

**STRATUM METALS LIMITED**  
**(TO BE RENAMED 'LOCALITY PLANNING ENERGY LIMITED')**  
**ACN 147 867 301**

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**PROSPECTUS**

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For the offer of up to 300,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$6,000,000 with a minimum subscription of \$4,000,000 (**Public Offer**).

**This Prospectus also contains an offer of:**

- Vendor Consideration Securities to the Vendors (**Vendor Consideration Offer**);
- Armada Options to Armada Capital (or its nominee) (**Armada Offer**);
- Initial Lender Securities to the Initial Lenders (**Initial Lender Offer**);
- Subsequent Lender Shares to the Subsequent Lenders (**Subsequent Lender Offer**); and
- the SXT Noteholder Securities to the SXT Noteholders (**SXT Noteholder Offer**),

(together, the **Secondary Offers**).

**The Offers are scheduled to close at 5.00pm (WST) on 12 November 2015 unless extended or withdrawn. Applications must be received before that time to be valid.**

Completion of the Offers is conditional upon satisfaction of the Conditions, which are detailed further in Section 2.4 of the Prospectus. No Securities will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

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## 1. CORPORATE DIRECTORY

### Directors

Mr Andrew Pierce (Non-executive Chairman)

Mr Daniel Moore (Non-executive Director)

Mr John Shepherd (Non-executive Director)

### Proposed Directors

Mr Damien Glanville (Managing Director and Chief Executive Officer)

Mr Ben Chester (Chief Operating Officer)

### Company Secretary

Mr Damon Sweeny

### ASX Code:

SXT

### Proposed ASX Code

LPE

### Legal Advisers

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

### Investigating Accountant

Bentleys Audit & Corporate (WA) Pty Ltd  
(**Bentleys WA**) Level 1, 12 Kings Park Road  
WEST PERTH WA 6005

### Bankers\*

Macquarie Bank Limited  
345 Queen St  
BRISBANE QLD 4000

### Registered Office

Stratum Metals Limited

Suite 8, 55 Hampden Rd  
Nedlands WA 6009

Telephone: +61 8 9389 5885

Facsimile: +61 8 9389 5885

Email: [info@stratummetals.com.au](mailto:info@stratummetals.com.au)

Website: [www.stratummetals.com.au](http://www.stratummetals.com.au)

Locality Planning Energy Pty Ltd

Suite 18, 13 Norval Court  
Maroochydore, QLD 4558

Telephone: 1800 040 168

Email: [info@localityenergy.com.au](mailto:info@localityenergy.com.au)

Website: [www.localityenergy.com.au](http://www.localityenergy.com.au)

### Share Registry\*

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009

### Auditor

Bentleys Brisbane (Audit) Pty Ltd (**Bentleys**)  
Level 9, 123 Albert Street  
BRISBANE QLD 4000

### Lead Manager and Corporate Advisor

Armada Capital Limited  
Suite 7, 55 Hampden Road  
NEDLANDS WA 6009

\* These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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## **2. IMPORTANT NOTICE**

### **2.1 General**

This Prospectus is dated 12 October 2015 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No person is authorised to give information or to make any representation in connection with the Offers, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Stratum Metals Limited (**SXT** or **Company**) in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

### **2.2 Re-compliance Prospectus**

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

### **2.3 Investment Advice**

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

### **2.4 Conditional Offers**

The Offers are conditional on:

- (a) the passing of all of the Essential Resolutions that are being put to Shareholders at the General Meeting; and
- (b) ASX conditional approval to re-admit the Shares to Official Quotation.

Accordingly, the Offers under this Prospectus are effectively inter-conditional on the successful completion of each other part of the Acquisition.

In the event that Shareholders do not approve all of the Essential Resolutions at the General Meeting, the Offers will not proceed and no Securities will be issued pursuant to this Prospectus. If this occurs, Applicants will be reimbursed their Application monies (without interest).

### **2.5 Expiry Date**

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## 2.6 Exposure Period – Performance Shares

The Performance Shares issued under the Vendor Consideration Offer are subject to an Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds.

The Company is prohibited from processing applications under the Vendor Consideration Offer during the seven day period after the date of the Prospectus lodgement (**Exposure Period**). ASIC may extend the Exposure Period by up a further seven days from this date.

Applications under the Vendor Consideration Offer received during the Exposure Period will not be processed until after the expiry of the Exposure Period.

## 2.7 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of past and present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of SXT, its Directors and management.

Although SXT believes that the expectations reflected in the forward looking statements included in this Prospectus are reasonable, none of SXT, its Directors or officers, or any person named in this Prospectus, can give, or gives, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur or that the assumptions on which those statements are based will prove to be correct or exhaustive beyond the date of its making. Investors are cautioned not to place undue reliance on these forward-looking statements.

Except to the extent required by law, SXT has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The forward looking statements contained in this Prospectus are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. The key risk factors of investing in SXT are set out in Sections 5D and 9 of this Prospectus.

## 2.8 Privacy statement

By completing and returning an Application Form, you will be providing personal information directly or indirectly to SXT, the Share Registry, and related bodies corporate, agents, contractors and third party service providers of the foregoing (**Collecting Parties**). The Collecting Parties collect, hold and will use that information to assess your Application, service your needs as a Shareholder and

to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an Application Form, you authorise SXT to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offers, including processing your acceptance of the Offers and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Public Authority.

If you do not provide the information required in the Application Form, SXT may not be able to accept or process your acceptance of the Public Offer.

If the Offers are successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, including bidders for your securities in the context of takeovers, Public Authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or any Public Authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the date of this Prospectus, SXT does not anticipate that Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory in Section 0 of this Prospectus. A fee may be charged for access.

## **2.9 Web Site – Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of SXT at [www.stratummetals.com.au](http://www.stratummetals.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in SXT, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offers to be accepted electronically or by applying online. Securities will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting SXT.

SXT reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **2.10 Defined terms**

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 17 of this Prospectus.

## **2.11 Time**

All references to time in this Prospectus are references to Australian Western Standard Time.

## **2.12 Risks**

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company and the Securities offered under this Prospectus must be regarded as a speculative investment. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section 9 of this Prospectus for details relating to risk factors.

## **2.13 Enquiries**

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers, please call the Company Secretary, Damon Sweeny on +61 8 9389 5885.

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**3. INDICATIVE TIMETABLE\***

Despatch of Notice of General Meeting	29 September 2015
Lodgement of Prospectus with the ASIC	12 October 2015
Opening Date of the Public Offer	12 October 2015
Opening Date of Vendor Consideration Offer	16 October 2015
General Meeting held to approve the Acquisition	2 November 2015
Closing Date of Offers	12 November 2015
Issue of Securities under the Offers and Settlement of the Acquisition <sup>^</sup>	19 November 2015
Despatch of holding statements	23 November 2015
Re-compliance with Chapters 1 and 2 of the ASX Listing Rules	30 November 2015
Re-quotation of Shares (including Shares issued under the Offers) on ASX	7 December 2015

*\* The above dates are indicative only and may change without notice. SXT reserves the right to extend the Closing Date or close the Offers early without prior notice. SXT also reserves the right not to proceed with any of the Offers at any time before the issue of Securities to Applicants.*

*<sup>^</sup> The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.*



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#### 4. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Stratum Metals Limited (to be renamed Locality Planning Energy Limited) (**Company**), I am delighted to invite you to participate in the Public Offer for an issue of Shares to raise up to \$6,000,000 with a minimum of \$4,000,000 (**Public Offer**).

On 3 July 2015, the Company announced that it had entered into an option agreement (**Option Agreement**) with shareholders of Locality Planning Energy Pty Ltd (**LPE**) (**Vendors**) under which the Company was granted an option (**LPE Option**) to acquire 100% of the issued capital of LPE (**Acquisition**) exercisable at any time on or before 30 July 2015 (or such other date as agreed by the parties in writing). The Company paid an option facilitation fee of \$25,000 upon signing of the Option Agreement. The Option Agreement was subsequently varied by the parties on 8 July 2015 and 15 September 2015. The terms of the Option Agreement (as varied) are summarised in Section 14.1 of the Prospectus.

On 16 July 2015, the Company paid a further \$25,000 option facilitation fee and on 31 July 2015 the Company exercised the LPE Option and paid the final \$50,000 option facilitation fee.

Settlement of the Company's proposed acquisition of LPE pursuant to the Option Agreement is subject to various conditions described more fully in Section 14.1(a) of the Prospectus, including Shareholders' approval of various resolutions relating to the Acquisition.

The Company is seeking to raise up to \$6,000,000 through the issue of up to 300,000,000 Shares at an issue price of \$0.02 per Share, with a minimum subscription of \$4,000,000 (**Public Offer**).

The funds raised from the Public Offer, together with the Company's and LPE's existing cash reserves will be primarily used to fund site conversion costs, pursue potential acquisitions, employ additional personnel and repay monies under existing loans, excluding a site conversion loan facility.

The proposed acquisition of LPE described further in the Prospectus signifies an important transforming event that will see the Company focus its business activities on the development of LPE.

An investment in the Company involves a number of risks and must be considered speculative. The Public Offer represents an opportunity to participate in the development of LPE. I encourage you to read the Prospectus carefully and seek professional advice if required before making an investment decision.

Yours sincerely

**Mr Andrew Pierce**  
**Non-executive Chairman**

## 5. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
<b>A. Company</b>		
Who is the issuer of this Prospectus?	Stratum Metals Limited (ACN 120 658 497) (ASX:SXT)	
Who is SXT?	<p>SXT listed on the ASX on 7 October 2011 as a gold and copper-gold exploration company established to utilise some of the innovations in geosciences to target areas in Western Australia prospective for the discoveries of gold and copper-gold ore bodies.</p> <p>Since listing, the Company has focussed on gold exploration, and currently has an interest in the East Menzies Goldfield, located in the Yilgarn Shield of Western Australia.</p> <p>The current principal activity of the Company is exploration in the East Menzies Goldfield.</p> <p>On 1 July 2015, the Company entered into the Option Agreement with the Vendors and LPE under which the Company was granted the LPE Option. The Company paid an option facilitation fee of \$25,000 upon signing of the Option Agreement. The Option Agreement was subsequently varied by the parties on 8 July 2015 and 15 September 2015. The terms of the Option Agreement (as varied) are summarised in Section 14.1 of the Prospectus.</p> <p>On 16 July 2015, the Company paid a further \$25,000 option facilitation fee and on 31 July the Company exercised the LPE Option and paid the final \$50,000 option facilitation fee.</p>	Sections 6.1 and 8.1
How will the Acquisition be implemented?	<p>The Company called the General Meeting, to be held on 2 November 2015, to seek the approval of its Shareholders to change the nature of the Company's activities from a mining exploration company to an electricity retailer.</p> <p>At the General Meeting, Shareholders will consider resolutions relating to the change in the nature and scale of the Company's</p>	Sections 6.2, 6.6 and 6.7

Item	Summary	Further information
	<p>activities, as well as resolutions required for Settlement of the Acquisition and undertaking the Offers.</p> <p>It is the current intention of the Board to divest its East Menzies Goldfield project on or following Settlement of the Acquisition and to focus on the LPE business. As such, the East Menzies Goldfield project is not considered material in the context of the Offers.</p> <p>SXT proposes to change its name to “Locality Planning Energy Limited” on Settlement of the Acquisition, which in the Board’s opinion will be better suited to the Company’s new strategic direction.</p>	
Who is LPE?	LPE is an energy retailer authorised by the Australian Energy Regulator ( <b>AER</b> ) to supply and sell electricity to residential, commercial and industrial customers throughout the National Energy Market ( <b>NEM</b> ). LPE currently supplies and manages electricity sales to strata communities, both existing and new developments, generating significant savings on electricity delivered to strata community common areas and its occupants.	Section 8.2
<b>B. Business Model</b>		
How will SXT generate income?	<p>Following Settlement of the Acquisition, SXT will generate revenue through the sale of electricity and services to the end customer and has 3 main revenue streams:</p> <ul style="list-style-type: none"> <li>• a margin on the volume of electricity;</li> <li>• a daily service charge ; and</li> <li>• conversion fees (that includes consultancy fees and recoupment of strata community conversion costs).</li> </ul>	Sections 8.2 and 8.4
What are the key business strategies of SXT?	<p>Upon successful Settlement of the Acquisition, the Company will focus on:</p> <ul style="list-style-type: none"> <li>• supplying and managing electricity sales to retail customers focusing on strata communities;</li> <li>• supplying and managing electricity sales to new developments; and</li> </ul>	Section 8.4

Item	Summary	Further information
	<ul style="list-style-type: none"> <li>the acquisition of competitors in order to increase LPE's energy under management and customer base.</li> </ul>	
What are the key dependencies of SXT's business model?	<p>The key factors that SXT will depend on to meet its objectives are:</p> <ul style="list-style-type: none"> <li>the desire of energy consumers to reduce the cost of electricity and electricity supply services;</li> <li>housing trends to continue at considered levels in strata communities; and</li> <li>high electricity network charges.</li> </ul>	Section 8.5
<b>C. Key Investment Highlights</b>		
What are the key investment highlights?	<p>The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exclusive list of key highlights:</p> <ul style="list-style-type: none"> <li>holding an Electricity Retail Authorisation;</li> <li>offering an electricity solution to small consumers not yet seen before in the Australian market; and</li> <li>the Company will be managed by directors with significant experience in the electricity retailing industry with a view to guiding the Company to be a significant participant in the energy industry.</li> </ul>	Section 6.3
<b>D. Key Risks</b>		
What are the key risks of an investment in SXT?	<p>The business, assets and operations of the Company, including after Settlement of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.</p>	Section 9

Item	Summary	Further information
	<p>Based on the information available, a non-exhaustive list of the key risk factors affecting the Company are as follows:</p> <ul style="list-style-type: none"> <li> <b>Contracting risk:</b> LPE's ability to enter into new contracts is not certain, nor are the sales prices and volumes that may apply to those contracts. Unlike mass market customers, many of the larger business customers will put their electricity supply contracts out to tender when their previous electricity supply contract expires. Additionally, when an existing LPE contract expires, there is no guarantee that the customer contract will be renewed, nor any certainty regarding the sales prices and volumes that may apply to any such contract renewals. </li> <li> <b>Load volume risk:</b> The contracts which LPE enters into with its customers are not take-or-pay contracts. Customers only pay for the electricity they actually use. LPE, having almost exclusive dealings with residential communities, are exposed to a 'residential' profile of volume. Human habit is what drives this component of the risk. </li> <li> <b>Growth:</b> LPE's ability to grow its business depends, to a large degree, on its ability to secure new electricity customers at gross margins consistent with those achieved in the past as well as identifying new projects and successfully developing and delivering its existing pipeline of projects. Any number of factors may affect LPE's ability to manage its future growth successfully. </li> <li> <b>Electricity prices:</b> Volatility in electricity prices as a result of factors such as weather, generator competitive behaviour, retail competitive behaviour, plant reliability, market regulation and the level of economic activity can have a significant effect on LPE's revenues, prudential capital requirements and therefore its financial performance. </li> <li> <b>Dependence upon key personnel:</b> LPE depends on the talent and experience of its personnel. An inability to retain or recruit key personnel and the loss of key </li> </ul>	

Item	Summary	Further information
	<p>personnel may adversely affect LPE's business.</p> <ul style="list-style-type: none"> <li> <b>Failure of trading systems:</b> Despite having policies, procedures, systems and processes in place to manage risks associated with its trading operations, there can be no guarantee that LPE's current or future trading and risk management systems, or the skill and expertise of its employees, will be effective in preventing financial losses in excess of its risk limits. </li> <li> <b>Credit and contractual risk:</b> LPE is a party to sales contracts and purchase contracts, representing a significant proportion of LPE's revenues, with a number of energy and other counterparties. Whilst these counterparties presently have strong credit ratings, there can be no assurance that these credit ratings will continue in the future and that these counterparties will be able to meet their future contractual financial obligations to LPE. Should these counterparties not be able to meet their future contractual financial obligations then LPE's operating and financial performance could be adversely affected. </li> <li> <b>Increased competition from new and existing competitors:</b> The Australian electricity industry is competitive and is subject to potential entry by new competitors as well as the addition of new offerings by existing operators. LPE might not always be able to match its competitors in service or price. The electricity industry is dynamic, and LPE's current business strategy of securing medium to long-term contracts with strata communities and developers may not be as suitable in the future. </li> <li> <b>Regulatory risks:</b> The Australian electricity market is subject to extensive regulation. Changes to this regulatory environment can impose additional capital and operational obligations on LPE and may impact it adversely. </li> <li> <b>Operating costs:</b> While LPE has largely predictable operating costs there is a risk </li> </ul>	

Item	Summary	Further information
	that costs could increase, for example labour costs due to labour market conditions and insurance costs (which are largely beyond the control of LPE).	
<b>E. Directors and Key Management Personnel</b>		
Who are the Directors and Proposed Directors?	<p>It is intended that the Board will comprise the following upon Settlement:</p> <ul style="list-style-type: none"> <li>• Mr Andrew Pierce;</li> <li>• Mr Damien Glanville; and</li> <li>• Mr Ben Chester.</li> </ul> <p>It is currently intended that Mr Andrew Pierce will remain on the Board in his current role, while Mr John Shepherd and Mr Daniel Moore will retire upon Settlement. Additional Board and management resources may be considered as appropriate as the LPE business develops.</p> <p>The profiles of each of the Directors and Proposed Directors are set out in Section 10.1 and 10.2. Details of the personal interests of each of the above individuals are set out in Section 10.2.</p>	Sections 10.1 and 10.2
<b>F. Financial Information</b>		
What is the financial outlook for the Company?	The audited pro-forma statement of financial position for SXT as at 30 June 2015 (which assumes Settlement of the Acquisition) is set out in the Independent Limited Assurance Report in Section 11.	Section 11
Does SXT have sufficient funds for its activities?	The funding for SXT's short to medium term activities will be generated from a combination of the money raised under the Public Offer and existing cash reserves.	Section 7.4
<b>G. Offers</b>		
What is the purpose of the Public Offer?	The purpose of the Public Offer is to position the Company to seek to achieve the objectives set out above and in Section 8 and to meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules. This is sought for the purpose of seeking ASX's approval for reinstatement of the	Sections 7.3 and 7.4

Item	Summary	Further information
	<p>Company's Securities to quotation following the continuing suspension if the Essential Resolutions are passed at the General Meeting. The purpose of the Public Offer is also to provide sufficient working capital to meet the Company's anticipated overhead and administration expenses over the next twenty four months.</p> <p>On completion of the minimum raising of \$4,000,000 under the Public Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.</p> <p>The Company intends to apply funds raised from the Public Offer, together with existing cash reserves, over the first two years following reinstatement of the Company to quotation on the official list of ASX in the manner set out in the table in Section 7.4.</p>	
What are the purposes of the Secondary Offers?	The purposes of the Secondary Offers are to remove the need for an additional disclosure document to be issued upon the sale of any Shares, Options or Performance Shares (or any Shares issued upon conversion of the Performance Shares or exercise of the Options) that are issued under the Secondary Offers.	Section 7.3
What is being offered and who is entitled to participate?	<p>SXT is inviting applications under the Public Offer for up to 300,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$6,000,000 with a \$4,000,000 minimum subscription condition. The Public Offer is not underwritten.</p> <p>The Public Offer is open to retail and sophisticated investors in Australia.</p> <p>The Secondary Offers are made to the Vendors, Armada Capital, the Lenders and the SXT Noteholders respectively (or their nominees). You should not complete an Application Form in relation to the Secondary Offers unless specifically directed to do so by the Company.</p>	Sections 7.1 and 7.2
What will SXT's capital structure look like after completion of the Offer and	Refer to Schedule 1 for a pro forma capital structure following Settlement of the Acquisition.	Schedule 1



Item	Summary	Further information
the Acquisition?		
Will I be guaranteed a minimum allocation under the Public Offer?	No, the Company is not in a position to guarantee a minimum application of Shares under the Public Offer.	Section 7.7
What are the terms of the Securities offered under the Offers?	<p>A summary of the material rights and liabilities attaching to:</p> <p>(a) the Shares offered under the Offers is set out in Section 15.2;</p> <p>(b) the Options offered under the Offers is set out in Section 15.3; and</p> <p>(c) the Performance Shares offered under the Offers is set out in Section 15.5.</p>	Sections 15.2 to 15.5
Will any Securities be subject to escrow?	<p>Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities (including those issued under the Vendor Consideration Offer, Initial Lender Offer, SXT Noteholder Offer and the Armada Offer) on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p> <p>All of the Vendor Consideration Securities will be restricted from trading for a period of up to 24 months after the date of re-admission of the Company to the Official List.</p> <p>The Company will also apply for a waiver from the ASX imposed restriction requirements that might otherwise apply to the Initial Lender Securities and SXT Noteholder Shares (to the extent required).</p> <p>All of the Options issued to Armada Capital under the Armada Offer will be restricted from</p>	Section 8.12

Item	Summary	Further information
	trading for a period of 24 months after the date of re-admission of the Company to the Official List.	
Will the Shares be quoted?	<p>Application for quotation of all Shares to be issued under the Offers will be made to ASX no later than 7 days after the date of this Prospectus.</p> <p>The Company will not apply for quotation of the Options and Performance Shares issued under the Secondary Offers.</p>	Section 7.8
What are the key dates of the Offers?	The key dates of the Offers are set out in the indicative timetable in Section 3.	Section 3
What is the minimum investment size under the Public Offer?	Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (100,000 Shares) and thereafter, in multiples of \$200 worth of Shares (10,000 Shares).	Section 7.1(b)
Are there any conditions to the Offers?	<p>The Offers are conditional on:</p> <ul style="list-style-type: none"> <li>Shareholders approving the Essential Resolutions required to implement the Acquisition; and</li> <li>ASX conditional approval to re-admit the Shares to Official Quotation.</li> </ul> <p>If any of these Conditions are not satisfied, the Acquisition and the Offers will not proceed.</p>	Section 2.4
<b>H. Use of proceeds</b>		
How will the proceeds of the Public Offer be used?	<p>The Public Offer proceeds will be used to:</p> <ul style="list-style-type: none"> <li>repay all monies outstanding under the Glanville Loan, Chester Loan, Pettett Loan and the Chester Additional Loan;</li> <li>fund strata community site conversion costs;</li> <li>pursue acquisitions of competitor companies;</li> <li>meet the ongoing administration costs of the Company;</li> <li>pay the costs of the Capital Raising; and</li> <li>contribute to the working capital of the Company.</li> </ul>	Sections 7.4 and 15.10

Item	Summary	Further information
<b>I. Additional information</b>		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Securities under the Offers.	Section 3
What are the tax implications of investing in Securities?	<p>Holders of Securities may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Securities subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 7.5
Where can I find more information?	<ul style="list-style-type: none"> <li>• By speaking to your sharebroker, solicitor, accountant or other independent professional adviser</li> <li>• By reviewing SXT's public announcements, which are accessible from ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> under the ASX code "SXT"</li> <li>• By visiting SXT's website at <a href="http://www.stratummetals.com.au">www.stratummetals.com.au</a></li> <li>• By visiting LPE's website at <a href="http://www.localityenergy.com.au">www.localityenergy.com.au</a></li> <li>• By contacting Damon Sweeny the Company Secretary on +61 8 9389 5885.</li> <li>• By contacting the Share Registry on +61 8 9389 8033</li> </ul>	

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## 6. TRANSACTION OVERVIEW

### 6.1 The Company

The Company was incorporated on 15 December 2010 and was admitted to the official list of the ASX on 7 October 2011. The Company is a Perth based gold exploration company that was established to utilise some of the innovations in geo sciences to target areas in Western Australia prospective for discoveries of gold and copper-gold ore bodies.

Since listing, the Company has focussed on gold exploration and holds consolidated tenements in the East Menzies Goldfield located in the Yilgarn Shield of Western Australia.

The current principal activity of the Company is exploration of the East Menzies Goldfield Project. Pursuant to its continuous disclosure obligations, the Company has kept the market fully informed and updated in relation to its projects. Details of these projects and the work done to date are available on the Company's ASX announcements platform. Details of the Company's most recent activities in these areas are set out in its Annual Report lodged with ASX on 1 October 2015 and its Quarterly Activities Report lodged with ASX on 31 July 2015.

For the past 12 Months, the Company has been evaluating alternative corporate opportunities, both in Australia and overseas, which have the potential to deliver strong future growth for Shareholders. Subject to Shareholder approval being obtained for the Acquisition summarised in Section 6.6 below and the Company completing the Acquisition and being reinstated to the Official List of the ASX, it is the current intention of the Board to divest its East Menzies Goldfield project.

### 6.2 The Acquisition

As announced on 3 July 2015, the Company entered into an option agreement (**Option Agreement**) with shareholders of Locality Planning Energy Pty Ltd (**LPE Vendors**) under which the Company was granted an option (**LPE Option**) to acquire 100% of the issued capital of LPE (**Acquisition**) exercisable at any time on or before 30 July 2015 (or such other date as agreed by the parties in writing). The Company paid an option facilitation fee of \$25,000 upon signing of the Option Agreement. The Option Agreement was subsequently varied by the parties on 8 July 2015 and 16 September 2015. The terms of the Option Agreement (as varied) are summarised in Section 14.1.

On 16 July 2015, the Company paid a further \$25,000 option facilitation fee and on 31 July the Company exercised the LPE Option and paid the final \$50,000 option facilitation fee.

Upon successful Settlement of the Acquisition, the Company will focus on developing the LPE business. A more detailed summary of LPE and the proposed business of the Company following Settlement is set out in Section 8.

### 6.3 Key investment highlights

The Directors and Proposed Directors are of the view that an investment in the Company provides the following non-exclusive list of key highlights:

- (a) As a fully authorised energy retailer focused on strata communities, LPE aims to secure communities savings over a long term contract of 5 plus years;

- (b) LPE offer a new electricity solution to small consumers not yet seen before in the Australian market;
- (c) the Company will be managed by directors with significant experience in the electricity retailing industry with a view to guiding the Company to be a significant player in that industry.

## 6.4 Business Summary

LPE is an energy retailer authorised by the Australian Energy Regulator (**AER**) to supply and sell electricity to residential, commercial and industrial customers throughout the National Energy Market (**NEM**). LPE currently supplies and manages electricity sales to strata communities, including new developments, generating significant savings on electricity delivered to strata community common areas and its occupants.

Please refer to Section 8 for a more detailed summary of LPE and the Company's proposed business following Settlement of the Acquisition.

## 6.5 Suspension and Re-admission to ASX

As SXT is currently a gold exploration company, the Acquisition, if successfully completed, will represent a significant change in the nature and scale of SXT's operations to an electricity retailer.

ASX has indicated that this change in the nature and scale of SXT's activities will require:

- (a) the approval of Shareholders; and
- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

In accordance with ASX guidelines, it will be necessary for SXT to apply for a trading halt in its Shares from the beginning of trading on the date of the General Meeting.

If Shareholder approval to the change in nature and scale of SXT's activities as a result of the Acquisition is obtained, then subject to the passing of each other Essential Resolution (see Section 6.6 below for further details), SXT will be required to apply for voluntary suspension of the Shares with effect from the close of the General Meeting. In such circumstances, the Shares will not be reinstated to Official Quotation until SXT has re-complied with Chapters 1 and 2 of the ASX Listing Rules and is re-admitted by ASX to the Official List.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders;
- (b) the Company must satisfy the "assets test" as set out in ASX Listing Rule 1.3; and
- (c) the issue price of Shares must be at least 20 cents and the exercise price of Options must be at least 20 cents (**20 Cent Requirements**).

On 11 September 2015, ASX granted the Company a waiver from the 20 Cent Requirements to enable the Company to issue Shares under the Public Offer at \$0.02 per Share and for the Company to have Options on issue with an exercise price of \$0.02. This waiver is subject to Shareholders approving the Company undertaking the Public Offer at \$0.02 per Share.

It is expected that the conduct of the Offers pursuant to this Prospectus will enable the Company to satisfy the above requirements.

Applicants should be aware that ASX will not re-admit or admit any Shares to Official Quotation until SXT re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List. In the event that SXT does not receive conditional approval for re-admission to the Official List, SXT will not proceed with the Offers and will repay all Application monies received by it in connection with this Prospectus (without interest).

If Shareholder approval to the change in nature and scale of SXT's activities is not obtained, the trading halt will end after the results of the General Meeting have been announced to the market and trading in Shares will thereupon recommence.

## 6.6 Shareholder Approval of Essential Resolutions

SXT has called the General Meeting primarily for the purpose of seeking the approval of Shareholders to a number of resolutions required to implement the Acquisition.

It is a condition to completion of the Offers under this Prospectus, as well as the Acquisition, that each of the following resolutions are approved by Shareholders:

- (a) the significant change in the nature or scale of the Company's activities to become an electricity retailer, for which Shareholder approval is required under ASX Listing Rule 11.1.2 ;
  - (b) the creation of a new class of securities, being the Performance Shares;
  - (c) the issue of up to 300,000,000 Shares at \$0.02 per Share to raise at least \$4,000,000 (**Minimum Subscription**) and up to \$6,000,000 (**Maximum Subscription**) under the Public Offer;
  - (d) the issue to the Vendors at Settlement of:
    - (i) such number of Shares as is equal to the number of Shares deemed to be on issue at Settlement, which shall include:
      - (A) Shares on issue immediately prior to Settlement;
      - (B) Shares issued at Settlement upon conversion under the Initial Loan Agreements and Subsequent Loan Agreements;
      - (C) Shares issued pursuant to the Public Offer; and
      - (D) Shares issued upon conversion of the SXT Convertible Notes;
- (the **Consideration Shares**); and

(ii) The issue of such number of Performance Shares that, together with the Consideration Shares, represent 70% of the fully diluted Shares deemed to be on issue at Settlement, which shall

(A) include:

- (I) Shares on issue immediately prior to Settlement;
- (II) Shares issued at Settlement upon conversion under the Initial Loan Agreements and Subsequent Loan Agreements;
- (III) Shares issued pursuant to the Capital Raising;
- (IV) Shares issued on conversion of the SXT Convertible Notes;
- (V) the Consideration Shares; and
- (VI) Shares to be issued upon conversion of the Performance Shares; and

(B) exclude:

- (I) SXT Shares issued upon the exercise of options to acquire SXT Shares currently on issue;
- (II) SXT Shares issued upon the exercise of the Armada Options; and
- (III) SXT Shares issued upon the exercise of the Director Options,

(together, the **Vendor Consideration Securities**) in consideration for the acquisition of 100% of the LPE Shares on issue;

(e) the issue of 75,000,000 Options exercisable at \$0.025 on or before 30 June 2017, to Armada Capital Ltd (**Armada Capital**) in consideration for Armada Capital introducing the Acquisition to the Company and assisting with its implementation (**Armada Options**);

(f) the issue to the Initial Lenders at Settlement in full and final satisfaction of the Company's obligations under the Initial Loan Agreements of:

- (i) 25,000,000 Shares with a deemed issued price of \$0.006 per Share, together with 25,000,000 free attaching Options exercisable at \$0.02 on or before 29 February 2016, on conversion of the \$150,000 outstanding amount of the Initial Loan Face Value; and
- (ii) the number of Shares, when multiplied by \$0.006, will raise the amount of interest payable under the Initial Loan Agreements on the date of Settlement, together with one attaching Option exercisable at \$0.02 on or before 29 February 2016 for every Share issued,

**(Initial Lender Securities);**

- (g) a variation to the terms and conditions of the SXT Convertible Notes;
- (h) the issue to the Subsequent Lenders at Settlement in full and final satisfaction of the Company's obligations under the Subsequent Loan Agreements of:
  - (i) up to 25,000,000 Shares at a deemed issue price no less than \$0.02, on conversion of the \$500,000 Subsequent Loan Face Value; and
  - (ii) up to 6,000,000 Shares, being that number of Shares, when multiplied by the same issue price as those Shares issued under the Capital Raising, will raise the amount of interest payable under the Subsequent Loan Agreements,

**(Subsequent Lender Shares);**

- (i) the change of the Company's name to "Locality Planning Energy Limited" on Settlement of the Acquisition; and
- (j) the appointment of 2 directors nominated by LPE to the Board, being Messrs Damien Glanville and Ben Chester,

(each, an **Essential Resolution**).

If any of the Essential Resolutions are not approved by Shareholders the Acquisition (including the Offers under this Prospectus) will not be completed.

## **6.7 Change of Name**

It is proposed that, subject to Shareholder approval being obtained, the Company will change its name to "Locality Planning Energy Limited" on Settlement of the Acquisition, which in SXT's opinion will be better suited to SXT's new strategic direction.

An overview of the Company's business following Settlement of the Acquisition is set out in Section 8.



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## 7. DETAILS OF THE OFFERS

### 7.1 Public Offer

SXT is inviting applications under the Public Offer for up to 300,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$6,000,000, with a minimum subscription of \$4,000,000.

All Shares issued under this Prospectus will be fully paid and will rank equally with all other Shares then currently on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 15.2.

(a) *Minimum subscription*

The Public Offer is subject to a minimum subscription of 200,000,000 Shares to raise at least \$4,000,000 (**Minimum Subscription**).

If the Minimum Subscription has not been raised within 4 months after the date of this Prospectus, SXT will not issue any Shares and will repay all Application monies for the Shares applied for under the Public Offer within the timeframe prescribed under the Corporations Act, without interest.

The Public Offer is not underwritten.

(b) *Minimum application amount*

Applications under the Public Offer must be for a minimum of \$2,000 worth of Shares (100,000 Shares) and thereafter, in multiples of \$200 worth of Shares (10,000 Shares).

(c) *Eligible participants*

To participate in the Public Offer, you must be a resident of Australia. See Section 7.10 for further details.

(d) *Quotation and trading*

Application for quotation of all Shares issued under the Public Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details.

No Shares issued pursuant to the Public Offer will be subject to any escrow requirement by the ASX.

### 7.2 Secondary Offers

(a) **Vendor Consideration Offer**

This Prospectus includes the offer of Vendor Consideration Securities to be issued to the Vendors (or their nominees) pursuant to the Option Agreement in consideration for the acquisition by the Company of the entire issued capital of LPE. The material terms and conditions of the Option Agreement are summarised at Section 14.1 of this Prospectus.

Application for quotation of the Shares issued under the Vendor Consideration Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details. The Company

will not apply for quotation of the Performance Shares to be issued under the Vendor Consideration Offer.

Only the Vendors (or their nominees) may accept the Vendor Consideration Offer. A personalised Application Form in relation to the Vendor Consideration Offer will be issued to the Vendors together with a copy of this Prospectus.

The Securities issued under the Vendor Consideration Offer may be subject to escrow under the ASX Listing Rules. Please refer to Section 8.12 for a summary of the likely escrow position.

(b) **Armada Offer**

The Company has entered into a mandate agreement with Armada Capital under which the Company has appointed Armada Capital as its corporate advisor in relation to the Acquisition and the Public Offer (**Armada Mandate**). The material terms and conditions of the Armada Mandate are summarised at Section 14.10 of this Prospectus.

Under the terms of the Armada Mandate, the Company agrees to issue to Armada Capital 75,000,000 Options as consideration for introducing the Acquisition to the Company and the corporate advisory services Armada Capital provides to the Company in connection with the Acquisition and the Public Offer. Accordingly, this Prospectus includes a separate offer of 75,000,000 Options to Armada Capital (or its nominee).

Only Armada Capital (or its nominee) may accept the Armada Offer. A personalised Application Form in relation to the Armada Offer will be issued to Armada Capital together with a copy of this Prospectus.

All Options issued under the Armada Offer will be issued as restricted securities and will be restricted from trading for a period of up to 24 months from the date of Official Quotation. Please refer to Section 8.12 for a summary of the likely escrow position.

The Company will not apply for quotation of the Armada Options to be issued under the Armada Offer.

(c) **Initial Lender Offer**

Outstanding monies under the Initial Loan Agreements (including interest) will automatically convert into Shares at a deemed issue price of \$0.006 per Share, together with one attaching Option, exercisable at \$0.02 on or before 29 February 2016, for every Share issued at settlement of the Acquisition (to the extent they are not converted prior). A summary of the terms and conditions of the Initial Loan Agreements is set out in Section 14.2.

As a result of the Company's obligations pursuant to the Initial Loan Agreements, this Prospectus includes a separate offer of the Initial Lender Securities to the Initial Lenders. Upon issue of the Initial Lender Securities to the Initial Lenders, SXT will be fully and finally released from all obligations under the Initial Loan Agreements.

Only the Initial Lenders (or their nominees) may accept the Initial Lender Offer. A personalised Application Form in relation to the Initial Lender

Offer will be issued to the Initial Lenders together with a copy of this Prospectus.

Application for quotation of the Shares issued under the Initial Lender Offer will be made to ASX no later than 7 days after the date of this Prospectus. The Company will not apply for quotation of the Options issued under the Initial Lender Offer. See Section 7.8 for further details.

(d) **Subsequent Lender Offer**

Outstanding monies under the Subsequent Loan Agreements (including interest) will automatically convert into Shares at Settlement of the Acquisition (to the extent they are not converted prior) at a deemed issue price of \$0.02 per Share. A summary of the terms and conditions of the Subsequent Loan Agreements is set out in Section 14.3.

As a result of the Company's obligations pursuant to the Subsequent Loan Agreements, this Prospectus includes a separate offer of the Subsequent Lender Shares to the Subsequent Lenders. Upon issue of these Shares to the Subsequent Lenders, SXT will be fully and finally released from all obligations under the Subsequent Loan Agreements.

Only the Subsequent Lenders (or their nominees) may accept the Subsequent Lender Offer. A personalised Application Form in relation to the Subsequent Lender Offer will be issued to the Subsequent Lenders together with a copy of this Prospectus.

Application for quotation of the Shares issued under the Subsequent Lender Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details.

(e) **SXT Noteholder Offer**

On 29 November 2013, the Company received Shareholder approval for the issue of 1,350,000 SXT Convertible Notes with an aggregate face value of \$1,350,000.

The Company and the SXT Noteholders have agreed to a variation of the terms and conditions of the SXT Convertible Notes (subject to Shareholder approval at the General Meeting) to, among other amendments, reduce the face value of each SXT Convertible Note to \$0.50. This will result in the SXT Convertible Notes having an aggregate face value of \$675,000. A summary of the terms and conditions of the SXT Convertible Notes is set out in Section 15.6.

Under the terms of the SXT Convertible Notes, all outstanding monies (including interest) will be converted into Shares (at a deemed issue price of \$0.016 per Share), together with one attaching Option for every two Shares issued, exercisable at \$0.02 on or before 29 February 2016.

As such, this Prospectus includes a separate offer of the SXT Noteholder Securities to the SXT Noteholders. Upon issue of these Securities to the SXT Noteholders, SXT will be fully and finally released from all obligations under the SXT Convertible Notes.

Only the holders of the SXT Convertible Notes (or their nominees) may accept the SXT Noteholder Offer. A personalised Application Form in

relation to the SXT Noteholder Offer will be issued to the SXT Noteholders together with a copy of this Prospectus.

Application for quotation of the Shares issued under the SXT Noteholder Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 7.8 for further details.

### 7.3 Purpose of the Offers

The primary purpose of the Public Offer is to:

- (a) assist SXT to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (e.g. Shareholder spread) (see Section 6.5 for further details);
- (b) repay all monies outstanding under the Glanville Loan, Chester Loan Pettett Loan and Chester Additional Loan;
- (c) provide the Company with additional funding to develop the LPE business and provide the Company with sufficient working capital to meet its anticipated overhead and administrative expenses (see Section 7.4 for further details); and
- (d) remove the need for an additional disclosure document to be issued upon the sale of any Shares that are to be issued under the Public Offer by retail investors or the sale of any Shares issued under (or issued upon conversion of Options or Performance Shares issued under) the Secondary Offers.

SXT intends on applying the funds raised under the Public Offer along with its current cash reserves in the manner detailed in Section 7.4.

### 7.4 Use of Funds

SXT intends to apply funds raised from the Public Offer, together with existing cash reserves, in the next two years following re-admission to the Official List of the ASX (for the purpose of satisfying ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

Funds available	Minimum Subscription (\$4,000,000)	Percentage of Funds	Maximum Subscription (\$6,000,000)	Percentage of Funds
Existing cash reserves of the Company <sup>1</sup>	\$250,000	5.9%	\$250,000	4.0%
Funds raised from the Capital Raising	\$4,000,000	94.1%	\$6,000,000	96.0%
<b>Total</b>	<b>\$4,250,000</b>	<b>100%</b>	<b>\$6,250,000</b>	<b>100%</b>
Allocation of funds	Total	Percentage of Funds (%)	Total	Percentage of Funds (%)
Loan repayments <sup>2</sup>	\$744,500	17.5%	\$744,500	11.9%

Expenses associated with the Acquisition <sup>3</sup>	\$406,251	9.6%	\$511,251	8.2%
Funding strata community site conversion costs	\$1,500,000	35.3%	\$3,000,000	48.0%
Additional sales and operational personnel	\$500,000	11.8%	\$500,000	8.0%
Potential acquisitions	\$750,000	17.6%	\$1,250,000	20.0%
Working capital <sup>4</sup>	\$349,249	8.2%	\$244,249	3.9%
<b>TOTAL</b>	<b>\$4,250,000</b>	<b>100%</b>	<b>\$6,250,000</b>	<b>100%</b>

**Notes:**

1. These funds represent existing cash held by the Company and LPE at or around the date of this Prospectus. The Company and LPE expect to incur costs within the ordinary course of their businesses which will diminish this amount prior to Settlement.
2. Key terms of the Pettett Loan, Glanville Loan, Chester Loan and Chester Additional Loan are summarised in sections 14.5, 14.6, 14.7 and 14.8, respectively.
3. Refer to Section 15.10 for the itemised costs of the expenses associated with the Acquisition and the Offers.
4. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, directors' fees, rent and other associated costs.

In the event the Company raises more than the minimum subscription of \$4,000,000 but less than the full subscription of \$6,000,000, the additional funds raised will be first applied towards funding site conversion costs.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).

The Board believes that the funds raised from the Public Offer, combined with existing funds will provide SXT with sufficient working capital at anticipated expenditure levels to achieve its objectives set out in this Prospectus.

## 7.5 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in SXT are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, SXT, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

## **7.6 Applications**

Applications for Shares under the Public Offer must be made using the relevant Application Form. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by 5.00pm (WST) on 12 November 2015.

Applications under the Public Offer must be accompanied by payment in full in Australian currency by cheque or direct debit in accordance with the instructions set out in the Application Form.

Participation in the Secondary Offers is personal and personalised Application Forms in relation to the Secondary Offers will be issued to the relevant participants together with a copy of this Prospectus.

SXT reserves the right to close the Offers early.

If you require assistance in completing an Application Form, please contact the Share Registry on +61 8 9389 8033.

## **7.7 Issue of Securities and Allocation Policy**

### **(a) General**

Subject to the Minimum Subscription being achieved and the satisfaction of each of the Conditions (see Section 2.4), the issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date and in accordance with the timetable set out in Section 3.

### **(b) Public Offer**

The allocation of Shares under the Public Offer will be determined by the Board in conjunction with Armada Capital in their absolute discretion.

There is no guaranteed allocation of Shares under the Public Offer.

The Board reserves the right to reject any Application or to allocate any Applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus Application monies will be refunded (without interest) to the Applicant as soon as practicable after the Public Offer Closing Date.

The Company's decision on the number of Shares to be allocated to an Applicant will be final.

(c) **Secondary Offers**

Each of the Secondary Offers are personal offers to the Vendors, Armada Capital, the Lenders and the Noteholders. As such, Securities offered under those Offers will be allocated and issued to those parties (or their respective nominees) only.

Subject to satisfaction of the Conditions, allocations under the Secondary Offers are guaranteed.

(d) **Defects in Applications**

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an Application as valid, or how to construe, amend or complete it, will be final.

(e) **Interest**

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all Application monies will be held by SXT in trust for Applicants in a separate bank account as required by the Corporations Act. SXT, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

## **7.8 Quotation of Shares**

SXT will apply for Official Quotation of all Shares issued under this Prospectus within 7 days after the date of this Prospectus. However, Applicants should be aware that ASX will not commence Official Quotation of any Shares until SXT has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 6.5). As such, the Shares may not be able to be traded for some time after the close of the Offers.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by the ASIC, or if ASX otherwise rejects SXT's application for re-admission to the Official List (see Section 6.5), SXT will not issue any Shares and will repay all Application monies for the Shares within the time prescribed under the Corporations Act, without interest. In those circumstances SXT will not proceed with the Acquisition.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of SXT or the Shares now offered for subscription.

SXT will not apply for Official Quotation of any of the Options or Performance Shares issued under this Prospectus.

## **7.9 Clearing House Electronic Sub-Register System and Issuer Sponsorship**

SXT participates in the Clearing House Electronic Sub-register System (**CHES**). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHES. Investors who do not wish to participate through CHES will be issuer sponsored by SXT.

Electronic sub-registers mean that SXT will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Securities issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of Securities can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in SXT during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

## **7.10 General**

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Securities in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept any of the Offers.

If you are outside Australia, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by SXT to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. Other than Australia, this Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

The Offers do not and will not constitute an offer of Securities in the US. Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that applicant's application.

## **7.11 Enquiries**

If you have any queries in relation to the Offers, please contact Damon Sweeny, the Company Secretary on +61 8 9389 5885.



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## 8. COMPANY OVERVIEW

### 8.1 Business Overview

As detailed in Section 6.1, since listing, the Company has focused on gold exploration in Western Australia. Further information can be found on SXT's website, <http://www.stratummetals.com.au>.

As announced on 3 July 2015, the Company has entered into an Option Agreement under which it was granted the LPE Option to acquire all of the shares in LPE in consideration for the payment of an Option Facilitation Fee. The Company paid an option facilitation fee of \$25,000 upon signing of the Option Agreement. The Option Agreement was subsequently varied by the parties on 8 July 2015. A summary of the terms of the Option Agreements (as varied) is set out in Section 14.1.

On 16 July 2015, the Company paid a further \$25,000 option facilitation fee and on 31 July the Company exercised the LPE Option and paid the final \$50,000 option facilitation fee.

### 8.2 Locality Planning Energy Pty Ltd (LPE)

#### (a) Background

LPE is an energy retailer authorised by the Australian Energy Regulator (**AER**) to supply and sell electricity to residential customers throughout the National Energy Market (**NEM**). LPE currently supplies and manages electricity sales to strata communities, including new developments, no differently to well-known energy retailers like AGL and Origin. By focusing on strata communities such as apartments, high rise buildings, townhouses and units LPE is able to generate significant savings on electricity delivered to strata community common areas and its occupants.

The Proposed Directors specialise in the energy market and large scale generation assets and have the experience and the understanding of the energy retailing market within the electricity network (electricity wiring and associated equipment such as meters) of a strata community (**Embedded Networks**). LPE created several retail mechanisms that were unique to the Australian energy market and refined these systems to become commercially viable.

LPE offers a comprehensive service to strata communities removing unnecessary administrative and financial burdens from the body corporate. As an authorised energy retailer LPE has the flexibility to offer incentives to consumers that have never been considered in the Australian market because, as far as LPE are aware, no energy retailer has focused solely on strata communities. LPE offers a comprehensive service to strata communities focusing on removing the administrative and management burden from the body corporate as follows:

- (i) significant savings over a standard residential offer;
- (ii) an in depth understanding of strata community operations;
- (iii) compliant procedures with the National Electricity Rules and law;

- (iv) the requirement to provide an avenue for energy consumers to access the energy ombudsman and/or Australian Competition and Consumer Commission (**ACCC**) complaint resolution services;
- (v) no cost to implement an Embedded Network solution; and
- (vi) LPE take responsibility for the administration of electricity accounts.

Strata communities not currently utilising the services of an authorised energy retailer do not have the above services available and LPE believe they have a lucrative first mover advantage in supplying electricity to consumers residing in strata communities. LPE provide a significant value proposition to electricity consumers as it delivers unique, custom solutions designed to accommodate individual community's needs. This community focused approach not only provides cost savings to a body corporate and its occupants but will also build customer loyalty, allowing LPE to market new offerings to consumers as technology and the market structure evolve.

#### (b) **Australian Energy Regulator Authorisation**

Under the National Energy Retail Law (**Retail Law**), a person must hold a retailer authorisation prior to engaging in the retail sale of energy unless exempt from the requirement (**Authorisation**).

Authorisations are granted by the AER on a national basis and allow the holder to sell either electricity or gas in all participating jurisdictions and to all contestable classes of customers, including to industrial, commercial and residential consumers.

LPE were officially issued their Authorisation to conduct business as an AER authorised electricity retailer on the 13 November 2014. A summary of the terms of LPE's AER authorisation is set out in Section 14.4.

Holding an Authorisation to retail electricity enables LPE to offer an electricity solution to small consumers not yet seen before in the Australian market. Current incumbent retailers would not see any advantage or benefit offering an Embedded Network solution as it would only increase workloads for their same margin. Exemption holders cannot offer many of LPE's services due to the laws which constitute retailing electricity and how LPE interact with the body corporate under the Body Corporate and Community Management Act 1997 (Qld).

#### (c) **Target Market Background**

Overall 18% of the population in Queensland and 30% of the population in New South Wales live in a strata managed property. Between the 2006 and 2011 census the uptake of strata titled or high density housing grew by an average of 13.45% across the country. LPE currently operates in Queensland and plans to expand into New South Wales in the short term. Further expansion is planned into key markets focused on population centres along the entire east coast of Australia and in South Australia. On average 31% of residential dwellings within this target area are strata communities.

According to the figures provided by the Queensland Commissioners Office for Communities and Housing, the make-up of strata schemes in the South East Queensland region consists of 44,000 schemes equating to 413,000 Lots.

In LPE's immediate target area of South East Queensland, 9,000 strata communities are directly eligible for LPE's unique offering. This presents an enormous symbiotic opportunity for strata communities and their occupants to save on their electricity costs and for investors in LPE to be part of an innovative energy retailer.

In order to accelerate its growth LPE's initial goal is to:

- (i) become an active associate member of the SCA, Australian Resident Accommodation Managers Association and Energy Retailers Association of Australia;
- (ii) get access to the membership role in order to offer LPE's services; and
- (iii) target to contract 10% of the SCA South East Queensland market or the equivalent of approximately 900 strata community sites.

LPE is able to supply electricity to its customers at a significant discount no less than the best price that any customer could obtain themselves directly with any other energy retailer.

(d) **Competitor Analysis**

There are 2 mainstream competitors in the strata electricity sector, being exemption holders and incumbent energy retailers.

LPE is an AER regulated energy retailer focused purely on the strata community market with true direct access to customer interaction. As regulations continue to change, exemption holders (competitors of LPE) will find it more difficult to operate. LPE see this as a significant opportunity for growth.

Holding an authorisation to retail electricity enables LPE to offer an electricity solution to small consumers not yet seen before in the Australian market. Current incumbent retailers may not see any advantage or benefit from offering an embedded solution as it would only increase workloads for the same margin.

(e) **How LPE generates revenue**

LPE has entered into various retail electricity agreements (**REAs**) with wholesale energy trading desks, whereby LPE agrees to buy electricity which LPE then supplies to its various customers. Each REA is specific to a particular site or development.

LPE packages together the supply of electricity, the installation of equipment and provision of ongoing services to their customers on industry standardised supply terms and conditions through standard service supply agreements (**SSAs**). Each SSA is entered into by LPE and the relevant body corporate is on substantially the same terms as the REA.

LPE generates revenue through the sale of electricity and services to the end customer and has 3 main revenue streams:

- (i) a margin on the volume of electricity sold to customers;
- (ii) a daily service charge; and
- (iii) conversion fees (that includes consultancy fees and recoupment of strata community conversion costs).

LPE's initial price offer is a fixed kilowatt hour (**kWh**) charge and a daily service charge secured via a long term agreement with each strata community, plus amortising the strata community conversion costs with the body corporate through each individual site's savings in electricity costs. The Proposed Directors are confident that the long term agreements LPE is able to secure for its customers should result in a higher market valuation than the incumbent traditional energy retailers. As LPE's volume of energy under management increases, LPE hope to be able to offer its customers further savings, along with building a significant asset, namely electricity under management secured by long term agreements with its customers resulting in the potential to drive shareholder wealth.

### **8.3 Direction of SXT**

If the Acquisition is approved by Shareholders, it is the current intention of the Board to divest the East Menzies Gold projects.

Upon Settlement of the Acquisition, the Company's focus will shift from gold exploration at the East Menzies Gold project to development of LPE. As such, the East Menzies Gold project is not considered material in the context of the Offers.

### **8.4 Business Model for SXT**

The Company has adopted the following strategies for its business model:

- (a) supplying and managing retail electricity sales and services to retail customers focusing on strata communities;
- (b) supplying and managing electricity sales to existing and new developments; and
- (c) the acquisition of competitors in order to increase LPE's energy under management and customer base.

The above business model will be regularly reviewed and amended by the Board to ensure it meets the main objective of maximising Shareholder returns.

### **8.5 Key Dependencies of SXT's Business Model**

The key factors that SXT will depend on to meet its objectives are:

- (a) the desire of energy consumers to reduce the cost of electricity and electricity supply service;
- (b) housing trends to continue at considered levels in strata communities; and

- (c) high electricity network charges.

## **8.6 Growth Strategy**

For growth, the Company intends to increase Shareholder value as per the vision outlined above, by adopting the following strategies:

- (a) adopting appropriate portfolio and risk management policies to achieve operating efficiencies and maximise returns for investors;
- (b) ensuring the application of appropriate debt levels with a view to providing acceptable risk-adjusted returns; and
- (c) prudently and actively managing its administrative expenditure.

## **8.7 Funding**

The funding for SXT for the two years following re-admission to the Official List of ASX will be met by the offer of Shares pursuant to the Public Offer under this Prospectus and by the Company's existing cash reserves (see Section 7.4 for further details). As and when further funds are required, either for existing or future developments, SXT will consider both raising additional capital from the issue of securities and/or from debt funding.

## **8.8 Financial Information**

### **(a) Historical financial information**

The Independent Limited Assurance Report contained in Section 11 of this Prospectus sets out the reviewed pro-forma Statement of Financial Position of SXT (after Settlement of the Acquisition) as at 30 June 2015. Investors are urged to read the Independent Limited Assurance Report in full.

Section 12 sets out:

- (i) the audited Statement of Financial Position and Statement of Comprehensive Income of SXT as at 30 June 2013, 2014 and 2015; and
- (ii) the audited Statement of Financial Position and Statement of Comprehensive Income of LPE as at 30 June 2013, 2014 and 2015.

The full financial statements for SXT for its financial year ended 30 June 2015, which include the notes to the financial statements, can be found from SXT's ASX announcements platform on [www.asx.com.au](http://www.asx.com.au).

### **(b) Forecast**

The Directors and Proposed Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of SXT and LPE are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## 8.9 Dividend Policy

It is anticipated that, post-Settlement of the Acquisition, SXT will focus on the development of the LPE business. SXT does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by SXT will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of SXT, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by SXT.

## 8.10 Capital Structure

The expected capital structure of SXT following completion of the Offers and all related matters (assuming full subscription under the Public Offer) is summarised in Schedule 1.

## 8.11 Substantial Shareholders

As at the date of this Prospectus, based on publicly available information, the following Shareholders hold 5% or more of the total number of Shares on issue:

Shareholder	Shares	%
LSAF Holdings Pty Ltd <Owen Family A/C>	26,500,000	10.62
Clive Waterson Superfund Pty Ltd <Clive Waterson S/F A/C>	13,100,000	5.25

On completion of the Offers (assuming full subscription under the Public Offer), the following Shareholders are expected to hold 5% or more of the total number of Shares on issue:

Shareholder	Shares	%
Damien Ian Glanville ATF The Glanville Family Trust	188,646,818	14.59
Ben James Chester ATF The Chester Family Trust	188,646,818	14.59
Pettett Pty Ltd ATF Pettett Family Trust	188,415,916	14.57
Jarwil Pty Ltd ATF Jarwil Investment Trust	80,815,650	6.25

## 8.12 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offers, certain Securities on issue (including the Vendor Consideration Securities, SXT Noteholder Securities, Armada Options and Initial Lender Securities) may be classified by ASX as restricted securities and will

be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will seek a waiver in respect of the Initial Lender Securities on the basis that the recipients of those Securities paid cash for those Securities. The Company will also seek a waiver in respect of the SXT Noteholder Securities on the basis that any escrow period applicable to the SXT Noteholder Securities has passed since the SXT Convertible Notes were issued and the current holders paid cash for the SXT Convertible Notes.

Subject to this waiver, all or a proportion of the Securities referred to above may be restricted from trading for a period of up to 24 months after the date of re-admission of the Company to the Official List. The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

### **8.13 Top 20 Shareholders**

SXT will announce to the ASX details of its top 20 Shareholders following completion of the Offers and prior to the Shares re-commencing trading on ASX.

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## **9. RISK FACTORS**

### **9.1 Introduction**

The Securities offered under this Prospectus are considered highly speculative. An investment in SXT is not risk free and the Directors strongly recommend potential investors to consider the key risk factors detailed in the Investment Overview in Section 5D of the Prospectus as well as the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

This Section 9 identifies circumstances that the Directors regard as the major risks associated with an investment in SXT and which may have a material adverse impact on the financial performance of SXT and the market price of the Shares if they were to arise.

There are risks associated with the contemplated Acquisition, specifically in relation to the success of the Company which may adversely impact the value of an investment in the securities of SXT (Section 9.2(a) and (b)).

In addition, there are other general investment risks, many of which are largely beyond the control of SXT and its Directors (Section 9.2(c)).

The Board aims, and will aim, to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, some of the risks identified below are highly unpredictable and the Company is limited to the extent to which they can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which SXT is exposed. In addition, this Section 9 has been prepared without taking into account investors' individual financial objectives, financial situation and particular needs. Investors should seek professional investment advice if they have any queries in relation to making an investment in SXT.

### **9.2 Specific additional risks associated with the Acquisition**

#### **(a) Risks relating to the Change in Nature and Scale of Activities**

##### **(i) Re-Quotation of Shares on ASX**

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

##### **(ii) Dilution Risk**

The Company currently has 249,458,414 Shares on issue. Prior to and at Settlement, the Company proposes to issue:



- (A) the Vendor Consideration Securities;
- (B) the Shares pursuant to the Capital Raising;
- (C) the Armada Options;
- (D) the Shares and Options upon the conversion of the SXT Convertible Notes.
- (E) the Initial Lender Securities; and
- (F) the Subsequent Lender Shares.

On issue of the Vendor Consideration Securities (assuming a Settlement date of 30 November 2015) and the Maximum Subscription under the Capital Raising (assuming no exercise of Options and that each of the SXT Convertible Notes, and outstanding monies under the Initial Loan Agreements and Subsequent Loan Agreements convert into Shares):

- (A) the existing Shareholders will retain approximately 19.29% of the Company's issued Share capital;
- (B) the Vendors will hold approximately 50.00% of the Company's issued Share capital;
- (C) the investors under the Capital Raising will hold approximately 23.20% of the Company's issued Share capital; and
- (D) the SXT Noteholders, Subsequent Lenders and Initial Lenders will hold approximately 7.51% of the Company's issued Share capital.

If subsequently the Performance Milestones are met and all the Performance Shares are converted (and provided no other Shares are issued or Options exercised), the interests of the existing Shareholders in the Company will reduce to 11.57% on a post-Settlement basis, assuming Maximum Subscription under the Capital Raising.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the LPE business.

### (iii) **Liquidity Risk**

On Settlement, the Company proposes to issue the Vendor Consideration Securities, Armada Options, Director Options, Shares and Options upon the conversion of the SXT Convertible Notes, Initial Lender Securities and Subsequent Lender Shares.

The Directors understand that ASX will treat the Vendor Consideration Securities and Armada Options as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.

Based on the post-Settlement capital structure (and assuming Settlement occurs on 30 November 2015 and no further Shares

are issued or Options exercised), the Vendor Consideration Securities will equate to approximately 50% of the issued Share capital on an undiluted basis (assuming Maximum Subscription under the Capital Raising). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(iv) **Contractual Risk**

Pursuant to the Option Agreement, the Company has been granted the LPE Option. The Company exercised the LPE Option on 31 July 2015, however, Settlement is subject to the fulfilment of the Conditions Precedent, as identified in Section 14.1(a) above.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Option Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(b) **Risks in respect of LPE's current operations**

(i) **Contracting risk**

LPE's ability to enter into new contracts is not certain, nor are the sales prices and volumes that may apply to those contracts. Unlike mass market customers, many of the larger business customers will put their electricity supply contracts out to tender when their previous electricity supply contract expires. Additionally, when an existing LPE contract expires, there is no guarantee that the customer contract will be renewed, nor any certainty regarding the sales prices and volumes that may apply to any such contract renewals.

(ii) **Load volume risk**

The contracts which LPE enters into with its customers are not take-or-pay contracts. Customers only pay for the electricity they actually use. Forecast loads are used as the basis for hedging decisions. Variations between forecast and actual loads will give rise to spot market price risk. LPE having almost exclusive dealings with residential communities are exposed to a 'residential' profile of volume. Human habit is what drives this component of the risk.

(iii) **Growth**

LPE's ability to grow its business depends, to a large degree, on its ability to secure new electricity customers at gross margins consistent with those achieved in the past as well as identify new generation projects and successfully develop and deliver its existing pipeline of projects. Any number of factors may affect LPE's ability to manage its future growth successfully.

(iv) **Electricity prices**

Volatility in electricity prices as a result of factors such as weather, generator competitive behaviour, retail competitive behaviour, plant reliability, market regulation and the level of economic activity can have a significant effect on LPE's revenues, prudential capital requirements and therefore its financial performance.

(v) **Dependence upon key personnel**

LPE depends on the talent and experience of its personnel. An inability to retain or recruit key personnel and the loss of key personnel may adversely affect LPE's business.

(vi) **Failure of trading systems**

Despite having policies, procedures, systems and processes in place to manage risks associated with its trading operations, there can be no guarantee that LPE's current or future trading and risk management systems, or the skill and expertise of its employees, will be effective in preventing financial losses in excess of its risk limits.

(vii) **Credit and contractual risk**

LPE is a party to sales contracts and hedge contracts, representing a significant proportion of LPE's forecast revenues, with a number of energy wholesalers and other counterparties.

Whilst these counterparties presently have strong credit ratings, there can be no assurance that these credit ratings will continue in the future and that these counterparties will be able to meet their future contractual financial obligations to LPE. Should these counterparties not be able to meet their future contractual financial obligations then LPE's operating and financial performance could be adversely affected.

(viii) **Increased competition from new and existing competitors**

The Australian electricity industry is competitive and is subject to potential entry by new competitors as well as the addition of new offerings by existing operators. LPE might not always be able to match its competitors in service or price. The electricity industry is dynamic, and LPE's current business strategy of securing medium to long-term contracts with strata communities and developers may not be as suitable in the future.

(ix) **Regulatory risks**

The Australian electricity market is subject to extensive regulation. Changes to this regulatory environment can impose additional capital and operational obligations on LPE and may impact it adversely.

(x) **Operating costs**

While LPE has largely predictable operating costs there is a risk that costs could increase, for example labour costs due to labour market conditions and insurance costs (which are largely beyond the control of LPE).

(c) **General Risks Relating to the Company**

(i) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of the Company or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner.

(ii) **Risk of High Volume of Share Sales**

If Settlement occurs, SXT will have issued a significant number of new Securities to various parties. Some persons who will receive Shares as a result of the Acquisition or the Capital Raising may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company's Shares.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered pursuant to the Capital Raising.

(iii) **Trading Price of Shares**

SXT's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including, inflation rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that SXT's market performance will not be adversely affected by any such market fluctuations or factors.

(iv) **Additional Requirements for Capital**

The capital requirements of the Company depend on numerous factors. Depending on the ability of the Company to generate income from its operations, the Company may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(v) **Litigation Risks**

The Company is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. Neither SXT nor LPE is currently engaged in any litigation.

(vi) **Economic Risks**

General economic conditions, movements in interest and inflation rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) interest rates and inflation rates;
- (C) currency fluctuations;
- (D) changes in investor sentiment toward particular market sectors;
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

(vii) **Force Majeure**

The Company, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(viii) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to LPE's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

**9.3 Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by SXT or by investors in SXT. The above risk factors, and others not specifically referred to above, may materially affect the future financial performance of SXT and the value of the Securities offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. SXT does not expect to declare any dividends during the first 2 years following Settlement of the Acquisition (see further Section 8.9).

Potential investors should consider that the investment in SXT is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

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## 10. BOARD, MANAGEMENT AND INTERESTS

### 10.1 Directors

As at the date of this Prospectus, the Board comprises of:

- (a) Mr Andrew Pierce (Non-Executive Chairman & Director);
- (b) Mr John Shepherd (Non-Executive Director); and
- (c) Mr Daniel Moore (Non-Executive Director).

It is proposed that upon Settlement of the Acquisition:

- (a) Mr Damien Glanville and Mr Ben Chester will be appointed to the Board of the Company (together, **Proposed Directors**);
- (b) Mr Andrew Pierce will continue as Director in his current role; and
- (c) Mr John Shepherd and Mr Daniel Moore intend to resign as Directors.

The profiles of each of the current Directors and Senior Management are set out below:

#### **Andrew Pierce (Non-Executive Chairman & Director)**

Mr Pierce is an accomplished and highly regarded accountant and director, having served on the boards of Variety The Children's Charity (NSW), Guide Dogs NSW/ACT, Royal Guide Dogs Australia and Centre For Eye Health Limited. He is highly skilled in the areas of financial reporting, company regulatory and governance areas. During the past three years, Mr Pierce has not served as a director of any ASX listed companies.

Mr Pierce is a Fellow of Chartered Accountants Australia and New Zealand, having been in private practice as a partner or principal since 1972.

Mr Pierce is a member of the Audit and Risk Management Committee.

In accordance with the ASX Corporate Governance Council's definition of independence and the materiality thresholds set, the Directors consider Mr Pierce to be independent.

#### **John Shepherd (Non-Executive Director)**

Mr Shepherd has had a long, successful career as an investment banker and management consultant, specialising in corporate strategy, corporate recovery, corporate finance and investment analysis for private and public companies.

Mr Shepherd's vast experience includes involvement in a number of mining, exploration and mining related companies around the world such as Cordillera Gold Ltd (2010-2011), Shoreline Minerals Ltd (2008-2010), The MAC Services Group of Companies (2003-2004), First AU Strategies Corp. (TSXV 2001-2003) and Diversified Mineral Resources (1995-1999).

During the past three years, Mr Shepherd has not served as a director on any ASX listed companies other than the Company.

Mr Shepherd is Chair of the Audit and Risk Management Committee.

In accordance with the ASX Corporate Governance Council's definition of independence and the materiality thresholds set, the Directors consider Mr Shepherd to be independent.

#### **Daniel Moore (Non-Executive Director)**

Mr Moore has spent the last 10 years working as a Financial Advisor for Wilson HTM. His main focus in that time was emerging companies and equity capital markets. Before that he worked for Morgan Stanley in London for 4 years. He holds a Bachelor of Economics and Law.

### **10.2 Proposed Directors and Senior Management**

The profiles of each of the Proposed Directors and Senior Management are set out below:

#### **Damien Glanville – Founder, Managing Director and Chief Executive Officer**

Damien has thirteen years' experience in senior management, logistics and Executive Director roles, the last six specifically focused in the renewable energy on-site generation and solar PV industry.

Damien's most recent achievement is the commercialisation of the Valdora 16.5MW solar farm located on the Sunshine Coast, Queensland. He successfully negotiated with the Sunshine Coast Regional Council (SCRC) to provide a clean energy solution aimed to save ratepayers in excess of \$10m over the coming decades. He took the project from conception through to a commercial business case for the SCRC, where it was unanimously voted on and passed through councils ordinary meetings on four separate occasions. The commercial business plan (Exclusive IP) along with the rights to the project were successfully sold to SCRC for \$2.6m

The Sunshine Coast Solar farm project is the first solar farm project in Australia that is not reliant on government subsidies to make it financially viable and is an industry leading concept within the renewable energy industry. Construction is due to begin in 2016.

Damien is a co-founder and architect of designing the electricity retail model that successfully enabled LPE to obtain their Australian Energy Regulator Authorisation, and is also listed as the Chief Executive Officer for the Management components of the Australian Energy Regulators authorisation to retail electricity.

#### **Ben Chester – Founder and Chief Operating Officer**

Ben has seven years' experience in large scale development and deployment of energy assets, along with energy to market strategy. He spent four years with an ASX listed company specialising in renewable projects, as the principal design and projects engineer for several commercial and utility scale deployments.

Ben has contributed to several Australian, State and Federal Government advisory panels and with the Thailand Government on generation, deployment strategies and network integration.

Ben is a co-founder and architect of designing the electricity retail model that successfully enabled LPE to obtain their Australian Energy Regulator Authorisation, and is listed as the Chief Operating Officer for the functional and



compliance components of the Australian Energy Regulators authorisation to retail electricity.

#### **Damon Sweeny MBA, ACIS, AGIA – Company Secretary**

Mr Sweeny was appointed Company Secretary and CFO on 1 April 2015.

Damon Sweeny is a Chartered Secretary and holds an MBA from Curtin University Australia, along with a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

With over 25 years' experience in the mining, accounting and governance fields, Damon has held directorships or company secretarial positions in a number of private and ASX-listed entities for over 10 years. He has a strong management and financial reporting background. He is also company secretary of ASX listed Leopard Resources NL, Promesa Ltd and Radar Iron Ltd.

### **10.3 Personal Interests of Directors**

Directors are not required under SXT's Constitution to hold any Shares to be eligible to act as a director. Immediately prior to completion of the Offers, the Directors are expected to have relevant interests in Shares as set out in the table below:

Director	Remuneration for year ended 30 June 2014	Remuneration for year ended 30 June 2015	Proposed remuneration for current year <sup>4</sup>	Shares	Options
<b>Existing Directors</b>					
Andrew Pierce	\$8,710	\$30,000	\$56,250 <sup>4</sup>	4,960,641 <sup>1</sup>	Nil
John Shepherd	\$33,371	\$54,814	\$65,000 <sup>4</sup>	Nil	Nil
John Daniel Moore	Nil	\$16,694	\$12,500 <sup>4</sup>	432,000 <sup>2</sup>	500,000 <sup>3</sup>

No Proposed Director currently holds Shares or Options in the Company.

Details of the Directors' and Proposed Directors' remuneration and relevant interest in the securities of the Company upon completion of the Offers (assumes Maximum Subscription of \$6,000,000) are set out in the table below:

Director	Remuneration for year ended 30 June 2014	Remuneration for year ended 30 June 2015	Proposed remuneration for current year	Shares	Options	Performance Shares
<b>Existing Directors</b>						
Andrew Pierce	\$8,710	\$30,000	\$56,250 <sup>4</sup>	4,960,641	10,000,000 <sup>5</sup>	Nil
John Shepherd	\$33,371	\$54,814	\$65,000 <sup>4</sup>	Nil	10,000,000 <sup>5</sup>	Nil
Daniel Moore	Nil	\$16,694	\$12,500 <sup>4</sup>	432,000	10,500,000 <sup>3,5</sup>	Nil
<b>Proposed Directors</b>						
Damien Glanville	N/A	N/A	\$150,000	188,646,818	Nil	251,529,090
Ben Chester	N/A	N/A	\$150,000	188,646,818	Nil	251,529,090

#### Notes

1. 4,960,641 Shares are held by Bedar Holdings Pty Limited <ATF The Andrew R Pierce Superannuation Fund> which Mr Pierce is a trustee of;
2. 419,500 Shares are held by Mr John Daniel Moore & Mrs Sophie Louise Moore < The Moore Super Account> which Mr Moore is a trustee of. 12,500 Shares held by Mrs Sophie Louise Moore, the spouse of Mr Moore;
3. Includes 500,000 unlisted options exercisable at \$0.40 on or before 15 April 2016;
4. Estimate for Director Fees for the period to 30 November 2015 for Messrs Shepherd and Moore. Mr Shepherd's remuneration includes 'special duties fees' relating to the acquisition of LPE. Mr Pierce includes \$12,500 for the period to 30 November 2015 and \$6,250 per month thereafter; and
5. Includes 10,000,000 unlisted options exercisable at \$0.025 on or before 30 June 2017.

SXT's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Constitution provides that the aggregate remuneration for Non-Executive Directors is initially \$250,000 per annum although this may be varied by ordinary resolution of the Shareholders in general meeting. The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

#### 10.4 Director participation in the Public Offer

Other than Andrew Pierce, who proposes subscribing for Shares under the Public Offer with a value of up to \$100,000 (subject to Shareholder approval), none of the Directors or Proposed Directors intend on participating in the Public Offer.

#### 10.5 Agreements with Directors

The agreements the Company has entered into with Directors and Proposed Directors are listed in Sections 14.11 and 14.12.



9 October 2015

The Directors  
Stratum Metals Ltd  
Suite 8  
55 Hampden Road  
NEDLANDS WA 6009

Dear Sirs

**Independent Limited Assurance Report on Stratum Metals Limited's (To be renamed Locality Planning Energy Limited) Compilation of Pro Forma Historical Financial Information for a Prospectus**

We have completed our limited assurance engagement to report on Stratum Metals Ltd's (To be renamed Locality Planning Energy Limited) ("Stratum") compilation of pro forma financial information. The pro forma financial information consists of the pro forma statement of financial position as at 30 June 2015, and related notes as set out on Section 11 of the Prospectus issued by the company (collectively "the pro forma financial information"). The applicable criteria on which the Directors have compiled the pro forma financial information are specified in Section 11 and described in Note 2 for inclusion in the Prospectus, dated on or about 9 October 2015, and relating to the issue of 200,000,000 new shares in Stratum.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the transactions described in Note 2 on the company's financial position as at 30 June 2015 and transactions had taken place at 30 June 2015. As part of this process, information about the company's financial position has been extracted by the Directors from the company's financial statements for the period ended 30 June 2015 on which an audit report has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

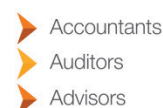
The Directors of Stratum are responsible for properly compiling the pro forma financial information on the basis of the applicable criteria.



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## Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Australian Standard on Quality Control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

## Our Responsibilities

Our responsibility is to express a conclusion on whether anything has come to our attention that the pro forma financial information has not been properly compiled, in all material respects, by the Directors on the basis of the applicable criteria, as described in section 11 of the Prospectus.

We have conducted our limited assurance engagement in accordance with the Standard on Assurance Engagements ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* (ASAE 3420), issued by the Auditing and Assurance Standards Board. This standard requires that the assurance practitioner plan and perform procedures to obtain limited assurance about whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the Directors have not compiled, in all material respects, the pro forma financial information on the basis of the pro forma assumptions contained in Note 2 of section 11 of the Prospectus.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information, or of the pro forma financial information itself.

The purpose of the compilation of the pro forma financial information being included in a Prospectus is solely to illustrate the impact of the transactions on unadjusted financial information of the company as if the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transactions at 30 June 2015 would have been as presented.

A limited assurance engagement to report on whether anything has come to our attention that the pro forma financial information has not been properly compiled, in all material respects, on the basis of the applicable criteria, involves performing limited procedures to assess whether the applicable criteria used by Directors in the compilation of the pro forma financial information does not provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and that the:

- related pro forma adjustments do not give appropriate effect to those criteria; and
- resultant pro forma financial information does not reflect the proper application of those adjustments to the unadjusted financial information.

The procedures we performed were based on our professional judgement and included making enquiries, primarily of persons responsible for financial and accounting matters, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of supporting documentation and agreeing or reconciling with underlying records, and other procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the compilation of the pro forma financial information has been prepared, in all material respects, in accordance with the applicable criteria.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

### **Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the pro forma financial information is not compiled, in all material respects, by the Directors of Stratum Metals Ltd on the basis of the applicable criteria as described in Note 2 section 11 of the Prospectus.

### **Consent**

Bentleys has consented to the inclusion of this report in the Prospectus in the form and context in which it is included.

### **Declaration of Interest**

Bentleys does not have any interest in the outcome of this capital raising other than receiving fees for professional services for preparing the Independent Limited Assurance Report for which normal professional fees will be received.

Yours faithfully



**MARK DELAURENTIS CA**  
**Director**

**STRATUM METALS  
LIMITED  
(TO BE RENAMED LOCALITY  
PLANNING ENERGY LIMITED)**

PRO FORMA FINANCIAL INFORMATION  
AS AT 30 JUNE 2015

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

This section contains consolidated historical financial information and consolidated pro forma financial information for Stratum Metals Ltd (To be renamed Locality Planning Limited) as at 30 June 2015. The historical financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and the accounting policies adopted by Stratum Metals Ltd as detailed in Note 1. The consolidated pro forma financial information has been derived from the historical financial information and assumes the completion of the pro forma adjustments as set out in Note 2 as if those adjustments had occurred as at 30 June 2015.

The consolidated financial information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations.

The consolidated historical financial information comprises:

- The unaudited consolidated statement of financial position as at 30 June 2015; and
- The notes to the historical financial information.

The consolidated pro forma financial information comprises:

- The unaudited consolidated pro forma statement of financial position as at 30 June 2015, prepared on the basis that the pro forma adjustments detailed in Note 2 had occurred as at 30 June 2015; and
- The notes to the consolidated pro forma financial information.

Collectively referred to as the Financial Information.



**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

**APPENDIX 1 – HISTORICAL & PRO-FORMA FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Reviewed</b>	<b>Reviewed</b>
	<b>Notes</b>	<b>Stratum Metals</b>	<b>Pro-forma</b>
		<b>As at 30 June 2015</b>	<b>As at 30 June 2015</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash equivalents	<b>3</b>	48,810	3,862,736
Trade & Other Receivables		3,322	47,691
Other Assets		-	12,175
<b>Total current assets</b>		<u>51,132</u>	<u>3,922,602</u>
<b>Non-Current Assets</b>			
Property, plant & equipment		1,354	51,800
Financial Assets		-	110,834
Other Assets		-	-
<b>Total non-current assets</b>		<u>1,354</u>	<u>162,634</u>
<b>Total assets</b>		<u>52,486</u>	<u>4,095,236</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade & Other Payables		522,207	697,387
Borrowings		1,500,000	12,861
<b>Total current liabilities</b>		<u>2,022,207</u>	<u>710,248</u>
<b>Non-Current Liabilities</b>			
Borrowings		-	78,135
<b>Total non-current liabilities</b>		<u>-</u>	<u>78,135</u>
<b>TOTAL LIABILITIES</b>		<u>2,022,207</u>	<u>788,383</u>
<b>NET ASSETS</b>		<u>(1,969,721)</u>	<u>3,306,853</u>
<b>EQUITY</b>			
<b>Capital and Reserves</b>			
Issued Capital	<b>4</b>	11,640,748	10,300,574
Option Reserves	<b>6</b>	488,880	447,975
Accumulated losses	<b>5</b>	(14,099,214)	(7,441,696)
Non-Controlling Interest		(135)	-
<b>TOTAL EQUITY</b>		<u>(1,969,721)</u>	<u>3,306,853</u>

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

**Notes to and Forming Part of the Historical Consolidated Financial Information**

**Note 1. Summary of significant accounting policies**

**(a) Basis of Accounting**

The historical consolidated financial information have been prepared in accordance with the measurement and recognition (but not the disclosure) requirements of Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis, are based on historical cost and except where stated do not take into account changing money values or current valuations of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The preparation of the Statement of Financial Position requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Statement of Financial Position are disclosed where appropriate.

The Statement of Financial Position as at 30 June 2015 is in accordance with the Company's audited financial position at that date. The pro forma Statement of Financial Position as at 30 June 2015 represents the reviewed financial position and adjusted for the transactions discussed in Note 2 to this report. The Statement of Financial Position should be read in conjunction with the notes set out in this report.

**(b) Principles of Consolidation**

***Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stratum Metals Ltd as at 30 June 2015 and the results of all subsidiaries for the period then ended. Stratum Metals Ltd and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

Investments in subsidiaries are accounted for at cost in the individual financial statements of Stratum Metals Ltd.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

**(d) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

Plant and equipment	4 – 5 years
Motor vehicle	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(e) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

**(f) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current 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 and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(g) Acquisition of Subsidiaries and Businesses**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The acquisition of Locality Planning Energy Pty Ltd has been reflected in the pro forma Statement of Financial Position as at 30 June 2015. In accounting for the acquisition, the Group has taken guidance from the principles of AASB 3 Business Combinations ("AASB 3") and determined that Locality Planning Energy Pty Ltd would be deemed to be the acquirer for accounting purposes. Accordingly, the transaction is accounted for as a reverse asset acquisition. As a result, the pro forma consolidated Statement of Financial Position as at 30 June 2015 has been prepared as a continuation of the Locality Planning Energy Pty Ltd financial statements, with Locality Planning Energy Pty Ltd (as the accounting acquirer) accounting for the acquisitions as from 30 June 2015 (for the purposes of the pro forma consolidated Statement of Financial Position). As the activities of the legal acquirer (Stratum Metals Ltd) would not constitute a business based on the requirements of AASB 3, any excess of the deemed consideration over the fair value of the acquisitions, as calculated in accordance with the reverse acquisition accounting principles, cannot be taken to goodwill and has been expensed.

**(h) Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(i) Investments & Financial Instruments**

***Recognition and de-recognition***

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Profit or Loss and Other Comprehensive Income as gains and losses from investment securities.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

**(v) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

***Fair Value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment***

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**(j) Payables**

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

**(k) Issued Capital**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(l) Employee Benefits**

**(i) *Wages and salaries, annual leave and sick leave***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) *Long service leave***

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(m) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in the statement of financial position are shown inclusive of GST.

**Note 2. Actual and Proposed Transactions to Arrive at the Pro-Forma Financial Information**

The pro-forma financial information has been included for illustrative purposes to reflect the position of Stratum Metals Ltd on the assumption that the following transactions had occurred as at 30 June 2015:

- (a) The payment of the option facilitation fee of \$100,000 to acquire 100% of Locality Planning Energy Pty Limited;
- (b) The receipt of the option facilitation fee of \$100,000 to acquire 100% of Locality Planning Energy Pty Limited;
- (c) The conversion of \$150,000 worth of Initial Loan Face Value in to Shares and Options in the Company pursuant to the Unsecured Initial Loan Agreements and interest accrued up to Settlement;
- (d) The conversion of \$675,000 of SXT Convertible Notes into Shares and Options and interest accrued up to Settlement. The terms of the SXT Convertible Notes have been varied (subject to shareholder approval) , including a reduction of the face value of the SXT Convertible Notes from \$1,350,000 to \$675,000;
- (e) A further capital raising of \$500,000 by the issue of an unsecured convertible loans (less raising costs of \$25,000) (Subsequent Loan Agreements), and subsequent conversion to Shares upon settlement of the transaction. All interest to be paid in respect to the Subsequent Loan Agreements, will be settled in Shares (ie. no cash payments). As these interest payments will be expensed (in Equity) and offset against Issued Capital, they will all net off within Equity;
- (f) Conversion of SXT options to raise \$153,333;



**Stratum Metals Ltd**  
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- (g) Upon completion of the \$4.0 million (Minimum Subscription) or \$6.0 million (Maximum Subscription) Capital Raising, the payment of the following cash payments:
- (i) \$200,000 to repay a loan to LPE (that was in existence at 30 June 2015);
  - (ii) \$100,000 to repay a loan from a director of LPE (that was in existence at 30 June 2015);
  - (iii) \$125,000 to repay a loan from a director of LPE (that was in existence at 30 June 2015);
  - (iv) \$270,000 to repay loans from a director of LPE (that were provided since 30 June 2015);  
and
  - (v) \$49,500 to repay a loan from a director (that was provided since 30 June 2015)..

The total effect of these transactions will be reduce cash by a net \$415,000, reduce current liabilities by \$200,000 and reduce non-current liabilities by \$215,000.

- (h) In consideration for 100% of the issued capital in LPE; the issue of the following securities by Stratum to the LPE shareholders:
- (i) 546,525,202 Shares (\$4.0 million Minimum Subscription) and 646,525,202 (based upon Maximum Subscription) will be issued at \$0.02 cents each.
  - (ii) 728,700,269 Performance Shares (\$4.0 million Minimum Subscription) and 862,033,602 (based upon Maximum Subscription) will be issued with a paid up value of \$0.0000001 each and will convert in to Stratum Shares upon satisfaction of certain milestones.
- (i) The issue of 200,000,000 Shares to raise \$4.0 million (Minimum Subscription) before costs.
- (i) payment of costs associated with the offer of \$406,251.
- (j) The issue of 75,000,000 Options (to Armada Capital) as a fee for introducing and facilitating the acquisition of LPE.

The expense (in equity) will be offset against an option reserve, also within equity. For the purposes of the Pro-forma Information, this is assumed to be \$0.5973 per Option.

**Note 3. Cash & Cash equivalents (Minimum Subscription)**

	\$
Balance at 30 June 2015	48,810
Funds raised from Prospectus	4,000,000
Expenses of the issue	(406,251)
Loan repayments	(415,000)
Conversion of options	153,333
Subsequent Loan Agreements	475,000
Cash Acquired – LPE	16,844
LPE Option Fee (net)	0
Closing balance	<u>3,872,736</u>

**Note:**

The effect of over subscriptions has not been accounted for. In the event that oversubscriptions occur the Company's total raising would fall between the minimum subscription of \$4,000,000 and the maximum oversubscription up to \$6,000,000, the pro-forma cash balance and issued capital would be increased to the extent of the oversubscription (adjusted for any increase in prospectus issue costs arising from the oversubscription to a maximum amount of \$511,251).

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**Note 4. Issued Capital**

	<b>Stratum Metals Ltd</b>	<b>Pro Forma</b>
	<b>30 June 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Issued capital	11,640,748	11,640,748
<i>Adjustments arising from the acquisition of Locality Planning Energy</i>		
Elimination of Stratum Metals on consolidation		(11,640,748)
Locality Planning Energy issued capital as at 30 June 2015		301,643
Consideration for the acquisition (Note 1)		4,722,810
Shares issued pursuant to capital raising		4,000,000
Share issue costs		(406,251)
Options converted		153,333
Conversion of convertible notes and loans		1,529,039
		<u>10,300,574</u>

	<b>Stratum Metals Ltd</b>	<b>Pro forma</b>
	<b>30 June 2015</b>	<b>30 June 2015</b>
	<b>#</b>	<b>#</b>
Issued capital	236,140,512	236,140,512
Consideration shares issued	-	546,525,002
Other subsequent share issues		110,384,689
Shares issued pursuant to capital raising	-	200,000,000
	<u>236,140,512</u>	<u>1,093,050,403</u>

**Notes:**

Note 1 – Consideration of the acquisition.

In accordance with reverse asset acquisition accounting principles the consideration is deemed to have been incurred by Locality Planning Energy in the form of equity instruments issued to Stratum Metals shareholders. The acquisition date fair value of this consideration has been determined with reference to the fair value of the issued shares of Stratum Metals immediately prior to the acquisition and has been determined to be \$4,722,810 based on 236,140,512 shares based on a value of \$0.02 per share, being the issue price under the Prospectus.

At the actual acquisition date the fair value will be required to be determined again, therefore the fair value and consideration could be materially different which will impact the excess deemed consideration on acquisition. As a result, transaction costs of \$6.7 million (based upon Minimum Subscription have been determined for the purposes of preparation of the pro forma financial information. This does not include performance shares of 728,700,269 that were also issued as part of the consideration.

The pro-forma transactions have been based on the assumption Stratum Metals Ltd secures the Minimum Subscription of \$4 million.

**Stratum Metals Ltd**  
**(To be renamed Locality Planning Energy Limited)**

**Note 5. Accumulated Losses**

	<b>Stratum Metals Ltd</b>	<b>Pro forma</b>
	<b>30 June 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Stratum Metals Ltd accumulated losses at 30 June 2015	(14,099,214)	(14,099,214)
<i>Adjustments arising from the acquisition of Locality Planning Energy</i>		
Elimination of Stratum Metals Ltd accumulated losses on consolidation	-	14,099,214
Recognition of Locality Planning Energy accumulated losses at 30 June 2015	-	(747,151)
Share based payment expense on options issued to Armada Capital	-	(447,975)
Excess deemed consideration on acquisition	-	(6,692,531)
Interest on convertible notes and loans conversion	-	(161,354)
Gain on convertible note reduction	-	607,315
	<u>(14,099,214)</u>	<u>(7,441,696)</u>

**Note 6. Option reserves**

	<b>Stratum Metals Ltd</b>	<b>Pro forma</b>
	<b>30 June 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Option reserve	320,480	320,480
Elimination of Stratum Metals Ltd reserves	-	(320,480)
Fair value of options issued to Armada Capital	-	447,975
	<u>320,480</u>	<u>447,975</u>

**Note 7. Options**

	<b>Stratum Metals Ltd</b>	<b>Fair Value</b>	<b>Pro forma</b>
	<b>30 June 2015</b>		<b>30 June 2015</b>
	<b>#</b>	<b>\$</b>	<b>\$</b>
Stratum Metals Ltd Opening Balance	56,699,104		
Options to directors	30,000,000		
Other issues	46,619,339		
Options to be issued by Stratum Metals Ltd to Armada Capital (Note 1)	75,000,000	0.05973	447,975
	<u>210,518,443</u>		

**Notes:**

Note 1 - Valuation of Options

The options issued to Armada Capital were deemed to be valued at \$0.5973 per option using the Black Scholes option model based on the following inputs:

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Underlying share price	1.6 cents per share
Option exercise price	2.5 cents per share
Effective date	2 November 2015
Option expiry date	30 June 2017
Share price volatility	100%
Risk free interest rate	1.83%.

The options issued to Armada Capital in this pro-forma transaction is based on the Minimum Subscription of \$4.0 million. If the Maximum Subscription of \$6m was raised, the value of options to be issued to Armada Capital would remain at \$447,975.

**Note 8. Related Parties**

Refer to Section 10.3 of the Prospectus for details of related party transactions and shareholdings.

**Note 9. Commitments and Contingent Liabilities**

At the date of the report no other material commitments or contingent liabilities exist that we are aware of, other than those disclosed in this Prospectus.

**Note 10. Subsequent Events**

At the date of this report there have been no material events subsequent to balance date that we are aware of, other than those disclosed in this Prospectus.

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## 12. HISTORICAL FINANCIAL INFORMATION

The financial information set out in this Section consists of:

- (a) the historical statements of financial position of the Company as at 30 June 2013, 30 June 2014 and 30 June 2015;
- (b) the historical statements of financial position of LPE as at 30 June 2013, 30 June 2014 and 30 June 2015; and
- (c) the historical income statements of the Company for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- (d) the historical income statements of LPE for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;

(collectively, the **Financial Information**).

The Financial Information of the Company for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 have been extracted from the Company's financial statements for each financial year, which were audited by Bentleys, and on which an unqualified audit opinion was issued for each financial year.

The Financial Information of LPE for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 have been extracted from LPE's financial statements for each financial year, which were audited by Roger Noakes, and on which an unqualified audit opinion was issued for each financial year.

During the financial year ended 30 June 2013, LPE was a privately held company which did not focus on the sale of electricity to customers and received revenue through consulting fees received for alternate energy consulting. During the financial year ended 30 June 2014, the current management of LPE became involved and focussed on procuring the grant of the Authorisation and developing relationships to enable the sale of electricity once the Authorisation was granted. LPE was subsequently granted the Authorisation in November 2014 and was then able to procure the sale of electricity to clients.

Except as specified below, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Set out in Section 11 is a pro forma balance sheet of the Company following its acquisition of LPE together with an Independent Limited Assurance Report. Investors should note the scope limitations of the Independent Limited Assurance Report (refer to Section 11 for further information).

A summary of the Company's significant account policies is set out in Section 11.

## 12.1 Stratum Metals Limited – Statement of Financial Position

	Audited 30 June 2015 \$	Audited 30 June 2014 \$	Audited 30 June 2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	48,810	108,455	770,457
Trade and Other Receivables	2,322	227,606	512,846
Other Current Assets	-	2,500	35,645
<b>Total Current Assets</b>	<b>51,132</b>	<b>338,561</b>	<b>1,318,948</b>
<b>NON-CURRENT ASSETS</b>			
Plant and Equipment	1,354	3,154	4,954
Exploration and Evaluation Expenditure	-	5,808,925	5,608,987
<b>Total Non-Current Assets</b>	<b>1,354</b>	<b>5,812,079</b>	<b>5,613,941</b>
<b>TOTAL ASSETS</b>	<b>52,486</b>	<b>6,150,640</b>	<b>6,932,889</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	522,207	690,808	492,890
Convertible Note	1,500,000	1,305,000	-
<b>Total Current Liabilities</b>	<b>2,022,207</b>	<b>1,995,808</b>	<b>492,890</b>
<b>TOTAL LIABILITIES</b>	<b>2,022,207</b>	<b>1,995,808</b>	<b>492,890</b>
<b>NET ASSETS</b>	<b>(1,969,721)</b>	<b>4,154,832</b>	<b>6,439,999</b>
<b>EQUITY</b>			
Issued Capital	11,640,748	10,838,206	9,643,773
Accumulated Losses	(14,099,214)	(7,134,038)	(5,260,079)
Convertible Note	168,400	168,400	-
Other Reserve	(641,382)	(641,382)	-
Options Reserve	961,862	961,862	954,632
<b>Equity Attributable to Owners of the Company</b>	<b>(1,969,586)</b>	<b>4,193,048</b>	<b>5,338,326</b>
Non-Controlling Interest	(135)	(38,216)	1,101,673
<b>TOTAL EQUITY</b>	<b>(1,969,721)</b>	<b>4,154,832</b>	<b>6,439,999</b>

## 12.2 Locality Planning Energy Pty Ltd – Statement of Financial Position

	Audited 30 June 2015 \$	Audited 30 June 2014 \$	Audited 30 June 2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	16,844	9,510	10,551
Trade and Other Receivables	45,369	10,118	16,439
Other Current Assets	12,175	-	-
<b>Total Current Assets</b>	<b>74,388</b>	<b>19,628</b>	<b>26,990</b>
<b>NON-CURRENT ASSETS</b>			
Trade and Other Receivables	-	1,077	-
Financial Assets	-	10,000	-
Property, Plant and Equipment	50,446	3,629	-
Other	110,834	-	-
<b>Total Non-Current Assets</b>	<b>161,279</b>	<b>14,705</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>235,668</b>	<b>34,333</b>	<b>26,990</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	133,610	3,135	238
Financial Liabilities	212,861	-	-
Short Term Provisions	41,570	6,822	-
<b>Total Current Liabilities</b>	<b>388,041</b>	<b>9,957</b>	<b>238</b>

<b>NON-CURRENT LIABILITIES</b>			
Site Conversion Loan	68,134	-	-
Financial Liabilities	225,000	256,966	25,785
<b>Total Non-Current Liabilities</b>	<b>293,134</b>	<b>256,966</b>	<b>25,785</b>
<b>TOTAL LIABILITIES</b>	<b>681,176</b>	<b>266,923</b>	<b>26,023</b>
<b>NET ASSETS</b>	<b>(445,508)</b>	<b>(232,590)</b>	<b>967</b>
<b>EQUITY</b>			
Issued Capital	301,643	1,200	10
Accumulated Losses	747,151.38	(233,790)	957
<b>TOTAL EQUITY</b>	<b>(445,508)</b>	<b>(232,590)</b>	<b>967</b>

## 12.3 Stratum Metals Limited – Statement of Comprehensive Income

	Audited 30 June 2015 \$	Audited 30 June 2014 \$	Audited 30 June 2013 \$
<b>INCOME</b>			
Revenue and Other Income	2,470	34,048	45,340
<b>EXPENSES</b>			
Audit Fees	(72,000)	(45,507)	(53,070)
Consultants	(216,439)	(291,261)	(502,773)
Depreciation	(1,800)	(1,800)	(1,800)
Directors' Fees	(93,144)	(369,129)	(453,250)
Shares Based Payment	-	(7,230)	(786,780)
Travel Expenses	(11,645)	(54,778)	(324,093)
Occupancy Expenses	(1,967)	(52,300)	(51,354)
Amortisation of Convertible Notes	(45,000)	(92,867)	-
Interest Paid on Convertible Notes	(122,955)	(94,510)	-
Exploration Written Off	(6,201,076)	(654,697)	(66,187)
Unrealised gain/(loss) on shares in listed companies	-	-	(53,586)
Goodwill Written Off	-	-	(1,801,783)
Other Expenses	(413,275)	(440,720)	(332,580)
<b>OPERATING LOSS</b>	<b>(7,176,831)</b>	<b>(2,070,751)</b>	<b>(4,381,916)</b>
<b>Loss Before Income Taxes</b>	<b>(7,176,831)</b>	<b>(2,070,751)</b>	<b>(4,381,916)</b>
Income Tax Benefit/(Expense)	249,736	201,450	-
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>	<b>(6,927,095)</b>	<b>(1,869,301)</b>	<b>(4,381,916)</b>
Other Comprehensive Income	-	-	-
<b>Other Comprehensive Income Net of Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(6,927,095)</b>	<b>(1,869,301)</b>	<b>(4,381,916)</b>
<b>Loss For the Year and Total Comprehensive Income Attributable to:</b>			
- Members of the Parent Entity	(6,965,176)	(1,873,958)	(4,175,846)
- Non-Controlling Interests	38,081	4,657	(206,070)
<b>Total</b>	<b>(6,927,095)</b>	<b>(1,869,301)</b>	<b>(4,381,916)</b>

## 12.4 Locality Planning Energy Pty Ltd – Statement of Comprehensive Income

	Audited 30 June 2015 \$	Audited 30 June 2014 \$	Audited 30 June 2013 \$
<b>INCOME</b>			
Consultancy Fees	-	36,229	78,500
Electricity Sales	59,899	-	-
<b>Total Income</b>	<b>59,899</b>	<b>36,229</b>	<b>78,500</b>
<b>LESS COST OF GOODS SOLD</b>			
Environmental Schemes	4,162	-	-
Market Operator Charges	324	-	-
Metering Charges	1,495	-	-
Network Charges	45,535	-	-
Retail Energy Usage Charge	22,771	-	-
<b>Total Cost of Goods Sold</b>	<b>74,286</b>	<b>-</b>	<b>-</b>
<b>GROSS PROFIT/(LOSS) FROM TRADING</b>	<b>(14,387)</b>	<b>36,229</b>	<b>78,500</b>
<b>EXPENDITURE</b>			
Accountancy Fees	14,716	12,540	2,684
Advertising	8,401	4,342	1,850
Amortisation	-	-	-
Bad Debts Written Off	-	-	1,000
Borrowing Costs	75	-	-
Legals (Contracts)	5,626	-	-
Bank Charges	583	196	125
Computer Expenses	628	5,647	7,057
Consultancy Fees	178,309	1,000	32,000
Depreciation	10,291	-	-
Electricity	982	-	697
Entertainment Expenses	4,207	-	1,457
Filing Fees	560	-	230
General Expenses	1,732	-	-
Insurance	4,460	610	-
Interest Paid	-	-	-
- Loan Interest	22,847	15,255	-
Legal Costs	12,003	5,508	-
Licensing Fees	-	500	-
Meeting Costs	-	2,273	-
Motor Vehicle Expenses	6,344	2,683	-
Parking & Tolls	1,034	829	-
Penalties & Fines	-	162	-
Printing, Postage & Stationery	3,814	559	31
Rent	33,014	23,913	-
Repairs & Maintenance	112	7	-
Subscriptions	576	-	-
Superannuation Contributions	11,865	15,461	-
Telephone	5,491	1,816	-
Travelling Expenses	4,908	9,088	765
Uniforms	258	-	-
Wages & Salaries	153,136	168,065	-
Workcover Insurance	-	527	-
<b>Total</b>	<b>488,975</b>	<b>270,982</b>	<b>78,760</b>
<b>Other Income</b>			
Loss on Sale of Investments	(10,000)	-	-
<b>LOSS BEFORE INCOME TAX</b>	<b>(513,362)</b>	<b>(234,753)</b>	<b>(260)</b>



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## 13. CORPORATE GOVERNANCE

### 13.1 ASX Corporate Governance Council Principles and Recommendations

SXT has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with SXT's needs.

To the extent applicable, commensurate with the Company's size and nature, SXT has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on SXT's corporate governance procedures, policies and practices can be obtained from the Company website at <http://www.stratummetals.com.au>.

### 13.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

### **13.3 Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Following Settlement, the Board is proposed to consist of 3 members. The Company has adopted a Nominations Committee Charter, but has not formally adopted a Nominations and Remuneration Committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity as to justify the formation of a Nomination and Remuneration Committee. The responsibilities of a Nomination and Remuneration Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

### **13.4 Identification and management of risk**

The Board has established a risk management committee which is responsible for overseeing the risk management function. The risk management committee is responsible for ensuring the risks and opportunities are identified on a timely basis. To achieve this, the risk management committee has implemented a risk system which allows for the monthly monitoring of identified risk areas and performance against the activities to minimise or control these identified risks.

### **13.5 Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### **13.6 Independent professional advice**

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### **13.7 Remuneration arrangements**

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

### **13.8 Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that written notification to the Chairman (or in the case of the Chairman, the Managing Director) must be satisfied prior to trading.

### **13.9 External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

### **13.10 Audit committee**

The Company has an audit committee which fulfils the Company's corporate governance and monitoring responsibilities in relation to the Company's risks associated with the integrity of the financial reporting, internal control systems and the independence of the external audit function.

### **13.11 Departures from Recommendations**

Following re-admission to the Official List of ASX, SXT will be required to report any departures from the Recommendations in its annual financial report. The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out in the following pages.

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<p><b>Recommendation 1.1</b></p> <p>A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p>
<p><b>Recommendation 1.2</b></p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.</p>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board in its Director Selection Procedure. The Director Selection Procedure requires the Board ensure appropriate checks (including checks in respect of character and experience) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director.</p> <p>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Director Selection Procedure requires the Board to ensure that once the Board decides to appoint a new director, that director would be expected to sign the terms and conditions for appointment of non-executive directors and a directors consent to act.</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
		The Company has had written agreements with each of its Directors and senior executives for the past financial year.
<b>Recommendation 1.4</b> The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
<b>Recommendation 1.5</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary or it; and</li> <li>(c) disclose as at the end of each reporting period:               <ul style="list-style-type: none"> <li>(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and</li> <li>(ii) either:                   <ul style="list-style-type: none"> <li>(A) the respective proportions of men and women on the Board, in senior executive</li> </ul> </li> </ul> </li> </ul>	NO	<ul style="list-style-type: none"> <li>(a) The Company has not adopted a Diversity Policy. Whilst the Group does not currently have a Diversity policy due to its size and nature of its operations, it strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.</li> <li>(b) N/A</li> <li>(c) The Board did not set measurable gender diversity objectives for the past financial year, because:               <ul style="list-style-type: none"> <li>(i) the Board did not anticipate there would be a need to appoint any new Directors or senior executives due to limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and</li> <li>(ii) if it became necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and</li> </ul> </li> </ul>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION																
<p>positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p>(B) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in the Workplace Gender Equality Act.</p>		<p>(iii) As at 30 June 2015, the proportion of women in the whole organisation is as follows:</p> <table><tr><th></th><th>Number</th><th>Male</th><th>Female</th></tr><tr><td>Board Members</td><td>3</td><td>100%</td><td>0%</td></tr><tr><td>Officers</td><td>2</td><td>100%</td><td>0%</td></tr><tr><td>Other</td><td>0</td><td>N/A</td><td>N/A</td></tr></table>		Number	Male	Female	Board Members	3	100%	0%	Officers	2	100%	0%	Other	0	N/A	N/A
	Number	Male	Female															
Board Members	3	100%	0%															
Officers	2	100%	0%															
Other	0	N/A	N/A															
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	NOT FULLY	<p>(a) The Company’s Chairperson and Board are responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Board Performance Evaluation Policy, which is available on the Company’s website.</p> <p>(b) The Company’s Board Performance Evaluation Policy does not require the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. Whilst the Company has a written policy, the Board recognises that as a result of the Company’s size and the stage of the entity’s life, the assessment of the directors’ overall performance and its own succession plan is conducted on an informal basis. The Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.</p>																
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for</p>	NO	<p>(a) The Company does not have and disclose a process for periodically evaluating the performance of the Company’s senior executives on an annual basis. A senior</p>																

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>		<p>executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>(b) Whilst the Company does not have a written policy, the Board recognises that as a result of the Company's size and the stage of the entity's life, the assessment of the executives' overall performance is conducted on an informal basis. The Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Senior Executives is in place</p>
<b>Principle 2: Structure the Board to add value</b>		
<p><b>Recommendation 2.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose;</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p>	YES	<p>(a) The Company's Remuneration and Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.</p> <p>(b) The Company did not have a Nomination Committee for the past financial year as the Board did not consider the Company would benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Remuneration and Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:</p> <p>(i) developing and regularly reviewing a policy on Board structure.</p> <p>(ii) developing criteria for Board membership.</p> <p>(iii) identifying and screening specific candidates for nomination.</p> <p>(iv) ensuring there is an appropriate induction and orientation program in place.</p>



RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>		<p>(v) making recommendations to the Board for committee membership.</p> <p>(vi) ensuring there is an appropriate Board succession plan in place.</p> <p>(vii) ensuring the performance of the Board and its members is regularly reviewed.</p> <p>(viii) developing with Directors an appropriate training and development program.</p> <p>(ix) overseeing management's succession planning including the Managing Director and his/her direct reports.</p> <p>(x) assisting the Chairman in advising Directors about their performance and possible retirement.</p> <p>(xi) reviewing the policy in respect of tenure, remuneration and retirement of Directors.</p>
<p><b>Recommendation 2.2</b></p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	NO	<p>The Company does not have a board skills matrix, however full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report and on the Company's website.</p> <p>The Board believes that the current skill mix is appropriate given the Company's size and the stage of the entity's life.</p>
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p> <p>(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX</p>	YES	<p>(a) The Company has disclosed those Directors it considered to be independent in its Annual Report. The Board considers the following Directors are independent:</p> <p>(i) John Shepherd</p> <p>(ii) Andrew Pierce; and</p> <p>(iii) Daniel Moore</p>



RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>Corporate Governance Principles and Recommendation (3<sup>rd</sup> Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director</p>		<p>(b) The Company has disclosed in its Annual Report any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</p> <p>(c) The length of service of each independent Director, is as follows:</p> <p>(i) John Shepherd since 29 November 2013</p> <p>(ii) Andrew Pierce since 17 March 2014</p> <p>(iii) Daniel Moore since 11 December 2014</p>
<p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	YES	<p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>There was an independent majority of the Board during all of the past financial year.</p> <p>The Board currently comprises a total of three (3) directors, of whom two (2) are considered to be independent. As such, independent directors currently comprise the majority of the Board.</p>
<p><b>Recommendation 2.5</b></p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	YES	<p>The Chair of the Company during the past financial year was an independent Director and was not the CEO/Managing Director.</p>
<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and</p>	YES	<p>In accordance with the Company's Remuneration and Nomination Committee Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
knowledge needed to perform their role as a Director effectively.		
<b>Principle 3: Act ethically and responsibly</b>		
<b>Recommendation 3.1</b> A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its Directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	YES	<ul style="list-style-type: none"> <li>(a) The Company's Code of Conduct for Directors and Key Executives applies to the Company's Directors, senior executives and employees.</li> <li>(b) The Company's Code of Conduct for Directors and Key Executives is available on the Company's website.</li> </ul>
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<b>Recommendation 4.1</b> The Board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, who is not the Chair of the Board, and disclose: <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the relevant qualifications and experience of the members of</li> </ul> </li> </ul> </li> </ul>	YES	<p>The Company had an Audit and Risk Committee for the past financial year. The Company's Audit and Risk Committee Charter provides for the creation of an Audit Committee (if it is considered it will benefit the Company), with at least two members, the majority of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.</p> <p>The members of the Audit and Risk Committee, their relevant qualification and experience, the number of times the committee met during the last financial year, and the individual attendances of the members, are disclosed in the Annual Report.</p> <p>The Board considers that the given size of the Board along with the level of activity of the Company, an audit committee comprised of 2 independent directors is sufficient.</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		
<p><b>Recommendation 4.2</b></p> <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company has obtained a sign off on these terms for each of its financial statements in the past financial year.</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<b>Recommendation 4.3</b> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company's external auditor attended the Company's last AGM during the past financial year.
<b>Principle 5: Make timely and balanced disclosure</b>		
<b>Recommendation 5.1</b> A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	YES	(a) The Company's Disclosure Strategy details the Company's continuous disclosure policy. (b) The Disclosure Strategy is available on the Company's website.
<b>Principle 6: Respect the rights of security holders</b>		
<b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available on the Company's website.
<b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's various corporate governance policies and procedures.
<b>Recommendation 6.3</b>		

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
<b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	<p>The Shareholder Communication Strategy provides that ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and email addresses of the Company all directors (via the website) for shareholders to make their enquiries.</p> <p>Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
<b>Principle 7: Recognise and manage risk</b>		
<b>Recommendation 7.1</b> The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met	YES	<p>The Company had an Audit and Risk Committee for the past financial year. The Company's Audit and Risk Committee Charter provides for the creation of an Risk Committee (if it is considered it will benefit the Company), with at least two members, the majority of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.</p> <p>The members of the Audit and Risk Committee, their relevant qualification and experience, the number of times the committee met during the last financial year, and the individual attendances of the members, are disclosed in the Annual Report.</p> <p>The Board considers that the given size of the Board along with the level of activity of the Company, an audit committee comprised of 2 independent directors is sufficient</p>

RECOMMENDATIONS (3 <sup>RD</sup> EDITION)	COMPLY	EXPLANATION
<p>throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>		

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## 14. MATERIAL CONTRACTS

### 14.1 Option Agreement

Under the Option Agreement, the Vendors granted SXT an option to acquire all of the securities in LPE in consideration for the issue of the Vendor Consideration Securities to the Vendors. On 1 July 2015, 16 July 2015 and 31 July 2015 SXT paid the option facilitation fees to LPE in consideration of the LPE Option and executed the LPE Option on 1 July 2015.

The key terms of the Option Agreement are as follows:

- (a) **Conditions Precedent:** Settlement is conditional upon the satisfaction (or waiver by SXT) of the following outstanding conditions precedent by no later than 4 months following exercise of the LPE Option by SXT (unless indicated otherwise):
- (i) completion of due diligence by SXT on LPE's business and operations, to the sole satisfaction of SXT within 30 days of the execution the LPE Option;
  - (ii) the conditional approval by ASX to reinstate the securities of SXT to trading on ASX (after SXT re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being satisfied to the reasonable satisfaction of SXT and LPE;
  - (iii) SXT undertaking the Capital Raising and receiving valid applications for at least \$4,000,000 under the Capital Raising; and
  - (iv) SXT holding a shareholder meeting to:
    - (A) obtain all approvals that are required to give effect to the transactions require to complete the Acquisition; and
    - (B) change the name of SXT to "Locality Planning Energy Limited" (or such other name as is agreed between LPE and SXT);
- (together the **Conditions Precedent**)
- (b) **Vendor Consideration:** upon Settlement under the Option Agreement, the Company must issue the Vendor Consideration Securities to the Vendors; and
- (c) **Board:** on and from Settlement Mr Andrew Pierce will remain on the Board as Non-Executive Chairman, Mr Damien Glanville and Mr Ben Chester will be appointed to the Board, and Mr John Shepherd and Daniel Moore will resign.

### 14.2 Initial Loan Agreements

Between 8 October 2014 and 19 January 2015, the Company entered into the Initial Loan Agreements pursuant to which the Initial Lenders loaned to SXT, a total of \$250,000 (**Initial Loan Face Value**). Since 31 December 2014, \$112,000 of the Initial Loan Face Value has been converted into Shares.

The key terms of the Initial Loan Agreements are as follows:

- (a) **Repayment:** the repayment date is the earlier of:
  - (i) 31 December 2015; and
  - (ii) settlement of the Acquisition;
- (b) **Election:** Initial Lenders may elect to be repaid their loans in cash (provided the Company has sufficient funds to repay the loans) or by converting their loans into Shares at the conversion price of:
  - (i) \$0.006 per Share; or
  - (ii) if there is a change in control of the Company, the price that is equal to 80% of the 20 day VWAP before the date of the change of control,subject to receipt of prior Shareholder approval;
- (c) **Options:** each Share issued upon conversion of a loan will have one attaching Option exercisable at \$0.02 on or before 29 February 2016;
- (d) **Conversion:** all outstanding monies under the Initial Loan Agreements will be converted at Settlement into such number of Shares, together with free-attaching Options, as is required to discharge the Company's repayment obligations to the Initial Lenders;
- (e) **Unsecured:** the loans to SXT pursuant to the Initial Loan Agreements are unsecured; and
- (f) **Interest:** interest of 1% per month is payable on the outstanding amount under each Initial Loan Agreement and is not capitalised into the outstanding loan amount (effective interest rate of 12% per annum). Accrued interest may, at the election of each Initial Lender, be satisfied by the issue of Shares at \$0.006 per Share together with free-attaching Options.

### 14.3 Subsequent Loan Agreements

On 7 August 2015 the Company announced that it has negotiated commitments for \$250,000 pursuant to the Subsequent Loan Agreements.

On 10 August 2015 the Company issued 3,000,000 Shares as consideration for interest payable on the \$250,000 of negotiated commitments pursuant to the Subsequent Loan Agreements.

The key terms of the Subsequent Loan Agreements are as follows:

- (a) **Repayment:** the repayment date under each Subsequent Loan Agreement is the earlier of:
  - (i) the date which is 9 months after termination of the Option Agreement; or
  - (ii) the date that a repayment notice is given to the Company by a Subsequent Lender following a default by the Company.



- (b) **Conversion into Shares:** the outstanding monies under the Subsequent Loan Agreements will automatically convert into Shares at the same issue price as those Shares issued under the Public Offer; and
- (c) **Interest:** flat rate interest is payable by the Company for an amount equal to 24% of the face value of the Subsequent Loans (being a value of \$120,000).

#### 14.4 Australian Energy Regulator Authorisation

Under the National Energy Retail Law (**Retail Law**), a person must hold a retailer authorisation prior to engaging in the retail sale of energy unless exempt from the requirement (**Authorisation**).

Energy selling covers a wide range of activities, from energy retailing by authorised (licensed) retailers to landlords recovering energy costs from their tenants. Energy 'sales' do not necessarily have to be for profit, as passing on energy costs to another person is considered to be a sale. Similarly, 'premises' has a broad meaning, and includes residential homes or other places of residence (for example, a caravan park where tenants reside permanently), shopping centres and commercial sites. If a person sells energy and do not have an authorisation or exemption to do so, they may be fined or ordered, by a Court, to remedy the breach.

Authorisations are granted by the AER on a national basis and allow the holder to sell either electricity or gas in all participating jurisdictions and to all contestable classes of customers, including commercial, industrial and residential customers. The AER do not have discretion to limit the jurisdictions in which a retailer can operate or restrict the sale of energy to particular classes of customers. Similarly, the AER cannot exempt retailers from any of their obligations under the Retail Law or Retail Rules.

Authorisations do not have expiry dates. An Authorisation will continue until it is revoked or surrendered.

LPE's application for an Authorisation was approved by the AER on 13 November 2014 in accordance with section 92 of the Retail Law (Authorisation identification number E14005).

The AER must grant an application for an Authorisation if an applicant has satisfied the entry criteria:

- (a) the organisational and technical capacity criterion – the applicant must have the necessary organisational and technical capacity to meet the obligations of the retailer;
- (b) the financial resources criterion – the applicant must have resources or access to resources so that it will have the financial viability and financial capacity to meet the obligations of the retailer; and
- (c) the suitability criterion – the applicant must be a suitable person to hold a retailer authorisation (Section 90(1) of the Retail Law).

AER's Authorisation is subject to an annual audit review.

As the holder of an Authorisation, LPE must be able to comply with the National Energy Retail Law and National Energy Retail Rules, as well as any relevant

provisions of the National Electricity Law and Rules, National Gas Law and Rules, and jurisdictional energy legislation, before selling energy.

The AER monitors retailers' compliance with obligations under the energy laws it administers. If a retailer does not meet its obligations the AER have a number of options available to it, including the ability to revoke Authorisations.

LPE must submit information and data relating to its individual compliance with the Retail Law, Retail Rules and Retail Regulations to the AER in the manner and form (including by the date or dates) required by the AER Compliance Procedures and Guidelines (**Guidelines**).

LPE must report according to the retail market performance reporting procedures and guidelines (the **Performance Guideline**). Information to be reported broadly includes customer numbers, assistance provided to customers in debt, hardship programs and disconnections. Retailers with large customers only, must only report customer numbers.

Authorised retailers are required to provide the AER with compliance reports on type 1, 2 and 3 obligations. Information on these obligation categories, the format of the reports, and when reports need to be submitted are detailed in the AER's Compliance procedures and guidelines (**the Compliance Guideline**).

As an authorised retailer, LPE is required to meet the reporting requirements set out in both the Performance Guideline and the Compliance Guideline.

LPE is required to meet reporting requirements relating to its operations in Queensland as well as in any other state(s) it sells electricity.

Failure to comply with the Guidelines is a breach of the Retail Law, and may attract civil penalties.

## 14.5 Glanville Loan

On 10 November 2014 LPE entered into a loan facility agreement with Mr Damien Glanville, an LPE Director, pursuant to which Mr Glanville agreed to provide a loan facility of \$100,000 to LPE and on 19 August 2015 varied the loan facility agreement by increasing the facility amount to \$149,500 (**Glanville Loan**).

The key terms of the Glanville Director Loan are as follows:

- (a) **Repayment:** funds provided under the loan facility are payable by LPE on or before the date that is 2 years from the date of the Glanville Loan. LPE may repay the loan or part of it at any time;
- (b) **Unsecured:** the loan to LPE is unsecured;
- (c) **Interest:** the loan facility is supplied to LPE on interest free terms; and
- (d) **Amount drawn down:** as at the date of this Prospectus, LPE has drawn down a total of \$149,500 under the Glanville Loan.

## 14.6 Chester Loan

On 10 April 2015 LPE entered into a loan facility agreement with Ben Chester, an LPE Director, pursuant to which Mr Chester agreed to provide a loan facility of \$200,000 to LPE (**Chester Loan**).

The key terms of the Chester Loan are as follows:

- (a) **Repayment:** funds provided under the loan facility are payable by LPE on or before the date that is 2 years from the date of the Chester Loan. LPE may repay the loan or part of it at any time;
- (b) **Unsecured:** the loan to LPE is unsecured;
- (c) **Interest:** interest accrues at a rate of 5% per annum from the date funds are advance to LPE until all monies payable have been repaid. Interest is calculated daily and is to be paid by LPE on the last day of each calendar month; and
- (d) **Amount drawn down:** At the date of this Prospectus, LPE has drawn down a total of \$155,000 under the Chester Loan.

#### 14.7 Pettett Loan

On 31 July 2013 LPE entered into a loan facility agreement with Roger Pettett, pursuant to which Mr Pettett agreed to provide a loan facility of \$200,000 to LPE (**Pettett Loan**). On 14 July 2015 the Pettett Loan was subsequently amended pursuant to a deed of variation, under which the expiry date of the Pettett Loan was extended from 31 July 2015 until 30 September 2015. On 14 August 2015, the Pettett Loan was subsequently amended pursuant to a deed of variation, under which the expiry date of the Pettett Loan was extended from 30 September 2015 until 31 October 2015. On 6 October 2015, the Pettett Loan was subsequently amended pursuant to a deed of variation, under which the expiry date of the Pettett Loan was extended from 31 October 2015 until 30 November 2015.

The key terms of the Pettett Loan as amended are as follows:

- (a) **Repayment:** funds provided under the loan facility are payable by LPE on or before 30 November 2015. LPE may repay the loan or part of it at any time;
- (b) **Secured:** the loan is unsecured;
- (c) **Interest:** interest accrues at a rate of 12% per annum from the date funds are advance to LPE until all monies payable have been repaid. Interest is calculated daily and is to be paid by LPE on the last day of each calendar month; and
- (d) **Amount drawn down:** at the date of this Prospectus LPE has drawn down a total of \$200,000 under the Pettett Loan.

#### 14.8 Chester Additional Loan

On 25 September 2015 LPE entered into an additional loan facility agreement with Ben Chester, an LPE Director, pursuant to which Mr Chester agreed to provide a loan facility of \$240,000 to LPE (**Chester Additional Loan**) to fund additional working capital requirements prior to Settlement of the Acquisition.

The key terms of the Chester Additional Loan are as follows:

- (a) **Repayment:** funds provided under the Chester Additional Loan facility will be payable by LPE on the earlier of 25 September 2016 or the date of Settlement;

- (b) **Unsecured:** the Chester Additional Loan to LPE is unsecured;
- (c) **Interest:** interest accrues at a rate of 6.8% per annum from the date funds are advanced to LPE until all monies payable have been repaid. Interest is calculated daily and is to be paid by LPE on the last day of each calendar month;
- (d) **Facility Fee:** a facility fee of \$14,000 is payable by LPE; and
- (e) **Amount drawn down:** at the date of this Prospectus LPE has drawn down a total of \$240,000 under the Chester Additional Loan.

#### 14.9 Site Conversion Loan

On 30 April 2014 LPE entered into a loan facility agreement with GTG-LPE Pty Ltd as trustee for GTG-LPE Unit Trust (GTG), pursuant to which GTG agreed to provide a loan facility of \$1,000,000 to LPE (**GTG Loan**).

The key terms of the GTG Loan are as follows:

- (a) **Repayment:** funds provided under the loan facility are repayable by LPE in monthly payments of interest and principal up to the Expiry Date;
- (b) **Expiry Date:** means the date which is five years from the date of each drawdown under the loan facility;
- (c) **Secured:** the loan is secured by a security interest in the contract under which LPE agrees to install the equipment required for the provision of electricity to a customer by LPE;
- (d) **Interest:** interest accrues at a rate of 12% per annum from the date funds are advanced to LPE until all monies payable have been repaid. Interest is calculated daily and is to be paid by LPE in arrears thirty (30) days after the drawdown date and monthly thereafter; and
- (e) **Amount drawn down:** at the date of this Prospectus, LPE has drawn down a total of \$128,000 under the GTG Loan.

#### 14.10 Armada Capital Mandate

On 14 September 2015 SXT entered into an agreement to engage Armada Capital to be the Lead Manager and Corporate Advisor for the Acquisition (**Mandate**).

The key terms of the Mandate are as follows:

- (a) **Lead Manager:** Armada will co-ordinate and manage SXT's re-compliance Capital Raising pursuant to the Acquisition;
- (b) **Corporate Advisor:** Armada introduced LPE to SXT and facilitated the Option. In addition, Armada will provide ongoing corporate advisory services to SXT after Settlement of the Acquisition;
- (c) **Term:** Lead Manager role expires on 30 November 2015 and the Corporate Advisor role expires on 1 December 2016, unless terminated by either party beforehand;

- (d) **Termination:**
- (i) Armada may terminate the Mandate by giving fourteen (14) days' notice in writing of a material breach of the terms or conditions of the Mandate or if any warranty or representation given by SXT is not complied with or proves to be untrue in any respect;
  - (ii) Armada may terminate the Mandate immediately by notice in writing if SXT becomes insolvent, has a receiver or administrative receiver or manager appointed, enters into a composition with creditors, has a wind up resolution or court administrative order or scheme of arrangement of the affairs of SXT; and
  - (iii) SXT may terminate the Mandate at its discretion at any time by giving Armada seven (7) days' notice in writing;
- (e) **Fees:**
- (i) For Lead Manager services, a \$50,000 management fee and five (5) % of the funds raised in the Public Offer payable on successful completion of the Acquisition;
  - (ii) For the introduction and facilitation of the Acquisition, 75,000,000 options in SXT exercisable at \$0.025 each on or prior to 30 June 2017, subject to approval of SXT shareholders in general meeting; and
  - (iii) For ongoing corporate advisory services to SXT after Settlement of the Acquisition, a retainer of \$10,000 per month (excluding GST); and
- (f) **Expenses:** Reimbursement of all out-of-pocket expenses subject to limits and prior approval by SXT.

#### 14.11 Non-Executive Director letter of appointment

All Non-Executive Directors of SXT are required and have signed, a letter of appointment that sets out the key terms of their appointment, which are as follows:

- (a) appointment terms, including appointment requirements and induction and training;
- (b) director's duties and obligations, including time commitment, director's powers and duties, special duties or arrangements, board committees, compliance with code of conduct and other policies and confidentiality; and
- (c) director's entitlements, including remuneration (details of the Directors' proposed remuneration are set out in Section 10.3), superannuation, access to information, access to professional advice, insurance and alternate directors.

#### 14.12 Executive Employment Agreements

LPE has entered into executive employment agreements with Mr Damien Glanville and Mr Ben Chester (**Employment Agreements**), pursuant to which they

were appointed Managing Director and Chief Executive Officer, and Chief Operating Officer of LPE respectively as at 1 March 2015 (**Commencement Date**).

The key terms of the Employment Agreements are set out below:

- (a) **Term:** no fixed term;
- (b) **Salary:** a salary of \$150,000 per annum exclusive of superannuation, reviewable annually;
- (c) **Salary Milestones:** notwithstanding annual salary reviews, the executive's salary shall increase upon;

- (i) LPE achieving the following milestones:

Number of strata community sites under contract <sup>1</sup>	Salary
22	\$175,000
44	\$200,000
100	\$250,000

**Note:**

- 1. LPE having sites under contract means being the financially responsible retailer, holding a contract that allows and is actively selling electricity to the gate meter of the strata community. LPE currently has 9 strata community sites under management.

- (ii) LPE remaining administratively and operationally cash flow positive;
- (d) **Termination:** employment will be terminated in the following circumstances:

- (i) **Grounds for termination by LPE:** LPE may at its sole discretion terminate the employment by:

- (A) giving one month's notice if:

- (I) the executive is convicted of any indictable criminal offence or any other offence which brings LPE or any of its related bodies corporate into lasting disrepute; or
- (II) the Executive voluntarily declares bankruptcy or is declared bankrupt by order of the court; or

- (B) giving three months' notice if:

- (I) the executive commits any serious or persistent breach of any of the provisions contained in the Employment Agreement and the breach is

not remedied within 28 days of the receipt of written notice from LPE to do so, or the breach is otherwise incapable of being remedied; or

- (II) in the reasonable opinion of the Board, the Executive is absent in, or demonstrates incompetence with regard to the performance of his duties under this Agreement, or is neglectful of his duties under this Agreement or otherwise does not perform his duties under this Agreement in a satisfactory manner, provided that the Executive:
  - (a) has been counselled on at least three separate occasions of the specific matters complained of by the Board; and
  - (b) after each such occasion has been provided with a reasonable opportunity of at least a month to remedy the specific matters complained of by the Board;
- (III) the Executive commits an act of any gross misconduct or wilful neglect in the discharge of his duties;
- (IV) the Executive refuses to comply with a reasonable direction of the Board within 21 days of receipt of written notice by the Board to do so;
- (C) by giving 6 months' notice if:
  - (I) the executive is incapacitated by illness or injury which prevents the Executive from performing his duties for 3 months (consecutive or in any 12 month period);
  - (II) the Executive becomes of unsound mind or under the control of any committee or officer under any law relating to mental health;
- (D) by giving 9 months' notice if, in the opinion of the Board, it is in the best interests of LPE to do so, not being for a reason otherwise specified
- (E) by giving 12 months' notice if the position of the Executive is redundant upon which the executive will also be entitled to an amount equal to 1 months' salary for each completed year of service, at the date of termination of the employment.

- (ii) **Grounds for termination by the executive:** The Executive may at its sole discretion terminate the Employment in the following circumstances:

- (A) immediately by written notice to LPE if at any time LPE commits any serious or persistent breach of any term of the Employment Agreement that, at law, amounts to repudiation of the Agreement by LPE and the breach is not remedied within 28 days of receipt of written notice from the Executive to LPE, upon which LPE shall:
  - (I) pay to the executive annual and long service leave entitlements accrued up to the date of termination; and
  - (II) pay to the executive the equivalent of 6 months' salary.
- (B) by giving LPE 3 months' written notice. The Board may, at its discretion, waive the notice requirement by paying salary in lieu for all or part of the notice.

#### **14.13 Deeds of indemnity, insurance and access**

The Company is in the process of finalising deeds of indemnity, insurance and access with each of its Proposed Directors and will enter into such deeds with the Proposed Directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

For existing directors, the Company has entered into deeds of indemnity, insurance and access.



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## **15. ADDITIONAL MATERIAL INFORMATION**

### **15.1 Litigation**

As at the date of this Prospectus, neither SXT nor LPE is involved in any material legal proceedings and the Directors and Proposed Directors are not aware of any legal proceedings pending or threatened against SXT or LPE.

### **15.2 Rights and liabilities attaching to Shares (including Shares to be issued under the Offers)**

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special

arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### 15.3 Terms of Armada Options

A summary of the terms and conditions of the Options to be issued under the Armada Offer is set out below:

- (a) the Options will be exercisable on 10 business days' notice prior to 5.00pm EST on 30 June 2017 (Option Expiry Date). Options not exercised on or before the Option Expiry Date will automatically lapse;
- (b) the exercise price of each Option will be \$0.025;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to SXT's share registry and received by it any time prior to the Option Expiry Date;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be issued a Share ranking pari passu with the then issued Shares. SXT will apply to ASX to have the Shares granted official quotation;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) subject to any trading restrictions imposed by the ASX, the Options are freely transferable provided that they are not to be transferred to another person within 12 months following their issue (other than to another exempt investor pursuant to section 708A of the Corporations Act);
- (g) any Notice of Exercise received by SXT's share registry on or prior to the Option Expiry Date will be deemed to be a Notice of Exercise as at the last business day of the month in which such notice is received;
- (h) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by SXT and will be afforded 6 business days before the record date (to determine entitlements to the issue), to exercise the Options;

- (i) in the event SXT proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (j) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of SXT prior to the Option Expiry Date, all rights of an optionholder are to be changed in a manner consistent with the ASX Listing Rules;
- (k) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise; and
- (l) SXT must satisfy the conditions set out in section 708A(5) of the Corporations Act, and lodge with ASX a cleansing notice that complies with the requirements under section 708A(6) of the Corporations Act within 5 business days following the conversion of the Options issued by SXT to the optionholder into Shares.

In addition to the Armada Options set out above, the Company has existing Options on issue. A summary of the exercise price and expiry dates of the Company's currently issued Options is set out in Schedule 1.

#### 15.4 Terms of Options

A summary of the terms and conditions of the Options to be issued under the Initial Lender Offer and SXT Noteholder Offer is set out below:

- (a) the Options will be exercisable on 10 business days' notice prior to 5.00pm EST on 29 February 2016 (**Option Expiry Date**). Options not exercised on or before the Option Expiry Date will automatically lapse;
- (b) the exercise price of each Option will be \$0.02;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to SXT's share registry and received by it any time prior to the Option Expiry Date;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be issued a Share ranking pari passu with the then issued Shares. SXT will apply to ASX to have the Shares granted official quotation;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) subject to any trading restrictions imposed by the ASX, the Options are freely transferable provided that they are not to be transferred to another person within 12 months following their issue (other than to another exempt investor pursuant to section 708A of the Corporations Act);
- (g) any Notice of Exercise received by SXT's share registry on or prior to the Option Expiry Date will be deemed to be a Notice of Exercise as at the last business day of the month in which such notice is received;

- (h) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by SXT and will be afforded 6 business days before the record date (to determine entitlements to the issue), to exercise the Options;
- (i) in the event SXT proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (j) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of SXT prior to the Option Expiry Date, all rights of an optionholder are to be changed in a manner consistent with the ASX Listing Rules;
- (k) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise; and
- (l) SXT must satisfy the conditions set out in section 708A(5) of the Corporations Act, and lodge with ASX a cleansing notice that complies with the requirements under section 708A(6) of the Corporations Act within 5 business days following the conversion of the Options issued by SXT to the optionholder into Shares.

## 15.5 Terms of Performance Shares

A summary of the terms and conditions of the Performance Shares offered to Vendors as part of the Vendor Consideration is provided below:

### (a) Terms of Performance Shares:

- (i) **(Performance Shares):** Each Performance Share is a share in the capital of SXT. Each Performance Share will have paid up capital of \$0.0000001.
- (ii) **(General Meetings):** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of SXT that are circulated to Shareholders. Holders have the right to attend general meetings of SXT.
- (iii) **(No Voting Rights):** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of SXT, subject to any voting rights under the Corporations Act 2001 (Cth) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (iv) **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends.
- (v) **(Rights on Winding Up):** Upon winding up of SXT, the Performance Shares will entitle the Holder to the repayment of paid up capital but may not participate in the surplus profits or assets of SXT.

- (vi) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (vii) **(Reorganisation of Capital):** In the event that the issued capital of SXT is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (viii) **(Application to ASX):** The Performance Shares will not be quoted on ASX. Upon conversion of the Performance Shares into Shares in accordance with these terms, SXT must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of the Shares arising from the conversion.
- (ix) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under item (vii) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (x) **(Amendments required by ASX):** The terms of the Performance Shares may be amended as necessary by the Board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (xi) **(No Other Rights):** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(b) **Conversion of the Performance Shares**

- (i) **(Milestones):** The Performance Shares will convert (pro rata based on the proportion that the Performance Shares held by each Holder are to the total number of issued Performance Shares from time to time) upon satisfaction of the following milestones:
  - (A) One third of the Performance Shares shall convert upon SXT having under management (supply and sell under contract) 50 Giga Watts (GW) of annualised energy contracts within 18 months from the Settlement Date.
  - (B) One third of the Performance Shares shall convert upon SXT having under management (supply and sell under contract) 75GW of annualised energy contracts within 24 months from the Settlement Date.
  - (C) One third of the Performance Shares shall convert upon SXT having under management (supply and sell under contract) 100GW of annualised energy contracts within 30 months from the Settlement Date.

(each referred to as a **Milestone**).

- (ii) **(Conversion of Performance Shares)**: In the event a Milestone is satisfied, all of the Performance Shares held by the Holder will convert into an equal number of Shares.
- (iii) **(Conversion on change of control)** Subject to paragraph 2(d) and notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:
  - (A) a takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or
  - (B) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

that number of Performance Shares that is not greater than 10% of the Shares on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

- (iv) **(Deferral of conversion if resulting in a prohibited acquisition of Shares)** If the conversion of a Performance Share under paragraph (b)(ii) or (iii) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:
  - (A) Holders may give written notification to the Company if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
  - (B) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph 2(d)(i) within seven days if the Company considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle

the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

- (v) **(No Conversion if Milestone not Achieved):** Any Performance Share not converted into a Share within 30 months from the issue of the Performance Share will automatically lapse.
- (vi) **(After Conversion):** The Shares issued on conversion of the Performance Shares will, as and from 5.00pm (WST) on the date of issue, rank equally with and confer rights identical with all other Shares then on issue and application will be made by SXT to ASX for official quotation of the Shares issued upon conversion.
- (vii) **(Conversion Procedure)** SXT will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of the Performance Shares into Shares.
- (viii) **(Ranking of Shares)** The Shares into which the Performance Shares will convert will rank pari passu in all respects with the Shares on issue at the date of conversion.

## 15.6 Terms and Conditions of SXT Convertible Notes

On 2 December 2013, the Company issued 1,350,000 SXT Convertible Notes to Mountain Gold International Limited each with a face value of \$1.00. Shareholder approval for the issue of the SXT Convertible Notes was received at the Company's Annual General Meeting held on 29 November 2013 (**Previous Meeting**). The current terms and conditions of the SXT Convertible Notes are set out in the notice of meeting for the Previous Meeting.

On 6 March 2015 and 10 September 2015 the holders of the SXT Convertible Notes passed resolutions of Noteholders to vary the terms of the SXT Convertible Notes, subject to Shareholders approving the variation at the General Meeting.

The terms of the SXT Convertible Notes (following their proposed variation), as agreed to by Noteholders are as follows:

- (a) **Repayment Date:** the repayment date is the date which is the earlier of:
  - (i) the date of Settlement; and
  - (ii) 31 December 2015,or such other date as agreed between the Company and the Noteholders (**Repayment Date**);
- (b) **Conversion price:** the conversion price for the SXT Convertibles Notes is 80% of the price at which Shares are offered pursuant to the Capital Raising.
- (c) **Face value of SXT Convertible Notes:** each SXT Convertible Note has a face value of \$0.50;
- (d) **Conversion:** subject to paragraph 14.6(e) and (f) below, the SXT Convertible Notes shall be convertible into Shares (together with one free-attaching Option for every two Shares issued, exercisable at \$0.02



on or before 29 February 2016), at the sole election of Noteholders, at any time after the issue date and on or before the Repayment Date by giving the Company 10 Business Days prior notice;

- (e) **Restriction on Conversion:** a Noteholder may not, without the prior written consent of the Company, convert their SXT Convertible Notes until the earlier of:
  - (i) the Repayment Date; and
  - (ii) the date of termination of the Option Agreement.
- (f) **Automatic Conversion:** on the Repayment Date, all outstanding money under the SXT Convertible Notes will be converted into Shares and Options;
- (g) **Unsecured:** the Company's obligations under the SXT Convertible Notes are unsecured; and
- (h) **Interest:** interest is payable on the face value of the SXT Convertible Notes at a rate of 1% per month, calculated monthly and payable quarterly in arrears, which shall be satisfied by the issue of Shares at a deemed issue price of \$0.01 per Share (effective interest rate of 12% per annum).

## 15.7 Interests of Directors

Other than as set out elsewhere in this Prospectus, no Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of SXT;
- (b) any property acquired or proposed to be acquired by SXT in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers;
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of SXT; or
  - (ii) the Offers.

## 15.8 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of SXT;

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of SXT;
- (b) any property acquired or proposed to be acquired by SXT in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services provided in connection with:

- (a) the formation or promotion of SXT; or
- (b) the Offers.

Armada Capital Ltd has acted as corporate advisor of SXT and lead manager of the Public Offer. SXT will pay Armada Capital Ltd an offer management fee of \$50,000 and 5% of the proceeds raised under the Public Offer (excluding GST). In addition, it is proposed that Armada Capital Ltd will be issued 75,000,000 Options (exercisable at \$0.025 on or before 30 June 2017) in consideration for Armada Capital Ltd introducing and facilitation of the Acquisition. During the 24 months preceding lodgement of this Prospectus with ASIC, Armada Capital Ltd has received \$122,415 from SXT for their services.

Bentleys WA has acted as Investigating Accountant of SXT and has prepared the Independent Limited Assurance Report which is included in Section 11 of this Prospectus. SXT estimates it will pay Bentleys WA a total of \$9,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Bentleys WA have received \$7,500 from SXT for their services.

Bentleys has acted as independent auditor to SXT. During the 24 months preceding lodgement of this Prospectus with the ASIC, Bentleys has received fees of \$117,007 (excluding GST) from SXT for audit services.

Mr Roger Noakes has acted as independent auditor to LPE. During the 24 months preceding lodgement of this Prospectus with the ASIC, Mr Roger Noakes has received fees of \$10,220 (excluding GST) from LPE for audit services.

Steinepreis Paganin has acted as the solicitors to SXT. SXT estimates it will pay Steinepreis Paganin \$50,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of \$217,386 (excluding GST) from SXT for legal services.

Advanced Share Registry Services has acted as the share registry of SXT in relation to the Offers. SXT estimates it will pay Advanced Share Registry Service between \$15,000 and \$18,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Advanced Share Registry Services has received fees of \$29,342 (excluding GST) from SXT for share registry services.

## **15.9 Consents**

- (a) Other than as set out below, each of the parties referred to in this Section 15.9:
  - (i) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by the relevant party;
  - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
  - (iii) did not authorise or cause the issue of all or any part of this Prospectus.
- (b) Armada Capital Ltd has given its written consent to being named as corporate advisor of the Company and lead manager of the Public Offer in this prospectus. Armada Capital Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (c) Bentleys WA has given its written consent to being named as Investigating Accountant of the Company in this Prospectus and to the inclusion of the Independent Limited Assurance Report in Section 11 of this Prospectus in the form and context in which the information and report are included. Bentleys WA has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (d) Bentleys has given its written consent to being named as auditor of the Company in this Prospectus and the inclusion of the audited financial information of SXT in the Independent Limited Assurance Report in the form and context in which it appears. Bentleys has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (b) Mr Roger Noakes has given his written consent to being named as auditor of LPE in this Prospectus and the inclusion of the audited financial information of LPE in the Independent Limited Assurance Report in the form and context in which it appears. Mr Roger Noakes has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (e) Steinepreis Paganin has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian lawyers to SXT in relation to the Offers.
- (f) Advanced Share Registry Services has given its written consent to being named as share registry of the Company in this Prospectus. Advanced Share Registry Services has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

## 15.10 Expenses of the Offers

The total expenses of the Offers (excluding GST) are estimated to be approximately \$511,251 (if the Public Offer is fully subscribed) and are expected to be applied towards the items set out in the table below:

Item of Expenditure	\$4,000,000 Minimum Subscription under Public Offer (\$)	\$6,000,000 full subscription under Public Offer (\$)
Lead Manager fee	250,000	350,000
ASIC fees	2,320	2,320
ASX fees	65,931	67,931
Legal fees	50,000	50,000
Investigating Accountant Fees	10,000	10,000
Printing, Distribution and other	13,000	13,000
Share registry fees	15,000	18,000
<b>TOTAL</b>	<b>406,251</b>	<b>511,251</b>

## 15.11 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will continue to be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, SXT will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## 15.12 Governing law

The Offers and the contracts formed on return of an Application Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for Securities pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

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**16. DIRECTORS' AUTHORISATION**

This Prospectus is issued by SXT and its issue has been authorised by a resolution of the Directors and Proposed Directors.

In accordance with section 720 of the Corporations Act, each Director and Proposed Director has consented, and as at the date of this Prospectus has not withdrawn his consent, to the lodgement of this Prospectus with the ASIC.

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**Andrew Pierce**  
**Non - Executive Chairman**  
**For and on behalf of**  
**Stratum Metals Limited**

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## 17. GLOSSARY AND INTERPRETATION

### 17.1 Definitions

Unless the context requires otherwise, where the following terms are used in this Prospectus, they have the following meanings:

**\$** means an Australian dollar.

**Acquisition** means the purchase of 100% of the issued capital in LPE by the Company in accordance with the Option Agreement.

**Applicant** means a person who has submitted an Application Form.

**Application** means an application for Shares made on an Application Form.

**Application Form** means an application form attached to or accompanying this Prospectus relating to the Public Offer or the Secondary Offers (as applicable).

**Armada and Armada Capital** means Armada Capital Ltd (ACN 112 297 953)

**Armada Mandate** has the meaning given in Section 7.2(b).

**Armada Offer** has the meaning given on the cover page of this Prospectus.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the official listing rules of ASX.

**ASX Settlement Operating Rules** means the operating rules of the ASX Settlement Facility (as defined in Rule 1.1.1 and Rule 1.1.2 of the ASX Settlement Operating Rules) in accordance with Rule 1.2 which govern, inter alia, the administration of the CHESS sub registers.

**Authorisation** has the meaning given in Section 8.2(b) of this Prospectus.

**Board** means the board of Directors as constituted from time to time.

**CHESS** has the meaning given in Section 7.9 of this Prospectus.

**Closing Date** means the closing date of the Offers as set out in the indicative timetable in Section 3 of this Prospectus (subject to SXT reserving the right to extend the Closing Date or close the Offers early).

**Company** or **SXT** means Stratum Metals Limited (ACN 120 658 497) as the context requires.

**Conditions** means the conditions to the Offers set out in Section 2.4 of this Prospectus.

**Constitution** means the constitution of SXT (as amended or replaced from time to time).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of SXT as at the date of this Prospectus.

**Essential Resolutions** means those Shareholder resolutions referred to in Section 6.6 of this Prospectus to be considered at the General Meeting, as described in further detail in the Notice of Meeting.

**EST** means Eastern Standard Time as observed in Sydney, New South Wales.

**General Meeting** means the general meeting of SXT to be held on 2 November 2015, which seeks Shareholder approval for the matters set out in the Notice of Meeting (including the Essential Resolutions).

**Initial Lender Offer** has the meaning given on the cover page of this Prospectus.

**Initial Lender Securities** has the meaning given in Section 6.6(f).

**Initial Lenders** has the meaning given in Section 14.2.

**Initial Loan Agreements** means the agreements summarised in Section 14.2.

**Lenders** means the Initial Lenders and the Subsequent Lenders.

**LPE** means Locality Planning Energy (ACN 148 958 061).

**LPE Option** has the meaning given in Section 14.1.

**LPE Shares** means a fully paid ordinary share in the capital of LPE.

**Milestone** has the meaning given in Section 15.5.

**Maximum Subscription** means SXT receiving Valid Applications for 300,000,000 Shares to raise \$6,000,000.

**Minimum Subscription** means SXT receiving Valid Applications for at least 200,000,000 Shares to raise at least \$4,000,000.

**Notice of Exercise** has the meaning given in Section 15.3 and 17.4.

**Notice of Meeting** means the Notice of General Meeting and Explanatory Statement of SXT dated 25 September 2015 in relation to the General Meeting.

**Offers** means the Public Offer and the Secondary Offers.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share.

**Option Agreement** has the meaning given in Section 6A.

**Option Facilitation Fee** has the meaning given in Section 14.1.

**Performance Shares** means the performance shares proposed to be offered as consideration under the Option Agreement with the terms set out in Section 15.5.

**Proposed Directors** has the meaning given in Section 10.1.

**Prospectus** means this prospectus.

**Public Authority** means any government or governmental, semi-governmental, administrative, statutory, fiscal, or judicial body, entity, authority, agency, tribunal, department, commission, office, instrumentality, agency or organisation (including any minister or delegate of any of the foregoing), any self-regulatory organisation established under statute and any recognised securities exchange (including without limitation ASX), in each case whether in Australia or elsewhere.

**Public Offer** means the offer of 300,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$6,000,000 with a minimum subscription of \$4,000,000 pursuant to this Prospectus.

**Recommendations** has the meaning given in Section 13.1.

**Retail Law** means the National Energy Retail Law.

**Retail Rules** means the National Energy Retail Rules.

**Retail Regulations** mean National Energy Retail Regulations

**Secondary Offers** means the Vendor Consideration Offer, the SXT Noteholder Offer, the Armada Offer, the Subsequent Lender Offer and the Initial Lender Offer.

**Section** means a section of this Prospectus.

**Securities** means all securities of the Company, including a Share, an Option, an SXT Convertible Note or a Performance Share (as the context requires).

**Settlement** means settlement of the Acquisition in accordance with the terms of the Option Agreement.

**Share** means a fully paid ordinary share in the capital of SXT.

**Shareholder** means a holder of one or more Shares.

**Share Registry** means Advanced Share Registry Services (ABN 14 127 175 946).

**Subsequent Lender Offer** has the meaning given on the cover page of this Prospectus.

**Subsequent Lender Shares** has the meaning set out in Section 6.6.

**Subsequent Lenders** has the meaning given in Section 14.3.

**Subsequent Loan Agreements** means the agreements summarised in Section 14.3.

**SXT Convertible Notes** means the notes convertible into Shares issued by the Company on 3 December 2013 pursuant to a Shareholder approval at the Company's annual general meeting held on 29 November 2013.

**SXT Noteholder Offer** has the meaning given on the cover page of this Prospectus.

**SXT Noteholder Securities** means:

- (a) 42,187,500 Shares and 21,093,750 Options; and



- (b) that number of Shares, when multiplied by \$0.016, will raise the amount of interest payable under the SXT Convertible Notes on the date of Settlement (plus one attaching Option for every two Shares issued).

**SXT Noteholders** means the holders of the SXT Convertible Notes from time to time.

**Valid Application** means a valid and complete Application to subscribe for Securities under the Offers, accompanied by the appropriate Application money in full.

**Vendors** means the holders of LPE Shares.

**Vendor Consideration Offer** has the meaning given on the cover page of this Prospectus.

**Vendor Consideration Securities** has the meaning set out in Section 6.6.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## 17.2 Interpretation

Unless the contrary intention appears, the following rules apply in interpreting this Prospectus:

- (a) words or phrases defined in the Corporations Act have the same meaning in this Prospectus;
- (b) a reference to legislation, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (c) the singular includes the plural and vice versa;
- (d) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;
- (e) a reference to Australian dollars, AUD, \$ or dollars is to the lawful currency of the Commonwealth of Australia; and
- (f) a reference to time is to WST.

## SCHEDULE 1 – PRO FORMA CAPITAL STRUCTURE

On the basis that Settlement and associated transactions occurs on 30 November 2015 on the terms set out in Section 14.1 and the Maximum Subscription is achieved under the Capital Raising, SXT's capital structure will be as follows:

	Shares <sup>9</sup>	Options	SXT Convertible Notes	Performance Shares
Current	249,458,414	51,232,437 <sup>1</sup>	1,350,000	-
Conversion of SXT Convertible Notes (face value) <sup>3</sup>	42,187,500	21,093,750 <sup>2</sup>	(1,350,000)	-
Conversion of SXT Convertible Notes (interest) <sup>3</sup>	1,353,699	-	-	-
Conversion under Initial Loan Agreements (face value) <sup>4</sup>	23,000,000	23,000,000 <sup>2</sup>	-	-
Conversion under Initial Loan Agreements (interest) <sup>4</sup>	2,525,590	2,525,590 <sup>2</sup>	-	-
Conversion under Subsequent Loan Agreements (face value) <sup>5</sup>	25,000,000	-	-	-
Conversion under Subsequent Loan Agreements (interest) <sup>5</sup>	3,000,000	-	-	-
Grant of Options to Armada Capital <sup>6</sup>	-	75,000,000	-	-
Grant of Options to Directors <sup>7</sup>	-	30,000,000	-	-
Capital Raising <sup>8</sup>	300,000,000	-	-	-
<b>SUB-TOTAL</b>	<b>646,525,202</b>	<b>202,851,776</b>	<b>-</b>	<b>-</b>
Vendor Consideration <sup>9</sup>	646,525,202	-	-	<b>862,033,602</b>
<b>TOTAL</b>	<b>1,293,050,403</b>	<b>202,851,776</b>	<b>-</b>	<b>862,033,602</b>

### Notes:

- <sup>1</sup> The terms of the Options currently on issue are as follows:

Number	Exercise Price	Expiry Date
3,000,000	\$0.25	7 June 2016
3,000,000	\$0.35	7 June 2016
500,000	\$0.25	15 April 2018
600,000	\$0.25	23 January 2017
250,000	\$0.25	15 April 2016
5,500,000	\$0.45	15 April 2016
38,382,437	\$0.02	29 February 2016

- <sup>2</sup> Exercisable at \$0.02 on or before 29 February 2016. A summary of the terms and conditions of the Options is set out in Section 15.4.

- <sup>3</sup> The Company currently has 1,350,000 SXT Convertible Notes on issue with a face value of \$1.00 each and an interest rate of 8% per annum payable quarterly in arrears. The Company is seeking Shareholder approval under Resolution 7 for the terms and conditions of the SXT

Convertible Notes to be varied by reducing the face value of each note to \$0.50 and varying the interest rate to 1% per month payable quarterly in arrears. A summary of the terms and conditions of the SXT Convertible Notes following their proposed variation is set out in Section 15.6.

- 4 The Company has been granted loans under the Initial Loan Agreements to the value of \$250,000 of which \$112,000 has already been converted. The Initial Loan Agreements carry interest at a rate of 1% per month. The remaining \$138,000 will convert at Settlement into Shares at \$0.006 together with one attaching Option (exercisable at \$0.02 on or before 29 February 2016) for every Share issued. A summary of the terms of the Initial Loan Agreements is set out in Section 14.2.
- 5 Stratum will seek to be granted loans to the value of up to \$500,000 pursuant to the Subsequent Loan Agreements. The Subsequent Loan Agreements will carry interest at a rate of 24% per annum flat. Outstanding monies under the Subsequent Loan Agreements will automatically convert at Settlement into Shares at \$0.02 per Share, assuming a Capital Raising price of \$0.02 per Share. On 7 August 2015 the Company announced that it has currently negotiated commitments for \$250,000 pursuant to the Subsequent Loan Agreements. On 10 August 2015 the Company issued 3,000,000 Shares as consideration for interest payable on the \$250,000 of negotiated commitments pursuant to the Subsequent Loan Agreements. A summary of the Subsequent Loan Agreements is set out in Section 14.3.
- 6 Under the Armada Mandate, the Company has agreed to issue 75,000,000 Options to Armada Capital in consideration for Armada Capital introducing and assisting with the Acquisition. The Options are exercisable at \$0.025 each on or before 30 June 2017. A summary of the terms and conditions of the Options to be issued is set out in Section 15.3.
- 7 The Company has agreed to issue 30,000,000 Options equally to the Directors, Messrs A Pierce, D Moore and J Shepherd as recognition for past services. The Options are exercisable at \$0.025 each on or before 30 June 2017. A summary of the terms and conditions of the Options to be issued is set out in Section 15.4.
- 8 Assumes Maximum Subscription under the Capital Raising at an issue price of \$0.02 per Share.
- 9 Refer to Section 6.6 for a summary of the Vendor Consideration Securities to be issued to the Vendors at Settlement.