

4 June 2013

Stratos acquires Significant Stake in Billiton Island Tin Project

- **Stratos Resources Ltd (ASX:SAT) (“Stratos”) has executed definitive documentation to acquire, in conjunction with international commodities trading group, Metalcorp Group and its subsidiary Tennant Metals, a combined 60% shareholding interest in eleven (11) highly prospective tin tenements (covering 1,200 Ha) on Belitung (“Billiton”) Island. The acquisition also includes intellectual property related to previous geological work completed by the vendor and various items of mining and processing equipment suitable for alluvial tin mining.**
- **The tenements are production IUP’s (the Indonesian equivalent to Mining Licenses) that allow for mining and processing of tin. Sampling by Stratos during due diligence includes various rock chip samples ranging up to 8.3% Sn (average 3.2%). The tenements include historical artisanal workings which demonstrate both alluvial and hard rock tin potential.**
- **Key tin commentators, including the recognized tin market authority, the International Tin Research Institute (“ITRI”), are forecasting tightness in tin supply and corresponding upwards price pressure. ITRI has forecast an increase from current price levels (US\$21,000/ tonne) to \$30,000 – 35,000/ tonne in the period to 2016.**
- **The 60% shareholding interest will be held through a Singapore based joint venture vehicle owned by Stratos and a Metalcorp company on a 50:50 basis. Metalcorp’s subsidiary 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 a long period of mining experience on the island.**
- **The Metalcorp Group 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**

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agreements are to be at market rates and are subject to final terms and conditions and definitive documentation.

- **A near term focus will be on reprocessing historical drilling and assaying results from the tenements with a view to delineating a resource (NB: no resource has yet been defined) and focusing on the most prospective of the tenements for near term geological targets and mining activities.**
- **Discussions with Indonesian parties in relation to the potential acquisition of the Yinchen smelter assets also continue. In the interim, smelting arrangements at market rates are available from one of the other smelters on Belitung Island.**

Stratos Resources Ltd (ASX: SAT) is pleased to announce that binding legal documentation, subject to ASX and shareholder approvals (if required) has been executed under which a 60% shareholding interest in 11 highly prospective tenements on Belitung Island will be acquired in a Singapore joint venture company owned 50% each by Stratos and the Metalcorp Group.

Belitung Island has a long mining history and culture and is where Billiton Plc first commenced mining in the 1800s. Belitung and its neighbouring island, Banka are the two key tin production regions in Indonesia. Indonesia and China are the two largest tin producers globally (each accounting for over 30% of global production) and with China being a net importer of tin, Indonesia is the largest exporter of tin globally.

The tenements are production IUP's that allow for mining and processing of tin. The tenements include historical artisanal workings (demonstrating both alluvial and hard rock tin potential).

The tenements exhibit excellent geological potential. Sampling during Stratos' due diligence includes various rock chip samples ranging up to 8.3% Sn (average 3.2%). There has been drilling and exploration work undertaken on the tenements historically and the acquisition includes the intellectual property related to this exploration.

Stratos intends to undertake a review of existing data, immediately followed by its own testing of prospective areas. Work undertaken by Stratos will be focused on identifying areas suitable for production in the short term, and to delineate a resource and reserve suitable for reporting under the JORC code. Initial exploration will be in alluvial areas with a view to examining hard rock potential once in production.

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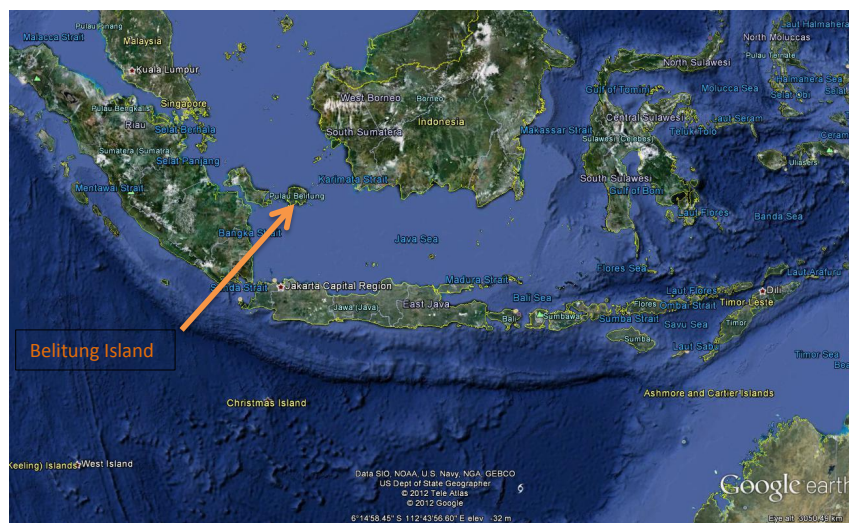
The 60% shareholding investment will be held by a Singapore based joint venture vehicle owned on an equal basis by Stratos and Metalcorp Group, European based global commodities trader. A subsidiary of the Metalcorp Group, Tennant Metals, has been involved in the marketing and sales of tin product from 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.

Consideration to be paid by Stratos is to be all scrip, with shares to the value of \$400,000 at VWAP to be issued to the vendor. These shares will be subject to a voluntary one (1) year escrow. The transaction is subject to ASX and shareholder approval (if required).

Discussions in relation to the potential acquisition of the Yinchen smelter assets also continue with relevant Indonesian and other interested parties. In the interim, smelting arrangements at market rates are available from one of the other smelters on Belitung Island.

THE REGION

Belitung and its neighbouring island, Banka represent the largest single tin export regions globally. The islands are located on the busy shipping routes of the Java Sea. Belitung Island is 150km in diameter and is approximately equal distance by sea from Singapore, Malaysia and Jakarta.



Belitung and Banka Islands are located in the prolific South East Asian tin belt. The SE Asia Tin Belt extends from Myanmar to the Java Sea in Indonesia and has produced more than 9.6Mt of tin metal or 54% of world tin (Schwartz 1995). This belt is characterized by stanniferous (tin bearing) granites of Late Triassic age (circa 220 million years), such as the Tanjung Pandan granite batholith which dominates the NW of Belitung island.

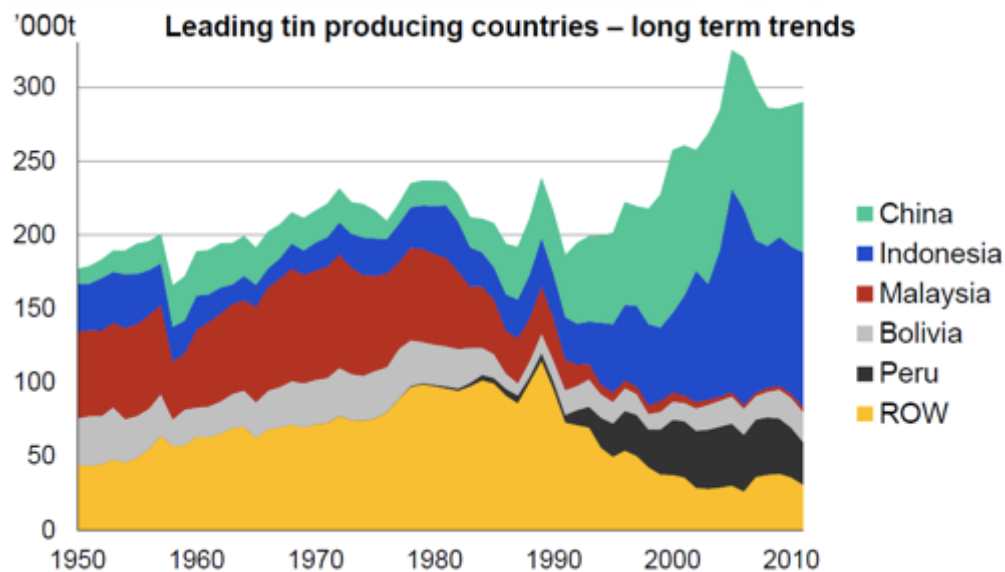


Figure 1: South East Asian tin belt in red

Mining on Banka and Belitung Island is predominantly of secondary placer deposits with both on-shore gravel pumping and off-shore dredging (targeting ancient offshore paleochannels containing high grade tin concentrations) being the major mining methods.

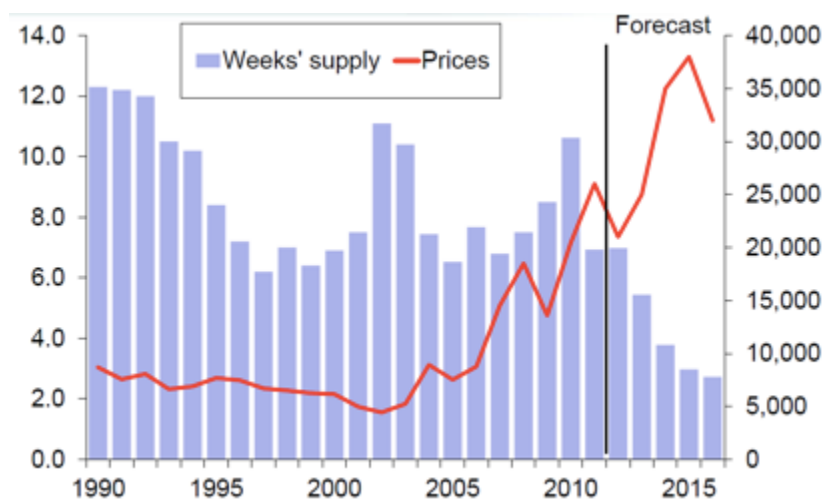
THE TIN MARKET

China and Indonesia currently represent 70% of global tin production. As China is a net importer of tin, Indonesia is the most significant driver of the world's tin export market. Tin is predominantly used in solder and is therefore exposed to the rapid industrialization of China and other developing economies and third world economies as they acquire various electronic devices including mobile phones, televisions, whitegoods and motor vehicles, amongst others.



Any tin production is likely to be sold to China or Taiwan for use as highly conductive solder in electronics. Tin is therefore exposed to the high growth Asian consumer markets (ie. electronic goods, mobile phones, white goods) including China which is continuing to grow at 7% p.a.

The tin price is currently \$21,000/ tonne and many commentators are predicting a tight supply side and consequent tin price strength in the near to medium term. Leading tin commentator ITRI is predicting a near term price of \$25,000 and potential for a price of \$30,000 to \$35,000 over the period to 2016.



Source: ITRI

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THE TENEMENTS

The tenements comprise 1,200 Ha of highly prospective area predominantly on the Western half of Belitung Island. In most cases the tenements are surrounded by or adjacent to tenements owned by PT Timah, the major tin producer in Indonesia.

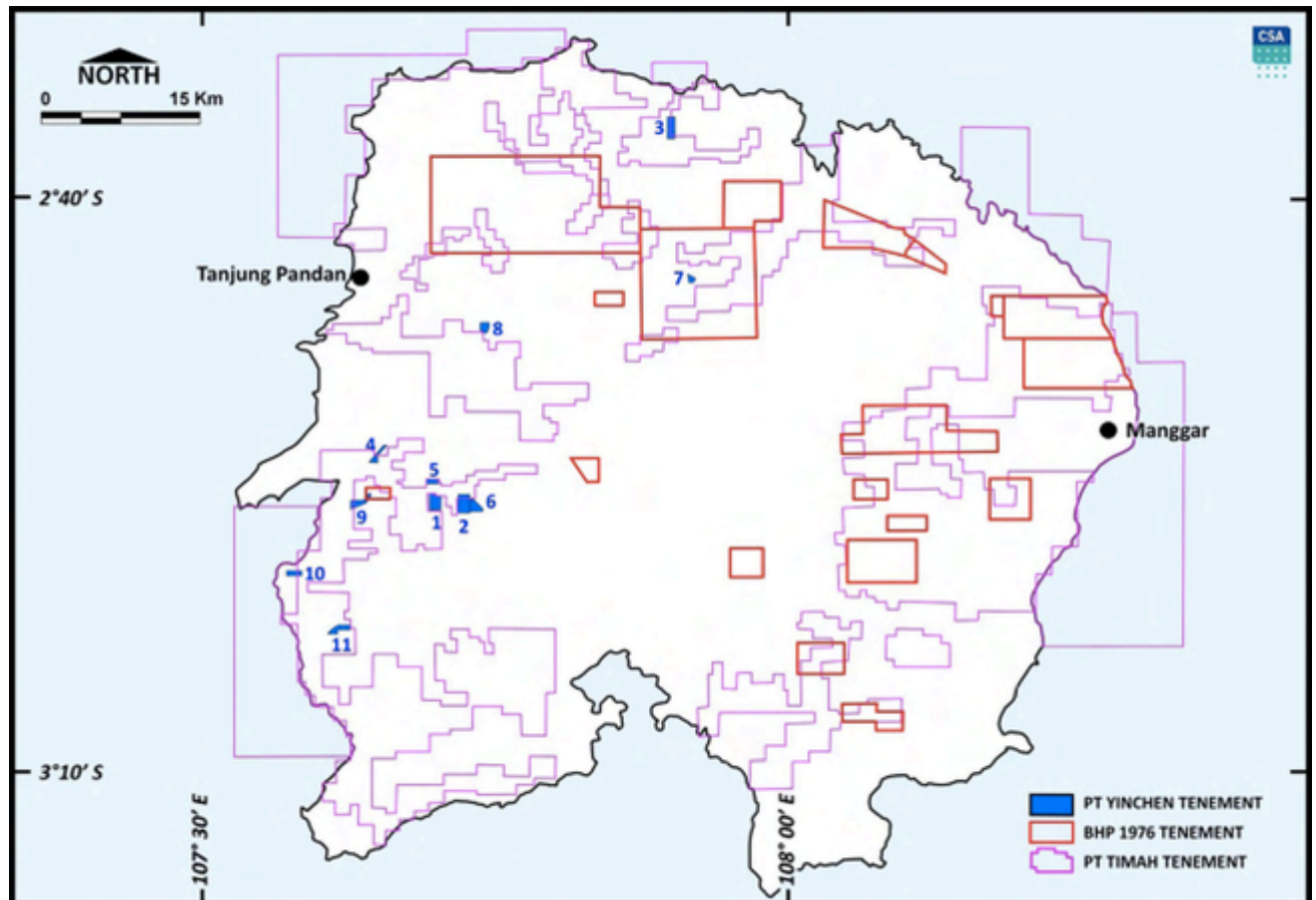


Figure 2: Locations of acquired tenements in blue

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.



Figure 3: Local artisanal Miners using gravity separation of alluvial deposits on Belitung Island

Historical geological works (sampling, drilling and assaying) have been undertaken at the tenements. These works indicate potential for both alluvial and hard rock tin structures and are currently in the process of being reprocessed. The XRF assay results (from the Intertek laboratory in Jakarta) of various surface samples undertaken at site by Stratos are shown below. The results ranged up to 8.3% Sn (excluding the high grade cassiterite sample derived from a panning sample) and averaged 3.2% Sn (also excluding the high grade cassiterite sample).

IDENT UNITS DET.LIM SCHEME	As PPM 5 IC30	Cu PPM 2 IC30	Fe % 0.01 IC30	Pb PPM 2 IC30	Sb PPM 5 IC30	Ti % 0.01 IC30	W PPM 10 IC30	Zn PPM 2 IC30	Zr PPM 5 IC30	Sn % 0.01 XR02	Notes
AU-YS/002-01	14	4	0.43	96	<5	0.01	14	13	<5	2.58	
AU-YS/022-01	95	94	2.11	1010	<5	0.01	139	16	<5	2.93	
AU-YS/025-01	21	4	0.87	25	<5	0.01	68	14	9	8.3	
AU-YS/025-02	80	16	18.6	53	6	0.02	19	98	<5	4.51	
AU-YS/025-04	495	22	24.3	176	8	0.01	37	189	<5	3.6	
AU-YS/025-05S	<5		0.34	13	<5	0.01	<10	17	202	44.2	Cassiterite
AU-YS/025-06	31	3	2.3	35	<5	<0.01	<10	21	<5	0.29	
AU-YS/025-07	502	13	35.1	76	17	0.02	<10	172	<5	0.04	
Average (excluding cassiterite)										3.18	

The next stage of exploration and delineation of tin deposits on the tenements is expected to commence in 3Q2012 and will likely include mapping, auger drilling and control drilling/ bulk sampling. The focus of the joint venture will be to reprocess available historical data and then

further test the most productive areas in order to realize cash flow positive production in the shortest possible time frame

Further updates will be provided as details become available.

James Thompson
Director
Stratos Resources Limited