

17 September 2014

Dear Shareholder

### **Invitation to Participate in Shareholder Share Purchase Plan**

On 16 September 2014, Stratos Resources Limited ("**Stratos**" or "**the Company**") announced its intention to offer shareholders the chance to participate in a share purchase plan to subscribe for additional shares in the Company (**Plan**).

The Board of Directors of the Company is now pleased to make that offer to eligible shareholders on the terms and conditions enclosed with this letter.

### **Shareholders Eligible to Participate in the Plan**

The right to participate in the Offer under the Plan is optional and is available exclusively to shareholders who are registered as holders of fully paid ordinary shares in the capital of Stratos Resources Limited (**Shares**) at 5pm (WST) on the Record Date of 15 September 2014 and whose registered address is in Australia or New Zealand (**Eligible Shareholders**).

### **Share Purchase Plan**

The Plan entitles Eligible Shareholders in the Company, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of Shares at an issue price of \$0.005 per Share free of brokerage and commission (**Offer**). The issue price represents an 8.3% discount to the average market price of the Company's shares on ASX during the 5 trading days immediately prior to the announcement date of the Offer (being \$0.005451).

Details of the Offer are set out in this letter and the enclosed Terms and Conditions together with an Entitlement and Acceptance Form.

### **Current Activities**

Details of the Company's current activities are set out in the announcements made by Stratos to the ASX and are available from the ASX or Stratos' website at [www.stratosresources.com.au](http://www.stratosresources.com.au).

The funds raised under the Plan will be used by the Company to develop the Yinchen Project, review new projects and improve the Company's working capital position.

### **How much can you invest?**

Under the Plan, Eligible Shareholders may only acquire a maximum of up to \$15,000 worth of Shares under the Plan.

## Subscription and Application Procedure

If you would like to participate in the Offer, please follow the application instructions on the enclosed Entitlement and Acceptance Form. Please note that the **Closing Date of the Offer is 5pm WST on 26 September 2014**. No late applications will be accepted.

Eligible Shareholders may participate by selecting one of the following Offers to purchase Shares under the Plan:

	Amount	Number of Shares
<b>Offer A</b>	\$15,000	3,000,000
<b>Offer B</b>	\$10,000	2,000,000
<b>Offer C</b>	\$5,000	1,000,000
<b>Offer D</b>	\$2,000	400,000

Once an application has been made it cannot be revoked. All valid applications shall be deemed accepted if received before the Closing Date of 5pm WST on 26 September 2014.

The maximum investment any shareholder may apply for will remain \$15,000 even if a shareholder receives more than one Offer (whether in respect of a joint holding or because the shareholder has more than one holding under a separate account).

## Calculation of the Purchase Price and Acceptance of Risk Factors

The purchase price of Shares under the Offer is \$0.005, which represents an 8.3% discount to the average market price of the Company's shares on ASX during the 5 trading days immediately prior to the announcement date of the Offer, being \$0.005451.

On the trading day immediately prior to the announcement date of the Offer, the closing price of the Shares traded on ASX was \$0.006. The market price of the Shares in the Company may rise and fall between the date of the Offer and the date that any Shares are allotted to you as a result of your acceptance of this Offer.

By accepting the Offer and applying for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the purchase price is at a discount to the market price, Shares are a speculative investment and the price of Shares on ASX may change between the date of the Company announcing its intention to make an Offer and the date of issue of Shares under that Offer and that the price and/or value and/or number of the Shares received under the Plan may rise or fall accordingly.

The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in the Company prior to accepting this Offer.

## Additional Information and Important Dates

The Offer cannot be transferred and the Directors of the Company reserve the right to reject any application over \$15,000. Shares allotted under the Plan will be issued as soon as practicable after the Closing Date of the Offer. Application for quotation on ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum number of Shares that may be issued pursuant to this Offer is 20,000,000. In the event of an oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back all applications on a pro-rata basis.

If the Company rejects or scales-back an application or purported application, the Company will promptly return to the shareholder the relevant application monies, without interest.

### **Shortfall Placement**

In the event that less than 20,000,000 Shares are applied for pursuant to this Offer, the shortfall may be placed at the discretion of the directors.

### **Indicative Timetable**

Record Date [5pm WST]	15 September 2014
Announcement of Plan	16 September 2014
Opening Date of Offer	17 September 2014
Closing Date of Offer	26 September 2014
Issue of Shares under the Plan*	30 September 2014
Dispatch date for holding statements*	1 October 2014
Quotation of Shares on ASX*	2 October 2014

\*These dates are indicative only. The Company may vary the dates and times of the Offer without notice. Accordingly, shareholders are encouraged to submit their Entitlement and Acceptance Forms as early as possible.

Should you wish to discuss any information contained in this letter further, do not hesitate to contact the Company Secretary on +61 8 6555 2950.

Yours faithfully

**Piers Lewis**  
**Director**  
**Stratos Resources Limited**

**Stratos Resources Limited**  
**ACN 110 884 252**  
**Shareholder Share Purchase Plan - Terms and Conditions**

**Purpose**

The purpose of the Shareholder Share Purchase Plan (**the Plan**) is to offer shareholders of Stratos Resources Limited (**Company**) the opportunity to acquire additional fully paid ordinary shares in the Company (**Company Shares**) up to a maximum of \$15,000 (when combined with any shares issued under any share purchase plan in the 12 months preceding the date of the Plan) at an issue price of \$0.005 per Share (which represents a 8.3% discount to the average market price of Company Shares on the financial market operated by ASX Limited (**ASX**)) without the need to pay brokerage costs and without the need for Company to issue a Prospectus, upon such terms and conditions as the board of directors of Company, in its absolute discretion, sees fit.

**Shareholders eligible to participate**

Eligible shareholders of Company Shares that are registered with an Australian or New Zealand address at the relevant record date may participate in the Plan. Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

Participation in the Plan is optional and is subject to these terms and conditions. Offers made under the Plan are non-renounceable (i.e. eligible shareholders may not transfer their rights to any Company Shares offered under the Plan).

An offer may, at the discretion of the directors of Company, be made under the Plan once a year. The maximum amount, which any shareholder may subscribe for in any consecutive 12 month period, is A\$15,000. The directors of the Company may also determine in their discretion the minimum amount for participation, the multiple of Company Shares to be offered under the Plan and the period the offer is available to eligible shareholders.

**Custodians, trustees and nominees**

If you are an eligible shareholder and hold the Stratos Resources Limited shares as a custodian (as defined in ASIC Class Order CO 09/425 (refer below) (**Custodian**) or in any more specific ASIC relief granted to the Company in relation to the Plan), you may apply for up to the maximum of new Shares for each beneficiary for whom you act as custodian provided you annexe to your Entitlement and Acceptance Form a certificate to the Company (**Custodian Certificate**) with the following information:

- that you held Shares in the Company on behalf of one or more other persons (each a **Participating Beneficiary**) at 5pm WST on 15 September 2014 who have subsequently instructed you to apply for Shares under the Plan on their behalf;
- the number of Participating Beneficiaries and their names and addresses;
- the number of Shares that you hold on behalf of each Participating Beneficiary;
- the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through another custodian, to apply for on their behalf;
- that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act plus the application price for any other Shares issued to you as custodian for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$15,000;
- that a copy of the written offer document was given to each beneficiary; and
- where you hold shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian.

For the purposes of ASIC Class Order CO 09/425 you are a 'custodian' if you are a registered holder that:

- holds an Australian financial services licence that allows you to perform custodian or depositary services or operate IDPS accounts;
- is exempt from holding an Australian financial services licence by virtue of Class Order CO 03/184 or by relying on the Australian financial services licence of your master custodian under regulation 7.1.06(k) of the *Corporations Regulations 2001*;
- is a trustee of a self managed superannuation fund;
- is a trustee of superannuation master trusts;
- is a responsible entity of IDPS like schemes;
- is noted on the Company's register of members as holding the shares on account of another person.

If you hold Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner describes above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request Custodian Certificate and if you would like further information on how to apply, you should contact Security Transfer Registry at any time from 9am to 5pm WST Monday to Friday during the Offer period.

The Company reserves the right to reject any application for Plan Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements. The Company reserves the right to reject applications in accordance with these Terms and Conditions.

**Price of Company Shares**

The issue price of Company Shares to be issued under the Plan will be \$0.005, which represents an 8.3% discount to the average market price of Company Shares quoted on ASX during the period 5 trading days immediately prior to the date the Plan was announced.

**Applications and Notices**

At the discretion of the directors of the Company, the Company will send eligible shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Shares under the Plan, and accompanied by the terms and conditions of the Plan and an entitlement & acceptance form. Applications will not be accepted after the closing date of an offer. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by the Company to participants may be given in any manner prescribed by its Constitution.

**Placement of Shortfall**

Any shortfall from the Offer may be placed at the discretion of the Directors.

**Issue of Shares**

Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of the Company in the relevant offer.

Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in the Company from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all Shares issued under the Plan. The Company will, promptly after the issue of Shares under the Plan, make application for those Shares to be listed for quotation on the official list of ASX.

**Modification and Termination of the Plan**

The Company may modify or terminate the Plan at any time. The Company will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, the Company may issue to any person fewer Shares than the person applied for under the Plan if the issue of the Shares applied for would contravene any applicable law or the Listing Rules of ASX.

**Dispute Resolution**

The Company may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Shares. The decision of the Company in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

The Company reserves the right to waive strict compliance with any provision of these terms and conditions. The powers of the Company under these conditions may be exercised by the directors of the Company or any delegate of the directors of the Company.

**Questions and Contact Details**

If you have any questions regarding the Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or Piers Lewis, Company Secretary on +61 8 6555 2950.



## PAYMENT INSTRUCTIONS



Billers Code: 159483

**BPAY®** this payment via internet or phone banking.  
Your reference number is quoted on the front of this form.

Multiple acceptances must be paid separately.

Applicants should be aware of their financial institution's cut-off time (the time payment must be made to be processed overnight) and ensure payment is processed by their financial institution on or before the day prior to the closing date of the offer. BPAY applications will only be regarded as accepted if payment is received by the registry from your financial institution on or prior to the closing date. It is the Applicant's responsibility to ensure funds are submitted correctly by the closing date and time.

**You do not need to return this form if you have made payment via BPAY.**

**Your BPAY reference number will process your payment to your entitlement electronically and you will be deemed to have applied for such Securities for which you have paid.**



## CHEQUE/MONEY ORDER

All cheques should be drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable".

Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid.

Do not forward cash as receipts will not be issued.

When completed, this form together with the appropriate payment should be forwarded to the share registry:

Security Transfer Registrars Pty Ltd  
PO Box 535, APPLECROSS WA 6953.

**Applications must be received by Security Transfer Registrars Pty Ltd no later than 5.00pm WST on the 26 September 2014**

## CERTIFICATION

By making payment for the application monies, I/we hereby:

1. Acknowledge that I/we have read and understood the Terms of the SPP;
2. Agree to be bound by the Terms of the Constitution of the Company and the SPP;
3. Agree to accept any lesser number of new Securities than the number of Securities applied for; and
4. (If not a Custodian as defined in ASIC Class Order 09/425) Certify that the amount of Securities subscribed for by me/us pursuant to the SPP does not exceed the maximum amount taking into account the Securities the subject of this application and any other Securities applied for by me/us under the SPP or any other similar arrangement within the 12 months prior to this application including joint and other beneficial interests.

## LIMITATION ON PARTICIPATION

The maximum subscription limitation of \$15,000 will apply even if an eligible Holder has received more than one form (whether in respect of a joint holding or because the eligible Holder has more than one holding under separate Security accounts).

## CUSTODIAN CERTIFICATION

If you are a Custodian (as defined in ASIC Class Order 09/425), you must submit a custodian certificate to STRATOS RESOURCES LIMITED. If you did not receive a custodian certificate, contact Security Transfer Registrars Pty Limited. If you need further information to determine whether you are a Custodian, refer to the terms and conditions of the Plan which accompany this Share Purchase Plan Application Form or contact Security Transfer Registrars Pty Limited.

## ENQUIRIES

All enquiries should be directed to the Company's share registry:

**Security Transfer Registrars Pty Ltd**

**PO Box 535, Applecross WA 6953 AUSTRALIA**

**770 Canning Highway, Applecross WA 6153 AUSTRALIA**

**Telephone +61 8 9315 2333**

**Facsimile +61 8 9315 2233**

**Email [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)**

## PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them at the address on this form.