exercise price and expiry date; if partly paid ⁺securities, the amount outstanding and due dates for payment; if ⁺convertible securities, the conversion price and dates for conversion)

1 & 2. Convertible Notes

- A termination date of 30 September 2014.
- Interest rate of 8% per annum
- Unlisted and unsecured, convertible into fully paid ordinary shares
- 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:
 - i. \$0.001 per Share; or
 - ii. 20% discount of the VWAP price in the preceding 5 days of the conversion.

3 & 4. Unlisted Options

\$0.001 unlisted options expiring 30 November 2015

⁺ See chapter 19 for defined terms.

4	<p>Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1 & 2.</p> <p>No, upon conversion all shares issued will rank equally with fully paid ordinary shares trading on the ASX under Code SAT.</p> <p>3 & 4.</p> <p>No, upon exercise of the options into ordinary fully paid shares, the allotted and issued shares will rank equally in all respects with the existing class of quoted securities.</p> <p>The option does not entitle the holder to participate in the next interest or dividend payment.</p>
5	Issue price or consideration	<p>1. \$104,421.92</p> <p>2. \$180,466.85</p> <p>3. Nil</p> <p>4. Nil</p>
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<ol style="list-style-type: none"> Issue of convertible notes to unrelated parties, as approved by resolution 1 at the Company's GM held 3 September 2014. Issue of convertible notes to related parties as approved by resolution 2, 3 and 4 at the Company's GM held 3 September 2014 Free attaching options associated with 1. Free attaching options associated with 2.
6a	<p>Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the ⁺securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	28 November 2013
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	Not applicable

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Appendix 3B
New issue announcement

6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	1. 104,421,918 2. 180,466,848 3. 104,421,918 4. 180,466,848	
6f	Number of securities issued under an exception in rule 7.2	Not applicable	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	Not applicable	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Capacity under LR 7.1 is 712,431,772 Capacity under LR 7.1A is 474,954,514	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	4 September 2014	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number	+Class
		4,749,545,144	Ordinary shares

+ See chapter 19 for defined terms.

<p>9 Number and ⁺class of all ⁺securities not quoted on ASX (including the securities in section 2 if applicable)</p>	<table border="1"> <thead> <tr> <th>Number</th><th>⁺Class</th></tr> </thead> <tbody> <tr> <td>375,000,000</td><td>Options exercisable at 0.3 cents expiry 30/11/2015</td></tr> <tr> <td>394,888,766</td><td>Options exercisable at 0.1 cents expiry 30/11/2015</td></tr> <tr> <td>284,888,766</td><td>Convertible Notes</td></tr> </tbody> </table>	Number	⁺ Class	375,000,000	Options exercisable at 0.3 cents expiry 30/11/2015	394,888,766	Options exercisable at 0.1 cents expiry 30/11/2015	284,888,766	Convertible Notes
Number	⁺ Class								
375,000,000	Options exercisable at 0.3 cents expiry 30/11/2015								
394,888,766	Options exercisable at 0.1 cents expiry 30/11/2015								
284,888,766	Convertible Notes								
<p>10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)</p>	<p>Not applicable</p>								

Part 2 - Bonus issue or pro rata issue

<p>11 Is security holder approval required?</p>	<div></div>
<p>12 Is the issue renounceable or non-renounceable?</p>	<div></div>
<p>13 Ratio in which the ⁺securities will be offered</p>	<div></div>
<p>14 ⁺Class of ⁺securities to which the offer relates</p>	<div></div>
<p>15 ⁺Record date to determine entitlements</p>	<div></div>
<p>16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?</p>	<div></div>
<p>17 Policy for deciding entitlements in relation to fractions</p>	<div></div>

⁺ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

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| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders | |
| 25 | If the issue is contingent on ⁺ security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a | |

+ See chapter 19 for defined terms.

	broker?	
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	
33	⁺ Despatch date	

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☐ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

38	Number of securities for which +quotation is sought	
39	Class of +securities for which quotation is sought	
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	

+ See chapter 19 for defined terms.

42	Number and ⁺ class of all ⁺ securities quoted on ASX (<i>including</i> the securities in clause 38)	Number	⁺ Class

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those ⁺securities should not be granted ⁺quotation.

 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that no-one has any right to return any ⁺securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the ⁺securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the ⁺securities to be quoted under section 1019B of the Corporations Act at the time that we request that the ⁺securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before ⁺quotation of the ⁺securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 4 September 2014
(Director/Company secretary)

Print name: Piers Lewis

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⁺ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for⁺eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	4,749,545,144
Add the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	4,749,545,144

⁺ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	712,431,772
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	Nil
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	712,431,772
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.15] – “C”	712,431,772 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	4,749,545,144
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	474,954,514
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	474,954,514
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	474,954,514 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.