

STRATOS RESOURCES LIMITED

ABN 82 110 884 252

ANNUAL REPORT

30 JUNE 2014

STRATOS RESOURCES LIMITED

CONTENTS PAGE

FOR THE YEAR ENDED 30 JUNE 2014

	Page
Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	14
Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	45
Independent Auditor's Report	46
Shareholder Information	48
Corporate Governance Statement	50

STRATOS RESOURCES LIMITED

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS

James Thompson
Piers Lewis
Neil Hackett

JOINT COMPANY SECRETARIES

Piers Lewis
Neil Hackett

REGISTERED AND PRINCIPAL OFFICE

Level 1, 981 Wellington Street
West Perth WA 6005

Telephone: (08) 6555 2950
Facsimile: (08) 9321 3102

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

AUDITORS

PKF Mack & Co
4th Floor
35 Havelock Street
West Perth WA 6005

SOLICITORS

Steinepreis Paganin
The Read Buildings
Level 4, 16 Milligan Street
Perth WA 6000

AUSTRALIAN SECURITIES EXCHANGE

Stratos Resources Limited shares (SAT) are listed on the Australian Securities Exchange.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Your Directors present their report on Stratos Resources Limited (the Company) and its controlled entities ('Consolidated entity' or 'Group') during or at the end of the financial year ended 30 June 2014.

1. DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

- James Thompson
- Piers Lewis
- Neil Hackett

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

James Thompson, Non-Executive Director

Mr Thompson has 20 years' experience in principal investment, private equity and investment banking. He has held senior positions in New York, Sydney, London, HK/China and Perth with organisations including Macquarie Bank, Quadrant Private Equity and KPMG.

Mr Thompson is a qualified chartered accountant, admitted legal practitioner, Fellow of FINSIA and holds a Bachelor of Commerce and Bachelor of Laws. He has been a director of various private and public companies and is currently a director of RZJ Capital Management LLC. He was a director of Sprint Energy Limited (ASX:SPS) and Modun Resources Ltd (ASX: MOU).

Director since 5 June 2012.

No other directorships in listed companies in the last 3 years other than those mentioned above.

Piers Lewis, Non-Executive Director / Joint Company Secretary

Mr Lewis has more than 15 years global corporate experience and is currently Company Secretary for several ASX listed companies. In 2001 Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth), and brings to the Stratos Resources Board extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital.

Director since 27 March 2012.

Other directorships in listed companies in the last 3 years: Talga Resources Limited and Zeta Petroleum Limited.

Neil Hackett, Non-Executive Director/ Joint Company Secretary

Mr Hackett is a professionally qualified ASX200 senior executive with 20 years practical experience with mining entities, diversified industrials, financial services, and the ASIC. Mr Hackett is currently Non-Executive Director of Azonto Petroleum Ltd, Modun Resources Ltd and WestCycle Inc. Mr Hackett is also an experienced company secretary with current and previous roles including Ampella Mining Ltd, Steel Blue Pty Ltd, Modun Resources Limited and Sundance Resources Limited. Neil holds a Bachelor of Economics, is a Fellow of FINSIA, and a Graduate (Order of Merit) with the Australian Institute of Company Directors.

Director since 5 June 2012.

Other directorships in listed companies in the last 3 years other than those mentioned above: African Chrome Fields Limited.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

2. INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Stratos Resources Limited were:

	Number of Ordinary Shares	Number of Options Over Ordinary Shares
J Thompson	29,204,024	10,513,014
P Lewis	12,917,123	8,035,274
N Hackett	7,993,541	6,350,055

On 30 July 2014 the Company issued a notice of general meeting to seek shareholder approval for the consolidation of capital – every 20 shares and options to be consolidated into 1 share and option respectively. This was approved by shareholders on 3 September 2014 on a show of hands.

3. JOINT COMPANY SECRETARIES

Piers Lewis and Neil Hackett.

Refer above for details of experience and qualifications.

4. CORPORATE STRUCTURE

Stratos Resources Limited is a limited liability company that is incorporated and domiciled in Australia. Stratos Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Stratos Resources Limited	-	Parent Entity
Knights Landing Limited	-	100% owned controlled entity
Billiton Island Pte Ltd	-	100% owned controlled entity

5. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal continuing activities during the year of entities within the Consolidated Entity were the exploration for and evaluation of mineral resources.

6. OPERATING AND FINANCIAL REVIEW

PROJECT REVIEW

Yinchen Tin Project

The Yinchen Tin Project comprises 1,200 Ha of highly prospective area predominantly on the Western half of Belitung Island (see Figure 1 below). In most cases the tenements are surrounded by or adjacent to tenements owned by PT Timah, the major tin producer in Indonesia.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

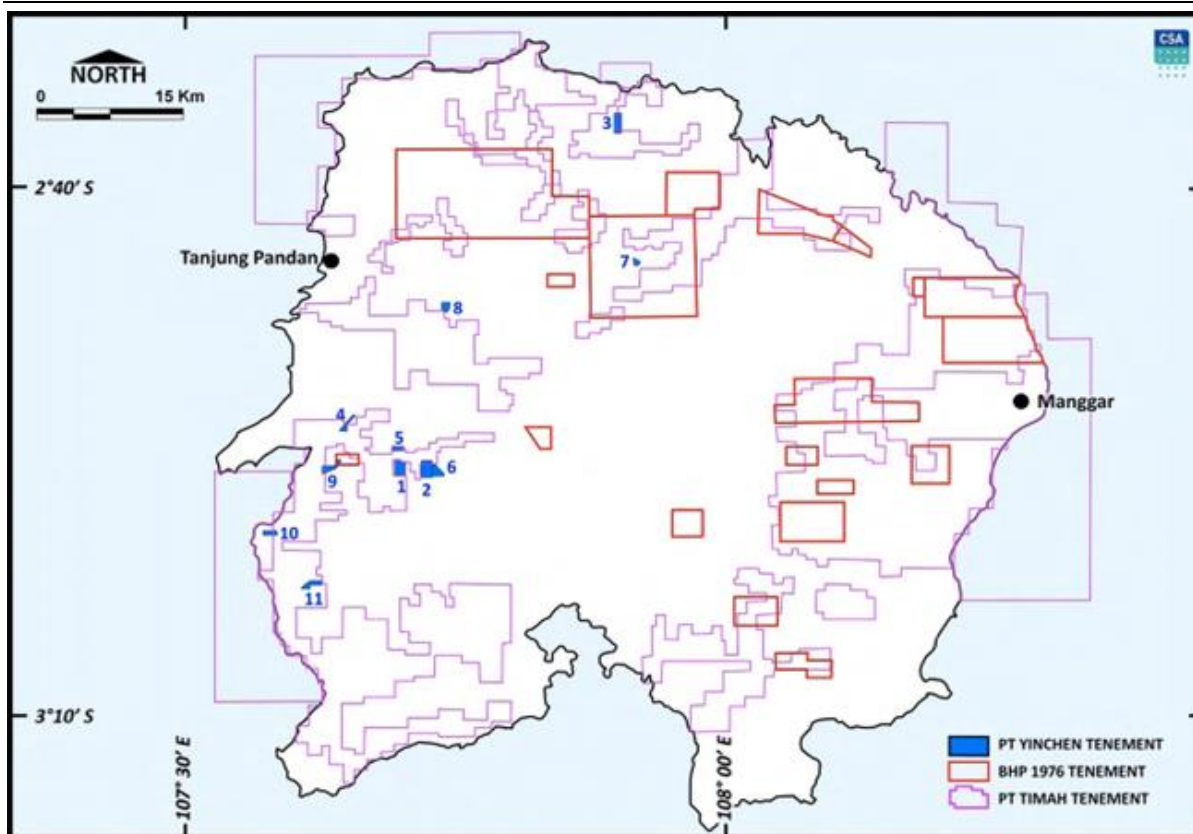


Figure 1 – Location of acquired tenements on Belitung Island in blue

Many areas proximal to the tenements continue to be worked by small scale miners using primitive equipment. Given the historical production of tin from alluvial mining, Stratos intends utilising modern mining methods and technology in order to undertake exploration required to delineate a resource and reserve initially with a longer term focus on developing hard rock tin sources on the island.

The 60% shareholding investment will be held by a Singapore based joint venture vehicle owned on an equal basis by Stratos and Metalcorp Group, the European based global commodities trader. A subsidiary of the Metalcorp Group, Tennant Metals, has been involved in the marketing and sales of tin product from Belitung Island for many years and is a major participant in the Asian market for tin. The remaining 40% shareholding is currently held by a local partner with long mining and processing experience on the island. The Metalcorp Group has agreed to provide an off-take agreement for 100% of the tin produced from the eleven (11) tenements and up to US\$5.00 million of trade finance. These arrangements are to be at market rates and are subject to final terms and conditions and definitive documentation.

Sambas Offshore Tin Project

During the financial year the Company reviewed the Sambas Project. Upon detailed review, the Board of Directors did not pursue the Sambas Offshore Tin Project any further.

7. FINANCIAL POSITION & OPERATING RESULTS

The financial results of the Group for the financial year ended 30 June 2014 are:

	30-Jun-14	30-Jun-13
Cash and cash equivalents (\$)	190,152	523,041
Net assets (\$)	44,205	646,520
Revenue (\$)	96,178	324,305
Net loss after tax (\$)	(723,343)	(1,497,408)
Loss per share (cents)	(0.02)	(0.03)
Dividend (\$)	-	-

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

8. FINANCING AND INVESTING ACTIVITIES

The Company issued the following securities during the year:

- On 4 October 2013, the Company raised approximately \$110,000 via an unsecured convertible debt instruments ("Convertible Loan").
- On 15 April 2014, the Company raised approximately \$160,000 via a series of unsecured convertible debt instruments ("Convertible Loans").

9. DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

10. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 30 July 2014 the Company issued a notice of general meeting to seek shareholder approval for the following resolutions:

- Resolution 1: Issue of convertible notes and attaching options to unrelated parties;
- Resolution 2: Issue of convertible notes and attaching options to related party – Mr Piers Lewis;
- Resolution 3: Issue of convertible notes and attaching options to related party – Mr Neil Hackett;
- Resolution 4: Issue of convertible notes and attaching options to related party – Mr James Thompson;
- Resolution 5: Placement, approval for the Company to raise up to \$1.5 million; and
- Resolution 6: Consolidation of capital – every 20 shares and options to be consolidated into 1 share and option respectively.

On 3 September 2014 all resolutions from the notice of general meeting mentioned above were passed on a show of hands.

On 11 September 2014 the Company announced that it had recently lodged a Research and Development rebate claim for the 2012/13 financial year. A rebate of approximately \$100,000 is expected early in the next quarter.

On 16 September 2014 the Company announced a Share Purchase Plan (SPP), providing existing shareholders with an opportunity to increase their holdings in the Company as it advances the Yinchén Project and explores new investment opportunities. The Company also confirmed that all outstanding convertible note holders have agreed to convert their existing notes on the same terms as the SPP which leaves the Company with a stronger capital structure going forward. 56,977,753 ordinary shares were issued on 16 September 2014 on conversion of all convertible notes.

Apart from the above matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

12. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Consolidated Entity will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the Yinchén Project and as outlined under the heading 'Operating and Financial Review' of this Report. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

Exploration Risk

Mineral exploration and development are high-risk undertakings, and there is no assurance that exploration of the Tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

13. MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Number eligible to attend	Number attended
James Thompson	9	9
Piers Lewis	9	9
Neil Hackett	9	9

14. REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Stratos Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by the Corporations Act 2001 and its regulations.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term “executive” includes those key management personnel who are not directors of the parent company.

Remuneration Committee

The Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

A. Remuneration policy

The Board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of non-executive directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the Company.

The Company does not have a policy for limiting directors and executives' exposure to compensation shares or options.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

B. Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate fees of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved by shareholders was an aggregate fees of \$250,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The Company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Company so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

- Fixed Compensation; and
- Variable Compensation;
 - Short Term Incentive (STI); and
 - Long Term Incentive (LTI).

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives

The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value. Due to the exploration phase of the Company current remuneration is not linked to performance conditions and the Board has not established detailed performance conditions.

Long term incentives (LTI's) granted to directors/executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance. The Board feels that the expiring date and exercise price of options currently on issue to the directors and the executives are sufficient to align those of directors and executives with those of the shareholders. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

C. Employment contracts of directors and senior executives

Contract with Piers Lewis as Non- Executive Director:

The contract is ongoing and on commercial terms. Notice period is one month for either Piers Lewis or the Company with no additional termination benefits.

Contract with James Thompson as Non- Executive Director:

There is no set term in the contract. Notice period is one month for either James Thompson or the Company with no additional termination benefits.

D. Details of remuneration for year

The following persons were directors of Stratos Resources Limited during the financial year:

Piers Lewis (Non-Executive Director)

Neil Hackett (Non-Executive Director)

James Thompson (Non-Executive Director)

Executives

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Remuneration

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

	Short-term employee benefits			Post-employment benefits	Share-based payments		Percentage of remuneration consisting of options for the year
30-Jun-14	Salary & fees \$	Consulting fees \$	Other \$	Super-annuation \$	Options & rights \$	Total \$	%
Directors							
P Lewis (i) (iv)	43,500	73,500	26,172	-	20,435	163,607	12%
N Hackett (ii)	43,500	-	-	-	11,677	55,177	21%
J Thompson (iii)	43,500	120,000	-	-	26,273	189,773	14%
Sub-total	130,500	193,500	26,172	-	58,385	408,557	
Other Key Management							
None	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
Total	130,500	193,500	26,172	-	58,385	408,557	

- (i) During the 2014 financial year Mr Lewis agreed to convert \$58,205 of this amount into Stratos equity (via conversion of notes and subsequent issue of equity approved by shareholders at general meeting on 3 September 2014).
- (ii) During the 2014 financial year Mr Hackett agreed to convert \$32,001 of this amount into Stratos equity (via conversion of notes and subsequent issue of equity approved by shareholders at general meeting on 3 September 2014).
- (iii) During the 2014 financial year, Mr Thompson agreed to convert \$90,260 of this amount into Stratos equity (via conversion of notes and subsequent issue of equity approved by shareholders at general meeting on 3 September 2014). The consulting fee total includes \$30,000 related to the 2012/13 year.
- (iv) Smallcap Corporate Pty Ltd (a Company which Piers Lewis is a Director) received the following fees during the financial year:
 - Director fees totalling \$43,500.
 - Rent fees totalling \$4,800, noted as well under market rate.
 - Accounting fees totalling \$21,372.
 - Corporate service fees totalling \$73,500, of which \$18,375 relates to the 2012/13 year.

	Short-term employee benefits			Post-employment benefits	Share-based payments		Percentage of remuneration consisting of options for the year
30-Jun-13	Salary & fees \$	Consulting fees \$	Other \$	Super-annuation \$	Options & rights \$	Total \$	%
Directors							
T Izelaar (Resigned 27/7/12)	-	-	-	-	-	-	-
A Waller (Resigned 27/7/12)	-	-	-	-	-	-	-
P Lewis (Appointed 27/3/12)	51,000	55,250	-	-	67,300	173,550	39%
N Hackett (Appointed 5/6/12)	51,000	-	-	-	74,778	125,778	59%
J Thompson (Appointed 5/6/12)	51,000	90,000	-	-	74,778	215,778	35%
Sub-total	153,000	145,250	-	-	216,856	515,106	42%
Other Key Management							
None	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
Total	153,000	145,250	-	-	216,856	515,106	

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Option holdings of Key Management Personnel

The movement during the reporting period in the number of options over ordinary shares in Stratos Resources Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

30-Jun-14

Directors	Opening Balance	Granted as Remuneration	Exercise of Options	Net Change Other (i)	Net Change Other (ii)	Closing Balance	Vested & Exercisable
P Lewis	93,020,548	-	-	35,000,000	(25,520,548)	102,500,000	102,500,000
N Hackett	106,866,438	-	-	20,000,000	(31,866,438)	95,000,000	95,000,000
J Thompson	298,039,388	-	-	45,000,000	(223,039,388)	120,000,000	120,000,000
Total	497,926,374	-	-	100,000,000	(280,426,374)	317,500,000	317,500,000

- (i) Net change other were free attaching options issued on conversion of the convertible note, which occurred on 5 December 2013. The options have an exercise price of 0.1 cents and an expiry date of 30 November 2015.
- (ii) Net change other, relates to the expiry of free attaching options which were issued on the conversion of a convertible note, which occurred 1 June 2012. The options expired 30 June 2014.

Shareholdings of Key Management Personnel

The movement during the reporting period in the number of shares in Stratos Resources Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

30-Jun-14

Directors	Opening Balance	Granted as Remuneration	Acquired	Disposed	Net Change Other	Closing Balance
P Lewis	25,520,548	-	-	-	-	25,520,548
N Hackett	31,866,438	-	-	-	-	31,866,438
J Thompson	223,039,388	-	-	-	-	223,039,388
Total	280,426,374	-	-	-	-	280,426,374

All equity transactions with the current key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Details of related corporations

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options; however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

E. Compensation options to key management personnel

During the current financial year, 100,000,000 free attaching options were issued on conversion of the convertible note to Directors and Executives, which occurred on 5 December 2013. The options have an exercise price of 0.1 cents and an expiry date of 30 November 2015. (Refer to Note 16 in the notes to the financial report for further details). They were split between the directors as follows:

- 45,000,000 granted to Mr James Thompson (fair value of \$26,273),
- 20,000,000 granted to Mr Neil Hackett (fair value of \$11,677), and
- 35,000,000 granted to Mr Piers Lewis (fair value of \$20,435).

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

In the previous financial year, 217,500,000 options were granted as equity compensation benefits to Directors and Executives on the 14 December 2012. Options have an exercise price of \$0.003, no vesting conditions, expire 30/11/2015 and a fair value of \$0.000997 (Refer to Note 16 in the notes to the financial report for further details). They were split between the directors as follows:

- 75,000,000 granted to Mr James Thompson for a total value of \$74,778,
- 75,000,000 granted to Mr Neil Hackett for a total value of \$74,778, and
- 67,500,000 granted to Mr Piers Lewis for a total value of \$67,300.

No options were exercised by key management personnel during the year.

F. Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors and Executives on exercise of compensation options during the year.

REMUNERATION REPORT - END

15. DIRECTORS INDEMNIFICATION

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses of successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

16. SHARE OPTIONS

At the date of this report, the unissued ordinary shares of Stratos Resources Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
14 December 2012	30 November 2015	\$0.06	11,250,000
18 September 2013	30 November 2015	\$0.06	7,500,000
5 December 2013	30 November 2015	\$0.02	5,500,000
4 September 2014	30 November 2015	\$0.02	5,221,096
4 September 2014	30 November 2015	\$0.02	9,023,345
			38,494,441

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

17. ENVIRONMENTAL REGULATIONS

There have been no recorded incidents of non-compliance with any applicable international, national or local declarations, treaties, conventions or regulations associated with environmental issues during the reporting period. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

STRATOS RESOURCES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

18. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, and no proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237.

19. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Stratos Resources Limited support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed corporate governance policy statement is contained in the section headed 'Corporate Governance Statement' of the annual report.

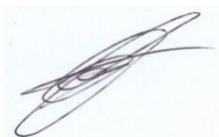
20. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration for the year ended 30 June 2014, as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 5 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of directors.



Piers Lewis
Director

Perth, Western Australia
Dated: 26 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF STRATOS RESOURCES LIMITED

In relation to our audit of the financial report of Stratos Resources Limited for the year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK & Co



SHANE CROSS
PARTNER

26 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au

PKF Mack & Co | ABN 74 254 453 660

4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia

PO Box 609 | West Perth | Western Australia 6872 | Australia

PKF Mack & Co is a member of the PKF International Limited network of legally independent member firms. PKF Mack & Co is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF Mack & Co does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.

STRATOS RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	<u>30-Jun-14</u>	<u>30-Jun-13</u>
		\$	\$
Interest revenue		5,559	32,476
Other income	3(a)	90,619	291,829
Expenses			
Administration, consulting and other expenses	3(b)	(117,171)	(263,027)
Borrowing costs		(9,252)	-
Directors fees		(130,500)	(153,000)
Exploration and evaluation expenditure		(95,603)	(267,216)
Fair value loss on investments		-	(481,409)
Loss on sale of investments		(345,967)	(432,727)
Share based payments		(121,028)	(224,334)
Loss before income tax expense		(723,343)	(1,497,408)
Income tax expense	4	-	-
Net loss for the year		(723,343)	(1,497,408)
Other comprehensive income, net of tax		-	-
Total other comprehensive loss for the year		(723,343)	(1,497,408)
		<u>Cents</u>	<u>Cents</u>
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share from continuing operations	6	(0.02)	(0.03)

The accompanying notes form part of these financial statements.

STRATOS RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30-Jun-14 \$	30-Jun-13 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	190,152	523,041
Trade and other receivables	8	834	4,247
Financial assets	9	7,399	349,359
Total Current Assets		198,385	876,647
Non-Current Assets			
Trade and other receivables	8	-	50,000
Exploration and evaluation expenditure	10	694,717	-
Total Non-Current Assets		694,717	50,000
TOTAL ASSETS		893,102	926,647
LIABILITIES			
Current Liabilities			
Trade and other payables	11	103,573	124,567
Equity liability for project acquisition	12	424,824	-
Provisions	13	60,500	155,560
Financial liabilities	14	260,000	-
Total Current Liabilities		848,897	280,127
TOTAL LIABILITIES		848,897	280,127
NET ASSETS		44,205	646,520
EQUITY			
Issued capital	15	29,622,024	29,622,024
Reserves	16	1,458,694	1,337,666
Accumulated losses	17	(31,036,513)	(30,313,170)
TOTAL EQUITY		44,205	646,520

The accompanying notes form part of these financial statements.

STRATOS RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Options Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2012	28,997,647	1,113,332	(28,815,762)	1,295,217
Comprehensive income:				
Loss for the year	-	-	(1,497,408)	(1,497,408)
Total comprehensive loss for the year	-	-	(1,497,408)	(1,497,408)
Transactions with owners in their capacity as owners:				
Securities issued during the year	650,000	224,334	-	874,334
Capital raising costs	(25,623)	-	-	(25,623)
Total equity transactions	624,377	224,334	-	848,711
At 30 June 2013	29,622,024	1,337,666	(30,313,170)	646,520
	Issued Capital	Options Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2013	29,622,024	1,337,666	(30,313,170)	646,520
Comprehensive income:				
Loss for the year	-	-	(723,343)	(723,343)
Total comprehensive loss for the year	-	-	(723,343)	(723,343)
Transactions with owners in their capacity as owners:				
Securities issued during the year	-	121,028	-	121,028
Capital raising costs	-	-	-	-
Total equity transactions	-	121,028	-	121,028
At 30 June 2014	29,622,024	1,458,694	(31,036,513)	44,205

The accompanying notes form part of these financial statements.

STRATOS RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30-Jun-14 \$	30-Jun-13 \$
Cash flows used in operating activities			
Payments to suppliers and employees		(347,702)	(466,032)
Payments for exploration expenditure		(95,603)	(368,847)
Interest received		5,559	32,476
Net cash flows used in operating activities	7(i)	(437,746)	(802,403)
Cash flows from investing activities			
Payments for exploration expenditure		(201,136)	-
Proceeds from sale of financial assets		65,993	680,623
Purchase of financial assets		(20,000)	(181,532)
Proceeds from loan to other entities		-	100,000
Net cash flows (used in) / from investing activities		(155,143)	599,091
Cash flows from financing activities			
Proceeds from financial liabilities		260,000	-
Proceeds from issue of securities and securities subscriptions		-	650,000
Payment of share issue costs		-	(25,625)
Net cash flows from financing activities		260,000	624,375
Net increase / (decrease) in cash and cash equivalents		(332,889)	421,063
Cash and cash equivalents at the beginning of the financial year		523,041	101,978
Cash and cash equivalents at the end of the financial year	7	190,152	523,041

The accompanying notes form part of these financial statements.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Stratos Resources Limited (the "Company") is a Company limited by shares, incorporated in Australia. The Company is a for-profit entity for the purpose of preparing the financial statements. The financial statements of the Company are for the year ended 30 June 2014.

The address of the Company's registered office is Level 1, 981 Wellington Street West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The nature of the operations and principal activities of the Group are described in the Directors Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The accounting policies set out below have been consistently applied to all years presented.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for-profit orientated entities. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2014. The directors have the power to amend and reissue the financial statements.

(b) Basis of Measurement

The financial statements have been prepared on an accruals basis and are based on historical costs, except for the following material items in the consolidated statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- liabilities for cash-settled share-based payment arrangements are measured at fair value.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

As disclosed in the financial report, the Group recorded an operating loss of \$723,343 (2013: \$1,497,408) and a cash outflow from operating activities of \$437,746 (2013: \$802,403) for the year ended 30 June 2014 and at reporting date, had a working capital deficit of \$650,512 (2013: working capital surplus of \$596,520).

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund the Group's operations for the 12 month period from the date of this financial report.

The Directors believe it is appropriate to prepare the financial report on a going concern basis because:

- The Company has the ability to issue additional equity under the Corporations Act 2001 and ASX Listing Rule 7.1 or otherwise; and,
- The Company's commitment to exploration expenditure is discretionary and expenditure requirements are minimal.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Accordingly, the Directors believe that subject to prevailing equity market conditions, the Company will obtain sufficient funding to enable it and the consolidated entities to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the Company be unable to obtain sufficient funding as outlined above, there is significant uncertainty whether the Company and the Consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company and the Consolidated entity not be able to continue as going concerns.

(e) Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments transactions would have no impact on the carrying amounts of assets or liabilities within the next annual reporting period but may impact profit or loss or equity. Refer to note 16 (c) for further details.

Exploration and Evaluation Costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing. Refer to Note 10 for further details.

Impairment of Exploration and Evaluation Assets and Investments in and Loans to Subsidiaries

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgment in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgment and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Refer to Note 10 for further details.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Classification of Investments

The Company has decided to classify investments in listed securities as available for sale. These securities are accounted for at fair value. Any increments or decrements in their value at year end are charged or credited to the asset revaluation reserve. Refer to Note 9 for further details.

Income Tax Expenses

Judgment is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. Refer to Note 4 for further details.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 22 for further details.

(f) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stratos Resources Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Stratos Resources Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity' or 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(g) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(h) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

(i) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- exploration and evaluation activities in the area have not, at reporting date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(j) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(k) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated as net loss attributable to members, adjusted for, costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(l) Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Interest revenue is recognised as the interest accrues.

(m) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant rise or fall in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(o) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised either in the income statement or revaluation reserves in the period in which the impairment arises.

(ii) Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

(iii) Non-Financial Assets Other Than Exploration and Evaluation Assets

The carrying amounts of the Consolidated entity's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(p) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date.

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outlay of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(r) Share-Based Payment Transactions

Equity settled transactions:

The Group provides benefits to executive directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares Stratos Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(s) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(t) Issued Capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(v) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the Group will not be able to collect the debt.

(w) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 10 Consolidated Financial Statements

The Group has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

AASB 11 Joint Arrangements

The Group has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The Group has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The Group has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The Group has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

(x) New, revised or amending Accounting Standards and Interpretations not yet adopted

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards and, has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

Reference	Title	Application date of standard	Issue Date
AASB 9	Financial Instruments	1 January 2018	December 2010
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	June 2012
AASB 2013-3	Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets	1 January 2014	June 2013
AASB 2013-4	Amendments to Australian Accounting Standards – notation of derivatives and continuation of hedge accounting	1 January 2014	July 2013
AASB 2013-5	Amendments to Australian Accounting Standards – Investment entities	1 January 2014	August 2013
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part A - Conceptual Framework Part B - Materiality Part C - Financial Instruments	Part A - 20 December 2013 Part B - 1 January 2014 Part C - 1 January 2015	December 2013

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Reference	Title	Application date of standard	Issue Date
AASB 2014-1	Amendments to Australian Accounting Standards Part A - Annual Improvements 2010 - 2012 and 2011 - 2013 Cycles Part B - Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) Part C - Materiality Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part A - 1 July 2014 Part B - 1 July 2014 Part C - 1 July 2014 Part D - 1 January 2016 Part E - 1 January 2015	June 2014
AASB 1031	Materiality (Revised)	1 January 2014	December 2013
AASB 14	Regulatory Deferral Account	1 January 2016	June 2014
Interpretation 21	Levies	1 January 2014	May 2013
Amendments to IAS 16 PP&E and IAS 38 Intangible Assets	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	May 2014
IFRS 15	Revenues from Contracts with Customers	1 January 2017	May 2014

(y) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets for in-specie distributions.

The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at reporting date. Capital includes accumulated profits and fair value reserve.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

	30-Jun-14	30-Jun-13
	\$	\$
Capital Risk Management		
Total liabilities	848,897	280,127
Less: cash and cash equivalents	(190,152)	(523,041)
Net cash and cash equivalents (asset) / deficiency	658,745	(242,914)
 Total equity	 44,205	 646,520
 Debt to equity ratio at 30 June	 1490%	 -38%

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. REVENUE AND EXPENSES

	30-Jun-14	30-Jun-13
	\$	\$
(a) Other income		
Forgiveness of creditors	90,619	137,973
Gain on disposal	-	81,613
Collection of previously provided for receivables	-	72,243
	90,619	291,829
(b) Administration, consulting and other expenses		
Loss has been determined after the following specific expenses:		
Corporate consultings fees	3,000	72,625
Audit fee	24,500	22,500
ASX and registry fees	20,721	29,128
Office rent	4,800	2,800
Accounting fees	21,492	36,205
Other expenses	42,658	99,769
Total Administration, consulting and other expenses	117,171	263,027

4. INCOME TAX EXPENSE

	30-Jun-14	30-Jun-13
	\$	\$
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
<i>The income tax expense for the year differs from the prima facie tax as follows:</i>		
Loss before income tax expense	(723,343)	(1,497,408)
Prima facie income tax benefit at 30%	(217,003)	(449,222)
	-	-
Add/(Less): tax effect of:		
Non-deductible items	168,779	67,300
Tax effect of temporary differences not recognised	48,224	381,922
Total income tax expense	-	-

The following deferred tax balances have not been recognised:

Deferred Tax Assets:		
At 30%		
Carry forward revenue losses	2,531,889	2,445,213
Capital raising costs	-	30,920
Provisions and accruals	3,900	11,433
	2,535,789	2,487,566

The tax benefits of the above Deferred Tax Assets will only be obtained if:

- (a) The company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company complies with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

5. AUDITORS REMUNERATION

	30-Jun-14	30-Jun-13
	\$	\$
Amounts received or due and receivable by PKF Mack & Co for:		
(i) An audit or review of the financial report of the entity	20,000	22,500
(ii) Other services in relation to the entity	-	-
(iii) Tax services	-	-
Total auditor remuneration	20,000	22,500

6. EARNINGS PER SHARE

	30-Jun-14	30-Jun-13
Basic and diluted loss per share from continuing operations (cents)	(0.02)	(0.03)
Net loss from continuing operations attributable to ordinary equity holders of the Company (\$)	(723,343)	(1,497,408)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share (No.)	4,749,545,144	4,637,147,884

Options on issue at 30 June 2014 have a higher exercise price than the average market price of shares on issue during the year and are therefore considered anti-dilutive.

7. CASH AND CASH EQUIVALENTS

	30-Jun-14	30-Jun-13
	\$	\$
Cash at bank and on hand	190,152	523,041

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(i) Reconciliation of net loss after income tax to net cash flows used in operating activities:

	30-Jun-14	30-Jun-13
	\$	\$
Net loss after income tax	(723,343)	(1,497,408)
Adjustments for:		
Exploration and evaluation expenditure	-	267,214
Forgiveness of creditors	(90,619)	(137,973)
Gain on disposal	-	(81,613)
Revaluation of financial asset	-	481,409
Loss on sale of investments	345,967	432,727
Share based payments	121,028	224,334
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	3,413	(37,047)
Increase / (decrease) in trade and other payables	(94,192)	(454,046)
Net cash flows used in operating activities	(437,746)	(802,403)

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(ii) Non-cash investing and financing activities

	30-Jun-14	30-Jun-13
	\$	\$
Acquisition of financial asset	50,000	-
	50,000	-

8. TRADE AND OTHER RECEIVABLES

	30-Jun-14	30-Jun-13
	\$	\$
Current		
Other receivables	834	4,247
	834	4,247
Non-Current		
Convertible loan	-	50,000
	-	50,000

Terms and conditions relating to the above financial instruments:

- Loans to other entities are all repayable within 184 days of the reporting date, together with interest at 10% per annum.
- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
- The convertible loan has an interest rate of 8%, the termination date is 31 January 2015 and is convertible on or prior to the termination date to shares at the request of Stratos Resources Limited at the lower of a 20% discount to the 30 day VWAP or \$0.005 per share.

9. FINANCIAL ASSETS

	30-Jun-14	30-Jun-13
	\$	\$
Financial assets at fair value through profit and loss	7,399	349,359
	7,399	349,359

The Stratos Board continually reviews the ability to realise its available for sale investments depending on market conditions, outlook and liquidity.

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	30-Jun-14	30-Jun-13
	\$	\$
Opening fair value	349,359	943,268
Additions (i)	20,000	1,009,904
Disposals	(411,960)	(1,122,404)
Revaluation increments	-	(481,409)
Conversion of other non-current asset to financial asset at cost (ii)	50,000	-
Closing fair value	7,399	349,359

- (i) Additions in the 2013 financial year relate to the Predictive Discovery Limited shares Stratos Resources Limited received in the sale of Stratos Resource's share of the Joint Venture with Predictive Discovery Limited.
- (ii) On 13 December 2013 Stratos Resource Limited's convertible note in Sprint Energy Limited was converted into 14,003,814 Sprint shares.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

10. EXPLORATION AND EVALUATION EXPENDITURE

	30-Jun-14	30-Jun-13
	\$	\$
Expenditure brought forward	-	1,265,766
Expenditure incurred ⁽ⁱ⁾	694,717	-
Expenditure written off	-	-
Disposal of project ⁽ⁱⁱ⁾	-	(1,265,766)
Expenditure carried forward	694,717	-

The ultimate recoupment of the mining tenements, exploration and evaluation expenditure carried forward is dependent upon the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

- (i) This includes shares to the value of \$424,824 which are required to be issued as part of the Yinchen Tin project. This amount is recognised as a liability at 30 June 2014, refer Note 12.
- (ii) On the 3rd August 2012 Stratos Resources Limited ("SAT") entered into a sale agreement with Predictive Discovery Limited ("PDI") to sell SAT's remaining 27.9% interest in Birrimian Pty Ltd. Terms of the agreement were that PDI would issue SAT 13,000,000 fully paid ordinary shares of PDI, PDI would also forgive the outstanding cash calls on SAT to the amount that would leave a balance of \$140,000 owed by SAT to PDI for cash calls, which SAT paid during the financial year.

	\$
Consideration:	
Shares issued in PDI	878,500
Loan forgiveness	468,878
Total Consideration	1,347,378
Costs:	
W/O of exploration expenditure	1,265,765
Gain on sale of Birrimian Pty Ltd	81,613

11. TRADE AND OTHER PAYABLES

	30-Jun-14	30-Jun-13
	\$	\$
Current		
Trade and other payables (i)	96,064	60,375
GST payable	7,509	64,192
	103,573	124,567

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

12. EQUITY LIABILITY FOR PROJECT ACQUISITION

	30-Jun-14	30-Jun-13
	\$	\$
Current		
Equity liability for project acquisition	424,824	-
	424,824	-

Equity liability for project acquisition relates to a payable of \$400,000 USD in ordinary Stratos Resources Limited shares that is payable upon completion of the acquisition of the Yinchun Tin project.

13. PROVISIONS

	30-Jun-14	30-Jun-13
	\$	\$
Current		
Creditors in dispute	60,500	155,560
	60,500	155,560

Creditors in dispute relate to liabilities classified as trade creditors in prior financial statements that are refuted by the current board. The board has taken a conservative approach and kept the balance of these creditors as a provision which reflects the maximum amount that could potentially be claimed by the creditors in Stratos Resources Limited.

14. FINANCIAL LIABILITIES

	30-Jun-14	30-Jun-13
	\$	\$
Current		
Convertible notes payable (September 2013)	110,000	-
Convertible notes payable (March 2014)	150,000	-
	260,000	-

Terms and conditions relating to the above convertible notes:

Convertible Note – September 2013: The convertible loan has an interest rate of 8% and the termination date is 30 September 2014. The conversion price is the lower of a price of \$0.001 per Share or a 20% discount to the VWAP price in the preceding 5 days of the conversion of the loan. The Company also agreed to issue each Borrower unlisted options (“Attaching Options”) with an exercise price of \$0.001 per share and an expiry date of 30 November 2015. On 5 December 2013 110,000,000 free attaching options were issued, refer Note 16.

Convertible Note – March 2014: The convertible loan has an interest rate of 8% and the termination date is 30 September 2014. The conversion price is a price equal to the price at any capital raising prior to the termination date or the lower of \$0.001 per share or a 20% discount to the VWAP price in the preceding 5 days of the conversion of the loan. The Company has also agreed to issue each Borrower unlisted options (“Attaching Options”) with an exercise price of \$0.001 per share. The number of attaching Options to be issued shall be one Attaching Option for each \$0.001 of Loan funds subscribed (or 1 million options per \$1,000 of Loan funds subscribed). The expiry date of the options shall be 30 November 2015. These options were issued post 30 June 2014. Refer note 23.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

15. ISSUED CAPITAL

	30-Jun-14		30-Jun-13	
	\$	No.	\$	No.
(a) Fully paid ordinary shares	29,622,024	4,749,545,144	29,622,024	4,749,545,144
(b) Movement in ordinary shares	\$	No.	Issue price	
Balance at 30 June 2012	28,997,647	3,974,545,144		
Share issue	2-Aug-12	500,000	625,000,000	\$0.001
Share issue	13-Nov-12	150,000	150,000,000	\$0.001
Cost of capital raising	(25,623)	-	-	-
Balance at 30 June 2013	29,622,024	4,749,545,144		
Balance at 30 June 2014	29,622,024	4,749,545,144		

(c) Share Options

At the end of the year, the following options over unissued ordinary shares were outstanding:

- 375,000,000 unlisted options expiring 30 November 2015 at an exercise price of 0.3 cents each.
- 110,000,000 unlisted options expiring 30 November 2015 at an exercise price of 0.1 cents each.

A total of 260,000,000 options were granted during the financial year and no options were exercised. A total of 2,556,339,045 listed options lapsed during the financial year.

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. These shares have no par value. The Company has no externally imposed capital requirements.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

16. RESERVES

	30-Jun-14		30-Jun-13	
	\$	No.	\$	No.
(a) Option reserve	1,458,694	3,357,839,045	1,337,666	2,872,839,045

The purpose of the reserve is to recognise the fair value of equity instruments issued by way of share based payments.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

				Weighted average exercise price (cents)
(b) Movement in Reserve		\$	No.	
Balance at 30 June 2012		1,113,332	3,126,146,179	1.40
Issue of free attaching options	2-Aug-12	-	625,000,000	0.30
Issue of free attaching options	13-Nov-12	-	150,000,000	0.30
Issue of options as share based payments	14-Dec-12	224,334	225,000,000	0.30
Options expired during the year	31-Dec-12	-	(1,253,307,134)	3.00
Balance at 30 June 2013		1,337,666	2,872,839,045	0.30
Exercisable			2,872,839,045	
Issue of options to consultants as share based payments	18-Sep-13	56,805	150,000,000	0.30
Options expired during the year	1-Dec-13	-	(91,500,000)	0.60
Issue of options as share based payments	5-Dec-13	64,223	110,000,000	0.10
Options expired during the year	30-Jun-14	-	(2,556,339,045)	0.30
Balance at 30 June 2014		1,458,694	3,357,839,045	0.25
Exercisable			3,357,839,045	

The weighted average remaining contractual life of options outstanding is 1.42 years (2013: 0.98 years).

(c) Fair value of options granted

The fair value of options granted during the financial year were calculated at the date of grant using the Black-Scholes option-pricing model. The following table gives the assumption made in determining the fair value of options on grant date:

	(i)	(ii)	(iii)
Grant date	14 Dec 2012	18 Sep 2013	5 Dec 2013
Number of Options	225,000,000	150,000,000	110,000,000
Expiry date	30 Nov 2015	30 Nov 2015	30 Nov 2015
Estimated volatility (%)	354%	112%	112%
Risk-free interest rate (%)	3.25%	3.23%	3.25%
Exercise price (cents)	0.3	0.3	0.1
Share price at grant date (cents)	0.1	0.1	0.1
Value per option (cents)	0.099	0.0379	0.0584

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

17. ACCUMULATED LOSSES

	30-Jun-14	30-Jun-13
	\$	\$
Balance at 1 July	(30,313,170)	(28,815,762)
Net loss attributable to members	(723,343)	(1,497,408)
Balance at 30 June	(31,036,513)	(30,313,170)

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

18. FINANCIAL REPORTING BY SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by Management based on the mineral resource and exploration activities in Australia, Burkina Faso, Indonesia and Papua New Guinea. Discrete financial information about each project is reported to the chief operating decision maker on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The Group has four reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia, Burkina Faso, Indonesia and Papua New Guinea. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

(i) Segment performance

	Burkina Faso	PNG	Indonesia	Australia	Total
Year ended 30 June 2014	\$	\$	\$	\$	\$
Revenue					
Interest revenue	-	-	-	5,559	5,559
Total segment revenue	-	-	-	5,559	5,559

Reconciliation of segment result to net loss before tax

Amounts not included in segment result but reviewed by the Board

- Exploration expenditure written off	-	-	(95,603)	-	(95,603)
---------------------------------------	---	---	----------	---	-----------------

Unallocated items

- Other income	90,619
- Director fees and benefit expense	(130,500)
- Borrowing costs	(9,252)
- Administration, consulting and other expenses	(117,171)
- Loss on sale of investment	(345,967)
- FV Gain / (Loss) of Financial Assets	-
- Share based payments	(121,028)

Net loss before tax from continuing operations

(723,343)

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Burkina Faso	PNG	Indonesia	Australia	Total
Year ended 30 June 2013	\$	\$	\$	\$	\$
Revenue					
Interest revenue	-	-	-	32,476	32,476
Total segment revenue	-	-	-	32,476	32,476

Reconciliation of segment result to net loss before tax

Amounts not included in segment result but reviewed by the Board

- Exploration expenditure written off	-	(267,216)	-	-	(267,216)
---------------------------------------	---	-----------	---	---	------------------

Unallocated items

- Other income					291,829
- Director fees and benefit expense					(153,000)
- Administration, consulting and other expenses					(263,027)
- Loss on sale of investment					(432,727)
- FV Gain / (Loss) of Financial Assets					(481,409)
- Share based payments					(224,334)

Net loss before tax from continuing operations

(1,497,408)

(ii) Segment assets

	Burkina Faso	PNG	Indonesia	Australia	Total
	\$	\$	\$	\$	\$
As at 30 June 2014					
Segment assets as at 1 July 2013	-	-	-	-	-
Segment asset increases/(decreases)					
- Exploration and evaluation	-	-	694,717	198,385	893,102
	-	-	694,717	198,385	893,102

Reconciliation of segment assets to total assets:

Other assets					-
Total assets from continuing operations					<u>893,102</u>

As at 30 June 2013

Segment assets as at 1 July 2012	1,265,766	-	-	-	1,265,766
Segment asset increases/(decreases)					
- Exploration and evaluation	(1,265,766)	-	-	-	(1,265,766)
	-	-	-	-	-

Reconciliation of segment assets to total assets:

Other assets					926,647
Total assets from continuing operations					<u>926,647</u>

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(iii) Segment liabilities

	Burkina				
	Faso	PNG	Indonesia	Australia	Total
	\$	\$	\$	\$	\$
As at 30 June 2014					
Segment liabilities as at 1 July 2013	-	26,936	-	253,191	280,127
Segment liability increases/(decreases)	-	(26,936)	424,824	170,882	568,770
	-	-	424,824	424,073	848,897

Reconciliation of segment liabilities to total liabilities:

Other liabilities	-
	848,897

As at 30 June 2013

Segment liabilities as at 1 July 2012	665,766	-	-	451,323	1,117,089
Segment liability increases/(decreases)	(665,766)	26,936	-	(198,132)	(836,962)
	-	26,936	-	253,191	280,127

Reconciliation of segment liabilities to total liabilities:

Other liabilities	-
	280,127

19. RELATED PARTY DISCLOSURE

(a) Controlled entities

The consolidated financial statements include the financial statements of Stratos Resources Limited and the subsidiaries listed in the following table.

	Country of Incorporation	% Equity Interest		Investment at Cost	
		30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
		%	%	\$	\$
Knights Landing Ltd	Australia	100	100	1,004,438	1,004,438
Provision for impairment				(1,004,438)	(1,004,438)
Billiton Island Pte Ltd	Singapore	100	-	-	-
				-	-

(b) Parent entity

Stratos Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Directors

Piers Lewis (Non-Executive Director)

Neil Hackett (Non-Executive Director)

James Thompson (Non-Executive Director)

(b) Key Management Personnel Compensation

	30-Jun-14	30-Jun-13
	\$	\$
Compensation by category		
Short-term employee benefits	350,172	298,250
Post-employment benefits	-	-
Share-based payments	58,385	216,856
	408,557	515,106

(c) Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year.

(d) Key Individual directors' and executives' compensation disclosure

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

21. PARENT ENTITY DISCLOSURES

	30-Jun-14	30-Jun-13
	\$	\$
Statement of Financial Position		
Total current assets	145,942	874,205
Total non-current assets	-	50,000
Total assets	145,942	924,205
Total current liabilities	850,542	280,127
Total non-current liabilities	-	-
Total liabilities	850,542	280,127
Equity		
Contributed equity	29,622,024	29,622,024
Options reserve	1,458,694	1,337,666
Accumulated losses	(31,785,318)	(30,315,612)
Total deficiency in equity	(704,600)	644,078
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax of the parent entity	(656,899)	(1,498,492)
Total comprehensive loss of the parent entity	(656,899)	(1,498,492)

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and price risk on its listed investment. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	30-Jun-14		30-Jun-13	
	\$		\$	
	Interest bearing	Non-interest bearing	Interest bearing	Non-interest bearing
Financial Assets				
Cash and cash equivalents	132,029	58,123	495,980	77,061
Net exposure	132,029	58,123	495,980	77,061

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 0.5% (2013: 0.5%) sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

	30-Jun-14	30-Jun-13
	\$	\$
Judgements of reasonably possible movements		
<i>Post tax profit - higher / (lower)</i>		
Increase 0.5%	660	2,480
Decrease 0.5%	(660)	(2,480)
<i>Equity - higher / (lower)</i>		
Increase 0.5%	660	2,480
Decrease 0.5%	(660)	(2,480)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business and an amount owing pursuant to a contract of sale. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	Total contractual cash flows	Carrying amount of liabilities
30-Jun-14	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	103,573	-	-	60,500	-	164,073	164,073
Financial liabilities							
- Interest bearing	-	260,000	-	-	-	260,000	260,000
- Non-interest bearing	-	-	-	-	-	-	-
	103,573	260,000	-	60,500	-	424,073	424,073

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years	Total contractual cash flows	Carrying amount of liabilities
30-Jun-13	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	124,567	-	-	155,560	-	280,127	280,127
Financial liabilities							
- Non-interest bearing	-	-	-	-	-	-	-
	124,567	-	-	155,560	-	280,127	280,127

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group does not hold any credit derivatives to offset its credit exposure.

Except for the above mentioned, the Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts. Trade and other receivables are expected to have a maturity of less than 6 months, for both year ends.

There are no significant concentrations of credit risk within the Group.

Price Risk Sensitivity Analysis

The Group's equity investment is publicly traded on the ASX. The table below summarises the impact of increases/decreases of this index on the Group's post tax loss for the year and on equity. The analysis is based on the assumption that equity indexes had increased/decreased by 10% (2013: 10%) with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

	30-Jun-14	30-Jun-13
	\$	\$
Change in loss (Post-tax)		
Increase in ASX All Ordinary Index by 10%	740	34,936
Decrease in ASX All Ordinaries Index by 10%	(740)	(34,936)
Change in equity (Post-tax)		
Increase in ASX All Ordinary Index by 10%	740	34,936
Decrease in ASX All Ordinaries Index by 10%	(740)	34,936

The above price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Fair Value of financial instruments

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

The following tables detail the Group's fair values for financial instruments categorised into the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated 2014

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Ordinary shares at fair value through profit or loss	7,399	-	-	7,399
Total assets	7,399	-	-	7,399

Consolidated 2013

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Ordinary shares at fair value through profit or loss	349,359	-	-	349,359
Total assets	349,359	-	-	349,359

23. EVENTS SUBSEQUENT TO REPORTING DATE

On 30 July 2014 the Company issued a notice of general meeting to seek shareholder approval for the following resolutions:

- Resolution 1: Issue of convertible notes and attaching options to unrelated parties;
- Resolution 2: Issue of convertible notes and attaching options to related party – Mr Piers Lewis;
- Resolution 3: Issue of convertible notes and attaching options to related party – Mr Neil Hackett;
- Resolution 4: Issue of convertible notes and attaching options to related party – Mr James Thompson;
- Resolution 5: Placement, approval for the Company to raise up to \$1.5 million; and
- Resolution 6: Consolidation of capital - every 20 shares and options to be consolidated into 1 share and option respectively.

On 3 September 2014 all resolutions from the notice of general meeting mentioned above were passed on a show of hands.

On 11 September 2014 the Company announced that it had recently lodged a Research and Development rebate claim for the 2012/13 financial year. A rebate of approximately \$100,000 is expected early in the next quarter.

On 16 September 2014 the Company announced a Share Purchase Plan (SPP), providing existing shareholders with an opportunity to increase their holdings in the Company as it advances the Yinchen Project and explores new investment opportunities. The Company also confirmed that all outstanding convertible note holders have agreed to convert their existing notes on the same terms as the SPP which leaves the Company with a stronger capital structure going forward. 56,977,753 ordinary shares were issued on 16 September 2014 on conversion of all convertible notes.

Apart from the above matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity in subsequent financial years.

STRATOS RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

24. COMPANY DETAILS

The registered office and principal place of business address is:

Stratos Resources Limited
Level 1, 981 Wellington Street
West Perth
WA 6005

25. COMMITMENTS

There are no operating lease or exploration commitments as at 30 June 2014.

26. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities as at 30 June 2014.

27. DIVIDENDS

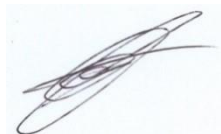
There were no dividends paid or declared during the financial year.

STRATOS RESOURCES LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

The directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' Report and designated as audited, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and Corporations Regulations 2001;
 - (b) giving a true and fair view of the Company's and Group's financial position as at 30 June 2014 and of their performance for the year ended on that date;
 - (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 2(a) to the financial statements.
2. The Chief Executive Officer and Chief Financial Officer have declared that:
 - (b) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (c) the financial statements and notes for the financial year comply with Accounting Standards; and
 - (d) the financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Piers Lewis
Director

Perth, Western Australia
Dated: 26 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRATOS RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying consolidated financial report of Stratos Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au

PKF Mack & Co | ABN 74 254 453 660

4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia

PO Box 609 | West Perth | Western Australia 6872 | Australia

PKF Mack & Co is a member of the PKF International Limited network of legally independent member firms. PKF Mack & Co is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF Mack & Co does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Opinion

In our opinion:

- (a) the financial report of Stratos Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(d) in the financial report, which indicates that the consolidated entity incurred a net loss after tax of \$723,343 and had a cash outflow from operating activities of \$437,746 during the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 2(d), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Stratos Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



PKF MACK & CO



SHANE CROSS
PARTNER

26 SEPTEMBER 2014
WEST PERTH,
WESTERN AUSTRALIA

STRATOS RESOURCES LIMITED
SHAREHOLDERS INFORMATION
FOR THE YEAR ENDED 30 JUNE 2014

HOLDINGS AS AT 26 September 2014

Number of Securities Held	FULLY PAID SHARES	
	No. of Holders	Securities
1 to 1,000	84	43,374
1,001 to 5,000	189	622,891
5,001 to 10,000	135	1,109,353
10,001 to 100,000	556	24,512,428
100,001 and over	245	268,167,050
Total Number of Holders	1,209	268,455,096
Number of holders of less than a marketable parcel	347	
Percentage of the 20 largest holders	56.05%	

Substantial Shareholders

The Company has been notified of the following substantial shareholdings:

JAMES THOMPSON
TRUST CO AUST LTD
BELL POTTER NOM LTD

Voting Rights

The Constitution of the Company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

20 Largest Holders of Securities as at 26 September 2014:

Fully Paid Ordinary Shares

	No.	%
1. TRUST CO AUST LTD	22,912,055	7.78%
2. BELL POTTER NOM LTD	16,483,870	5.60%
3. CRANLEY CONS PL	12,917,124	4.39%
4. THOMPSON JAMES	12,848,219	4.36%
5. RZJ CAP MGNT LLC	11,151,970	3.79%
6. AVANTE HLDGS PL	10,273,973	3.49%
7. TFLT PL	9,559,932	3.25%
8. CORPORATE-STARBOARD PL	6,400,219	2.17%
9. MOUNT STREET INV PL	6,386,987	2.17%
10. GF NO 1 PL	6,375,000	2.17%
11. LESSAR PL	6,250,000	2.12%
12. ROSLYNDALE NOM PL	6,250,000	2.12%
13. COCKATOO ISLAND IRON ORE	5,500,000	1.87%
14. BERRIMIL SVCS PL	5,279,671	1.79%
15. THOMPSON JAMES + HEATH S	5,203,836	1.77%
16. GEJASO PTE LTD	4,781,250	1.62%
17. MOODY JOHN GEOFFREY	4,499,500	1.53%
18. J MOODY NOM PL	4,478,000	1.52%
19. GRASMERE NOM PL	4,000,000	1.36%
20. PACIFIC NIUGINI LTD	3,461,539	1.18%
	165,013,145	56.05%

STRATOS RESOURCES LIMITED
SHAREHOLDERS INFORMATION
FOR THE YEAR ENDED 30 JUNE 2014

Options 30 November 2015 issued at \$0.06

		No.	%
1.	MR NEIL HACKETT	3,750,000	20
2.	RECONDO PTY LTD	3,750,000	20
3.	MR JAMES THOMPSON	3,750,000	20
4.	MR ARRON DE JESUS CANICAIS	375,000	2
5.	CRANLEY CONSULTING PTY LTD	3,375,000	18
6.	BERRIMIL SERVICES PTY LTD	3,750,000	20
		18,750,000	100

Options 30 November 2015 issued at \$0.02

		No.	%
1.	CRANLEY CONSULTING PTY LTD	1,750,000	9%
2.	THE TRUST COMPANY (AUSTRALIA)	2,603,014	13%
3.	GEJASO PTY LTD	778,439	4%
4.	BERRIMIL SERVICES PTY LTD	1,319,918	7%
5.	CRANLEY CONSULTING PTY LTD	2,910,274	15%
6.	CORPORATE-STARBOARD PTY LTD	1,600,055	8%
7.	MR JAMES THOMPSON &	1,300,959	7%
8.	RECONDO PTY LTD	519,727	3%
9.	CORPORATE-STARBOARD PTY LTD	1,000,000	5%
10.	RZJ CAPITAL MANAGEMENT LLC	3,212,055	16%
11.	BERRIMIL SERVICES PTY LTD	500,000	3%
12.	MR JAMES THOMPSON	2,250,000	11%
		19,744,441	100%

Restricted Securities

There are no restricted securities or securities subject to voluntary escrow.

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Tenements

Mining Interest ID	Location	Project	Interest
IUP-OP #2	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
SKP KPD #7	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #21	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #22	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #23	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #24	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #25	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #26	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #27	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #28	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #29	West Belitung, Belitung Island, Indonesia	Yinchen	30%*

* Stratos signed definitive documentation to acquire 60% of Yinchen project interest in a jointly owned vehicle with Metalcorp / Tennant.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

The Board of Directors of Stratos Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Stratos Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Stratos Resources Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	Structure the board to add value		
2.1	A majority of the board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(b), 2(c), 2(e)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the Company's integrity;		
	• the practices necessary to take into account the Company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	4(b)	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(b)	Yes

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(b)	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
Principle 4 Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	3(a)	No
4.2	The audit committee should be structured so that it:	3(a)	No
	• consists only of non-executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		
4.3	The audit committee should have a formal charter	3(a)	No
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5 Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6 Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7 Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

Principle 8	Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	3(b)	No
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

2. THE BOARD OF DIRECTORS

(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of three non-executive Directors. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

Currently, the Chair is not the chief executive officer and is independent.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

(c) Chairman

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

During the financial year, the Chair was independent.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

The Board specifies that the roles of the Chairman and the Chief Executive Officer are separate roles to be undertaken by separate people.

Due to the nature of the Company's current activities it does not currently have a chief executive officer and this role was, during the financial year, effectively undertaken by the board of directors (excluding the Chairman). The Board considered that, at this stage of the Company's development, the executive role carried out by the board was in the best interests of the Company. The Board will monitor the need to separate these roles as the Company's circumstances change and on consideration of the appointment of a new chief executive officer.

(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

(e) Independent Directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Stratos Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board is currently comprised of three non-executive Directors, one is independent.

The Company does not comply with ASX Recommendation 2.1. The Company is not of a relevant scale or size to appoint further independent director's to meet the requirements of ASX Recommendation 2.1.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Stratos Resources Limited are considered to be independent:

Name	Position
Neil Hackett	Non-Executive Chairman

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Neil Hackett	Since 5 June 2012
James Thompson	Since 5 June 2012
Piers Lewis	Since 27 March 2012

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman should be a non-executive director.

(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Stratos Resources Limited. Primarily, the review will be carried out through consultation by the Chairman and with individual Directors. Directors whose performance is consistently unsatisfactory may be asked to retire.

2. BOARD COMMITTEES

(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee, during the whole of the financial year, did not comprise only Non-Executive Directors. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is PKF Mack & Co's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

Non-audit services provided by the auditors during the year are detailed in the financial statements.

The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 4.1-4.3 is impractical given the size of the Company and the industry in which it operates. The board consists of three (3) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company has previously granted options to non-executive directors and, potentially, will do so in the future. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Stratos Resources Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholder, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the Consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

3. ETHICAL AND RESPONSIBLE DECISION MAKING

(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

All Directors, officers and employees are expected to:

- a. comply with the law;
- b. act in the best interests of the Company;
- c. be responsible and accountable for their actions; and
- d. observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

(b) Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. As such, the Board has adopted a policy to recruit and manage on the basis of qualification for the position and performance, regards of gender, age, nationality, race, religious beliefs, cultural background, sexuality, or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

Gender proportions:

Currently the Company has no women directors, 0% senior executive staff are female.

4. TIMELY AND BALANCED DISCLOSURE

(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

STRATOS RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

5. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

(a) Board oversight of the risk management system

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- (a) at least quarterly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- (b) regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- (a) The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- (b) The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- (c) The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.