



TRAFFORD
RESOURCES LTD

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

AND PROXY FORM

**General Meeting of
Trafford Resources Limited
ABN 93 112 257 299**

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Trafford Resources Limited will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Monday 7 July 2014 at 10.00am.

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9485 1040.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out in this Notice of Meeting.

PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.
2. Where more than one proxy is to be appointed or voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company or you may copy this form.
3. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
4. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.For a company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
5. In order to vote on behalf of a company that is a shareholder of Trafford Resources, a valid Power of Attorney in the name of the attendee, must be lodged with the Company prior to the Meeting in the same manner as this proxy.
6. Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the Company, at Level 2, 679 Murray Street, WEST PERTH WA 6005, or by facsimile (61 8) 9485 1050 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.
7. An instrument appointing a proxy:
 - a) Shall be in writing under the hand of the appointer or of his attorney, or if the appointer is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
 - b) May specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;
 - c) Shall be deemed to confer authority to demand or join in demanding a poll; and
 - d) Shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001 and the Listing Rules;
 - e) Must be lodged with the Company prior to the Meeting in the same manner as this proxy.
7. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy

form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of the Company will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Monday 7 July 2014 at 10.00am.

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describes in more detail the matters to be considered. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at the close of business on Saturday 5 July 2014.

AGENDA

Resolution 1 - Approval of Issue of Shortfall Shares from the Share Purchase Plan

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of Shares comprising the shortfall from the Share Purchase Plan (Shortfall Shares), up to a maximum of 17,857,143 Shortfall Shares, on the terms and conditions set out in the Explanatory Statement."

The Company will disregard any votes cast on Resolution 1 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 - Placement of Options to Participating Shareholders and Investors

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

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 35,714,286 Options to Shareholders who subscribed for Shares under the Share Purchase Plan and Investors who subscribe for the Shortfall Shares on the terms and conditions set out in the Explanatory Statement."

The Company will disregard any votes cast on Resolution 2 by any proposed underwriter or sub-underwriter of the SPP. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 - Issue of Options to Mr. Ian D. Finch

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 428,572 Options, on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP, to Mr. Ian D. Finch (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

The Company will disregard any votes cast on Resolution 3 by Mr. Ian D. Finch (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Issue of Options to Mr. Neil W. McKay

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 428,572 Options, on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP, to Mr. Neil W. McKay (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

The Company will disregard any votes cast on Resolution 4 by Mr. Neil W. McKay (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 - Issue of Options to Mr. Mark Le Grange

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

““That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 428,572 Options, on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP, to Mr. Mark Le Grange (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

The Company will disregard any votes cast on Resolution 5 by Mr. Mark Le Grange (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 - Issue of Options to Dr. Allan Trench

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 428,572 Options, on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP, to Dr. Allan Trench (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

For the purpose of ASX Listing Rule 10.13 and Section 224 of the Corporations Act, the Company will disregard any votes cast on Resolution 6 by Dr. Allan Trench (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By Order of the Board



Neil. W McKay
Joint Company Secretary
30 May 2014

EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement has been prepared for the information of members of Trafford Resources Limited ("Trafford" or "Company") in connection with the business to be conducted at the General Meeting of Members to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Monday 7 July 2014 at 10.00am.

This Explanatory Statement forms part of and should be read in conjunction with the accompanying Notice of General Meeting.

Shareholders should note that all Directors approved the proposal to put the resolutions to Shareholders as outlined in the Notice of General Meeting and to prepare the Explanatory Statement.

BACKGROUND

Capital Raising

The Company announced the Share Purchase Plan with free attaching Options on 22 May 2014 with subsequent amendment on 28 May 2014:

- a. A Share Purchase Plan (**SPP**) to raise up to approximately \$1,250,000, under which eligible Shareholders will be given the opportunity to subscribe to Shares at an issue price of 7 cents per Share, up to a total investment of \$15,000 per eligible Shareholder. Eligible Shareholders who subscribe for Shares under the SPP are also being offered, subject to Shareholder approval, for every Share applied for, two (2) free attaching Options exercisable at 10 cents on or before 16 February 2015. Any Shares not subscribed for by Shareholders will comprise the Shortfall Shares and may be offered to institutional or sophisticated investors, or to the underwriter, if and to the extent the SPP is underwritten as a separate placement at the discretion of the Directors; and
- b. An offer to Directors (together the **Related Parties**) of Shares under the SPP with free attaching Options on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP.

Share Purchase Plan

The Company is undertaking a **SPP** offering existing eligible Shareholders the right to subscribe for additional Shares in the Company. Each eligible Shareholder is entitled to purchase Shares up to the value of \$15,000.

The Directors reserved the right to place any Shares comprising Shortfall Shares to the SPP at their discretion to institutional or sophisticated investors as a separate placement.

The SPP is intended to be closed shortly before the General Meeting and be completed shortly after the General Meeting. The issue of any Shortfall Shares will take place after the General Meeting.

Resolution 1 seeks Shareholder approval to issue the Shortfall Shares, up to a maximum of 17,857,143 Shortfall Shares (which assumes the unlikely event that no Shareholders subscribe for the SPP), to institutional or sophisticated investors who are unrelated parties of the Company.

The Company has announced that it intends to separately offer Shareholders who subscribe for Shares under the SPP and institutional or sophisticated investors who subscribe for Shortfall Shares, two (2) free attaching Options, up to a total maximum of 35,714,286 Options.

The Company intends to offer the Options by the Prospectus. The Prospectus will be sent to each Shareholder and to each institutional or sophisticated investors who subscribe for Shortfall Shares. Such persons will need to complete the application form that will accompany the Prospectus to acquire the Options.

Resolution 2 seeks Shareholder approval, pursuant to Listing Rule 7.1 for the issue of up to 35,714,286 Options to unrelated Shareholders who participate in the SPP and institutional or sophisticated investors who subscribe for any Shortfall Shares.

Issue to Related Parties

The Company under the SPP is offering Shares to the Related Parties, to raise up to approximately \$60,000 by the issue of up to 857,143 Shares at an issue price of 7 cents per Share, and up to 1,714,288 Options exercisable at \$0.10 each, expiring 16 February 2015, on the basis on the basis of two (2) free attaching Options for every one (1) Share subscribed for by Related Parties under the SPP at the time of application. The issue of Options to Related Parties is intended to take place after the General Meeting.

The Company intends to offer the Options by the Prospectus, with the issue of Options subject to Shareholder approval at the General Meeting. Resolutions 3 – 6 seek Shareholder approval, pursuant to Listing Rule 10.11, for the issue of up to 1,714,288 Options to the Related Parties.

Valuation of Share Purchase Plan

On the record date for Eligible Shareholders (21 May 2014), the closing price of Shares as traded on ASX was \$0.07.

Under the SPP, the Company is offering one (1) Share at an issue price of \$0.07 per Share to raise up to \$1,250,000 together with free attaching Options on the basis of two (2) free attaching Options for every one (1) Share subscribed for under the SPP.

The issue price for the package of Shares and Options is close to the current trading price of the Company's Shares on ASX. However, the Options being offered under the Offer have a value which is not readily attainable.

In light of this, the Company considers it prudent to make available to Shareholders a valuation of the Options using the Black and Scholes option valuation model.

Based on the assumptions set out below and using this model, the Options have a potential value as follows:

Assumptions	
Valuation Date	21 May 2014
Market price of Shares	\$0.07
Exercise price	\$0.10
Expiry Date	16 February 2015
Risk free interest rate	2.76%
Volatility	85.5%
Indicative value per Option	\$ 0.012

Note: The valuation noted above is not necessarily the market price that the Options could be traded at and is not automatically the market price for taxation purposes.

Based on the above, the total value of one (1) Share and two (2) free attaching Options is \$0.094, which is more than the issue price for the package of \$0.07. This is effectively what each Shareholder will be acquiring when applying for Shares and Options under the Offer.

However, Shareholders should be aware that the value of the Shares and Options will fluctuate with changes in the market price for the Shares and the assumptions set out in the Option valuation model above.

Use of Funds

The funds raised from the SPP (and any Shortfall that is placed) will be used to as follows:

Project	Value	%
Silver, Tin , Gold drill ready targets at Wilcherry Hill	\$625,000	50.00
Challenger J.V. and Woomera Area prospecting of known Nickel and Gold anomalies	\$312,500	25.00
Colombia copper/gold prospects	\$250,000	20.00
Other including New projects and re-assay of historical and Ironclad drill samples	\$62,500	5.00
Total	\$1,250,000	100.00

Timetable*

The timetable for completion of the SPP and Issue to Related Parties is as follows:

Event	Date (WST)
SPP Record Date	21 May 2014
Prospectus lodged with ASIC	28 May 2014
SPP and Offers open	29 May 2014
SPP and Prospectus dispatched to Shareholders	3 June 2014
SPP and Offers Closing Date**	27 June 2014
Issue of Shares pursuant to the SPP	30 June 2014
Trading commences for Shares pursuant to the SPP	3 July 2014
General Meeting of Shareholders	7 July 2014
Issue of Options pursuant to the Prospectus	7 July 2014
Trading commences for Options pursuant to the Prospectus	9 July 2014

*These dates are indicative only and are subject to change without notice, at the discretion of the Directors, subject to the requirements of the ASX Listing Rules and the Corporations Act.

RESOLUTION 1 – APPROVAL OF ISSUE OF SHORTFALL SHARES FROM THE SHARE PURCHASE PLAN

As set out above, the Company intends to issue up to 17,857,143 Shares at an issue price of 7 cents per Share, to raise up to \$1,250,000 under the SPP.

The terms of the SPP provide that, in the event that less than the full subscription of 17,857,143 Shares applied for under the SPP, the Shares not subscribed for will comprise the Shortfall and may be placed, at the discretion of the Directors, to institutional or sophisticated investors.

The SPP offer is anticipated to close on 27 June, 2014, with the Shortfall being placed after the date of the General Meeting. As such, the number of Shortfall Shares is unknown as at the date of this Notice of Meeting. The maximum number of Shortfall Shares that may be issued is, 17,857,143 although this will occur only in the unlikely event that no Shareholders subscribe for the SPP.

The issue of Options under the SPP to any institutional and sophisticated investors, who subscribe for any Shortfall is set out below at section 2.1.

1.2 Listing Rule 7.2 – Share Purchase Plan

Listing Rule 7.2, Exception 15 provides an exception to the requirement to seek Shareholder approval for the issue of Shares, where the Company undertakes a security purchase plan. In order to comply with exception in Listing Rule 7.2:

- a) the security purchase plan must comply with ASIC Class Order 09/425;
- b) the number of shares to be issued under the security purchase plan must not exceed 30% of the number of fully paid ordinary shares already on issue; and
- c) the issue price for shares under the security purchase plan must be at least 80% of the average market price for securities in that class calculated over the last 5 days on which sales in the securities were recorded either before the day on which the issue was announced or before the day on which the issue is made.

The SPP to be undertaken by the Company complies with the requirements of Listing Rule 7.2, Exception 15.

However, Exception 15 will not apply to any Shares issued as part of the Shortfall.

1.3 Listing Rule 7.1

Resolution 1 seeks Shareholder approval under ASX Listing Rule 7.1 for the issue of up to 17,857,143 Shares to institutional or sophisticated investors, who are unrelated parties of the Company under the Shortfall.

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

1.4 Technical information required by ASX Listing Rule 7.1

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

- a) the maximum number of Shares to be issued is 17,857,143;
- b) the Shares will be issued progressively, no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- c) the issue price will be 7 cents per Share;
- d) the Shares will be issued to institutional and sophisticated investors, who subscribe for any Shortfall, who are unrelated parties of the Company;
- e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing shares; and
- f) use of funds section in the background of this Explanatory Statement sets out the use of the funds raised from this issue.

RESOLUTION 2 – PLACEMENT OF OPTIONS TO PARTICIPATING SHAREHOLDER AND INVESTORS

2.1 General

As set out above, Resolution 2 seeks Shareholder approval for the issue of up to 35,714,286 Options, to those Shareholders who participate in the SPP, including institutional and sophisticated investors who subscribe for any Shortfall in the SPP.

The offer and grant of Options is governed by the Prospectus. The total number of Options to be issued will depend on the total number of Shares issued under the SPP and any Shortfall but will not exceed 35,714,286 Options.

Two (2) free attaching Options will be issued for every one (1) Share subscribed for and issued under the SPP or under the Shortfall.

Issue of Options

ASX Listing Rule 7.1 provides that a company may not, without the approval of Shareholders, issue or agree to issue more equity securities during any 12 month period from that amount which represents 15% of a number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Directors to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

2.2 Voting Exclusion

ASX has granted a waiver of Listing Rule 7.3.8 in relation to Resolution 2 to permit Eligible Shareholders (being persons who have an interest in passing of Resolution 2 and are ordinarily precluded from voting in respect of Resolution 2) to be able to vote on Resolution 2. While it is not proposed for the SPP to be underwritten, in accordance with the waiver from ASX, the Company will disregard the votes cast on Resolution 2 by any proposed underwriter or sub-underwriter of the SPP.

2.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution 2:

- (a) the maximum number of Options to be issued is 35,714,286;
- (b) the Options will be issued progressively, no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Options will be issued for nil cash consideration and no funds will be raised as they are being issued in consideration for participation in the SPP or the Shortfall;
- (d) the Options will be issued to those Shareholders that participate in the SPP and to institutional and sophisticated investors, who subscribe for any Shortfall who are unrelated parties of the Company;
- (e) the Options will be issued on the terms and conditions set out in Annexure A;
- (f) no funds will be raised from the issue of the Options; and
- (g) the voting exclusion statement on Resolution 2, is in accordance with the waiver granted by ASX.

RESOLUTIONS 3-6 – ISSUE OF OPTIONS TO RELATED PARTIES

3.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue up to 1,714,288 free attaching Options, on the basis of two (2) free attaching Options for every one (1) Share subscribed by Directors in the SPP and issued to:

- a) Imperial Management Services Pty Ltd (as trustee of the Imperial Management Superannuation Fund), associated with Mr. Ian Finch;
- b) Neil McKay Pty Ltd (as trustee of the Neil Wilson McKay Super Fund), associated with Mr. Neil McKay;
- c) AMG, associated with Mr. Mark Le Grange; and
- d) Allan and Suzanne Louise Trench (as trustees for the Trench Super Fund), associated with Dr. Allan Trench.

With those entities being the Related Parties, on the terms and conditions set out below.

Resolutions 3-6 seek Shareholder approval for the issue of Shares and Options to the Related Parties.

If Resolutions 3, 4, 5 and 6 are approved, the MAXIMUM Options set out in the table below will be issued to Mr. Finch, Mr. McKay, Mr. Le Grange and Dr. Trench personally (or to their nominees).

Director	Number of free attaching Options	
	SPP	Total
Ian D. Finch	428,572	428,572
Neil W. McKay	428,572	428,572
Mark Le Grange	428,572	428,572
Dr. Allan Trench	428,572	428,572
	1,714,288	1,714,288

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act prohibits a company from giving a financial benefit to a related party without prior shareholder approval. For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- Obtain the approval of the public company's members in the manner set out in Sections 217 and 227 of the Corporations Act; and
- Give the benefit within 15 months following such approval.

Unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act. One of these exceptions includes the provision of a financial benefit that constitutes reasonable remuneration to a related party as an officer or employee.

A "related party" for the purposes of the Corporations Act is defined widely. It includes a director of a public company and specified members of the director's family. It also includes an entity over which a director maintains control or a person who may be seen as acting in concert with the company on the understanding that a financial benefit will be received. Further, a director of an entity that controls a public company is a related party of the company.

A "financial benefit" for the purposes of the Corporations Act is also defined widely. It includes a public company issuing securities or granting options to a related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

Listing Rules

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is in ASX's opinion such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. It is the view of the Directors that Mr. Finch, Mr. McKay, Mr. Le Grange and Dr. Trench given their material personal interests in the relevant Resolutions, that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Shareholder Approval (Listing rule 10.13)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13 the following information is provided in relation to the proposed issue of Options to the Directors:

- a. Mr. Finch, Mr. McKay, Mr. Le Grange and Dr. Trench (or their nominees) each of whom are Directors of the Company will receive the SPP Options;
- b. The maximum number of SPP Options that may be issued pursuant to Resolution 3 is 428,572, Resolution 4 is 428,572, Resolution 5 is 428,572 and Resolution 6 is 428,572;

- c. The SPP Options will be issued for nil consideration, and no funds will be raised. The SPP Options may be exercised for 10 cents on or before 16th February 2015 in accordance with the terms and conditions set out in Annexure A, being the same terms and conditions as the Prospectus dated 28 May 2014;
- d. The SPP Options will be issued 7 July 2014.

Each of the Directors declines to make a recommendation in relation to proposed Resolutions 3, 4, 5 and 6 as they have a material interest in their outcomes to the extent that the resolutions provide for the issue of Options to each of them.

GLOSSARY

In this Explanatory Statement and Notice of Meeting:

\$	means Australian dollars. All amounts in this Explanatory Statement are in Australian dollars unless otherwise stated.
ASX	means ASX Limited.
ASX Listing Rules or Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Company	means Trafford Resources Limited.
Corporations Act	means the <i>Corporation Act (Cth)</i> 2001.
Directors	means the Directors of the Company.
General Meeting	means the meeting convened by this Notice of Meeting.
Official Quotation	has the same meaning as in the ASX Listing Rules.
Options	means the options on the terms set out in Annexure A Comprising of two free SPP Attaching Options.
Prospectus	means the Company's prospectus dated 28 May 2014.
Related Parties	means Directors of the Company or to their nominees.
Share Purchase Plan or SPP	means the Company's Share Purchase Plan dated 28 May 2014.
Short Fall Shares	Means the balance of SPP shares not applied for by eligible shareholders
Trafford or the Company	means Trafford Resources Limited (ABN 93 112 257 299).
WST	Means Western Standard Time, Perth, Western Australia.

ANNEXURE "A"

Terms and Conditions of Options exercisable at 10 cents on or before 16th February 2015 The terms and conditions of the Options to be approved by Shareholders in accordance with Resolutions 2 – 6 are as follows:

- a) Each Option entitles the holder to subscribe for one Share in the capital of the Company.
- b) Subject to paragraph (c) below, the Options are exercisable at 10 cents each and can be exercised at any time up to 5.00pm Perth time on 16 February 2015 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.
- c) An Option Holder may exercise some of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 5,000, unless the holder exercises all Options able to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application has been made to ASX for official quotation of the Options.
- e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 16 February 2015 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.
- i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

ANNEXURE "B"

ESTIMATE OF THE VALUE OF OPTIONS

An estimate of the value of the Options that are proposed to be granted (pursuant to the passing of Resolution 3 - 6) using the Black and Scholes Options Pricing Model has been calculated as set out below:

Valuation Date	21 May 2014
Market price of Shares	\$0.07
Exercise price	\$0.10
Expiry Date	16 February 2015
Risk free interest rate	2.76%
Volatility	85.5%
Indicative value per Option	\$ 0.012