



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT

AND PROXY FORM

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Trafford Resources Limited will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Friday 21 November 2014 at 9.30am.

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

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

VOTING IN PERSON

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

PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.
2. Where more than one proxy is to be appointed or voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company or you may copy this form.
3. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.
4. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For a company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

5. In order to vote on behalf of a company that is a shareholder of Trafford Resources, a valid Power of Attorney in the name of the attendee, must be lodged with the Company prior to the Meeting in a like manner as this proxy.
6. Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the Company, at Level 2, 679 Murray Street, WEST PERTH WA 6005, or by facsimile (61 8) 9485 1050 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.
7. An instrument appointing a proxy:
 - a) Shall be in writing under the hand of the appointer or of his attorney, or if the appointer is a corporation, either under seal or under the hand of a duly authorised officer or attorney;
 - b) May specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;
 - c) Shall be deemed to confer authority to demand or join in demanding a poll; and
 - d) Shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001 and the Listing Rules;
 - e) Must be lodged with the Company prior to the Meeting in a like manner as this proxy.
8. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of the Company will be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Friday 21 November 2014 at 9.30am.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at the close of business on Wednesday 19 November 2014.

AGENDA

ORDINARY BUSINESS

Financial Reports

To receive and consider and adopt the Financial Report of the Company for the year ended 30 June 2014, together with the Directors Report and the Auditor's Report as set out in the Annual Report.

Resolution 1 - Adoption of Remuneration Report (Non-binding)

To receive, consider and adopt, with or without amendment the Remuneration Report of the Company for the year ended 30 June 2014 as an advisory resolution:

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes the Company adopts the Remuneration Report."

Note: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's Annual General Meeting. The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Resolution 2 - Re-election of Dr Allan Trench as Director

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

"That Dr Allan Trench who retires by rotation in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, is hereby re-appointed as a Director of the Company."

Resolution 3 - Ratification of Allotment and Issue of Options

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, this meeting approves and ratifies the issue and allotment of 2,750,000 Options exercisable at 20 cents on or before 20 May 2015 on the date set out in the Explanatory Memorandum accompanying this Notice of Meeting."

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

Shareholders should read the Explanatory Statement set out below before determining their vote on this resolution.

Resolution 4 - Approval of 10 % Placement Capacity

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

“That for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum.”

The Company will disregard any votes cast on Resolution 4 by a person who may participate in the issue of Equity Securities and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 - Approval of Trafford Resources Limited Employee Incentive Scheme

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

“That pursuant to and in accordance with ASX Listing Rule 7.2, Exception 9, and for all other purposes, the Company approves the grant of and issue of securities under the employee incentive scheme for employees and Directors known as Trafford Resources Limited Employee Incentive Scheme (“Incentive Scheme”), a summary of which is provided in the Explanatory Memorandum, as an exception to Listing Rule 7.1”.

The Company will disregard any votes cast on Resolution 5 by a director of the Company and any person associated with those persons (except one who is ineligible to participate in any employee incentive scheme of the Company). However the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By Order of the Board



Pragiyugi Gouw
Company Secretary
14 October 2014

EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement has been prepared for the information of members of Trafford Resources Limited ("Trafford" or "Company") in connection with the business to be conducted at the Annual General Meeting of Members to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Friday 21 November 2014 at 9.30 am.

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

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

FINANCIAL REPORTS

The first item of the Notice of Annual General Meeting deals with the presentation of the Annual Financial Report of the Company for the financial year ended 30 June 2014 together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

The Corporations Act 2001 have expanded the disclosure requirements of companies whose shares are quoted on Australian Securities Exchange Limited by requiring that the Directors of the Company include a remuneration report in the Company's Annual Report. Section 250R(2) of the Corporations Act also requires that the Directors put a resolution to shareholders each year that the remuneration report be adopted.

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors who were in office when the directors' report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the Company, will cease to hold

office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Remuneration Report is set out in the Company's 2014 Annual Report. The Annual Report is also available on the Company's website at www.traffordresources.com

The Remuneration Report:

- outlines the Board's policy for determining the nature and amount of remuneration of Directors, the company secretary and senior managers of the Company; and
- discusses the relationship between the Board's remuneration policy and the Company's performance; and
- details and explains any performance condition applicable to the remuneration of a Director, Secretary or senior manager, and
- details the remuneration (including options) of each Director of the Company for the year; and
- summarises the terms of any contract under which any Director or the Company Secretary is engaged, including the period of notice required to terminate the contract and any termination payments provided for under the contract.

The vote on the resolution is advisory only and does not bind the Directors or the Company. Nor does it affect the remuneration paid or payable to the Company's Directors or the Company Secretary. The Company will not be required to alter any arrangements in the Remuneration Report should the resolution not be passed. However, the Board will take the outcome of the resolution into account when considering future remuneration policy.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Voting Exclusion and Proxy Restrictions

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting.

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

RESOLUTION 2 – RE-ELECTION OF DR ALLAN TRENCH

Clauses 11.1.3, 11.1.4, 11.1.5 and 11.1.6 of the Constitution provides that, at the annual general meeting, in every year one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third, and any other Director not in such one-third who has held office for 3 years or more (except a Managing Director), must retire from office. A retiring Director is eligible for re-election. The Directors to retire at any annual general meeting must be those who have been longest in office since their last election but, as between person who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot.

Dr Allan Trench retires and seeks re-election in accordance with clause 11.1.4 of the Constitution. The Board of Trafford Resources Limited unanimously supports the re-election of Dr Trench as a director of the Company.

Details regarding Dr Trench are set out in the Company's 2014 Annual Report.

RESOLUTION 3 – RATIFICATION OF ALLOTMENT AND ISSUE OF OPTIONS

Background

On 12 February 2014 the Company issued 2,750,000 options exercisable at 20 cents on or before 20th May 2015.

The Options were allotted to unrelated party of the Company for taking part in the Company's rights issue shortfall.

The Company was not required to obtain Shareholder approval for the issue and allotment of the Options as none of the recipients to the issue were a related party of the Company and the Options were issued under the Company's 15% placement capacity.

ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities. Approval is sought under Resolution 3 to allow the Company to ratify the issue and allotment of the 2,750,000 Options exercisable at 20 cents on or before 20 May 2015 pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its securities without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 3 in accordance with ASX Listing Rule 7.5:

- i) The number of securities allotted by the Company was 2,750,000 Options exercisable at 20 cents on or before 20 May 2015;
- ii) The Options were issued and allotted on 12 February 2014;
- iii) The Options were issued at Nil;
- iv) The Options issued rank equally with the existing (ASX:TRFO) listed Options of the Company and the terms are set out at Annexure A to this Notice;
- v) The Options were allotted to sophisticated investors in accordance with section 708 of the Corporations Act;
- vi) No funds were raised from the issue of the Options;
- vii) The deemed issue price of the Options was nil; and
- viii) The allottees in respect of Resolution 3 are all unrelated parties of the Company.

Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 3. The Board believes that the ratification of the Options issue, the subject of Resolution 3 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 3 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without further Shareholder approval.

RESOLUTION 4 – APPROVAL OF 10% PLACEMENT CAPACITY

General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (10% Placement Capacity).

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, the number of Equity Securities, the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (set out below).

The effect of Resolution 4 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the

period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012, and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- a. Is not included in the S&P/ASX 300 Index; and
- b. Has a maximum market capitalisation (excluding restricted securities and securities quoted on deferred settlement basis) of \$300,000,000.

The Company currently has on issue 124,866,562 Shares and the last recorded closing price of the Shares on 2 October 2014 was 5 cents. The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$6.2 Million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has the following classes of Equity Securities on issue;

1. Ordinary Shares (ASX Code: TRF);
2. Listed options exercisable on or before 16 February 2015 at \$0.10 (ASX Code: TRFOC);
3. Listed options exercisable on or before 20 May 2015 at \$0.20 (ASX Code: TRFO);
4. Unlisted options exercisable on or before 31 October 2015 at \$0.25; and
5. Performance Share Rights.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated in accordance to the formula: $(A \times D) - E$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- i) Plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- ii) Plus the number of partly paid shares that become fully paid in the previous 12 months;
- iii) Plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
- iv) Less the number of Shares cancelled in the previous 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 and 7.4.

Technical Information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 4:

- a. Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- i) The date on which the price at which the Equity Securities are to be issued is agreed; or
- ii) If the Equity Securities are not issued within 5 ASX trading days of the date in paragraph i), the date on which the Equity Securities are issued.

b. Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- i) 12 months after the date of this Meeting; and
- ii) The date of approval by Shareholders of any transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) after which date, an approval under Listing Rule 7.1A ceases to be valid.

c. Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the economic and dilution effect that an issue of the 10% Placement Capacity will have on existing Shareholders, calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2):

- i) On the basis of the current number of Shares on issue as at the date of this Notice;
- ii) Two examples where the number of Shares on issue has increased by 50% and 100%. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rate entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- iii) Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	2.5 cents 50% decrease in Issue Price	5 cents Issue Price	10 cents 100% increase in Issue Price
124,866,562 (Current)	Shares issued	12,486,656	12,486,656	12,486,656
	Funds raised	\$ 312,166	\$ 624,333	\$ 1,248,666
187,299,843 (50% increase in current)	Shares issued	18,729,984	18,729,984	18,729,984
	Funds raised	\$ 468,250	\$ 936,499	\$ 1,872,998
249,733,124 (100% increase in current)	Shares issued	24,973,312	24,973,312	24,973,312
	Funds raised	\$ 624,333	\$ 1,248,666	\$ 2,497,331

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 2 October 2014.
2. The issue price set out above is the closing price of the Shares on the ASX on 2 October 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

4. The issue of Equity Securities under the 10% Placement Capacity consist only of Shares. It is assumed that no Options are exercisable into Shares before the date of issue of the Equity Securities.
5. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example at 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholder should note that there is a risk that:

- i) The market price for the Company's Share may be significantly lower on the issue date than on the date of the Meeting; and
- ii) The Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

d. Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- i) Continue exploration and developments of the Company's current mineral tenements in Western Australia, South Australia and Colombia.
- ii) Non cash consideration for the acquisition of new resources assets and investment, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3,

The Company will comply with the disclosure obligations under Listing Rule 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

e. Allocation under 10% Placement Capacity

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The recipients of the Equity Securities have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- i) The purpose of the issue;
- ii) Alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- iii) The effect of the issue of the Equity Securities on the control of the Company;
- iv) The circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- v) Prevailing market conditions; and
- vi) Advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

Voting Exclusion and Proxy Restrictions

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 4.

RESOLUTION 5 – APPROVAL OF TRAFFORD RESOURCES LIMITED EMPLOYEE INCENTIVE SCHEME

Background

Resolution 5 proposes the continuation of the Incentive Scheme first approved by Shareholders on 29 November 2010 pursuant to ASX Listing Rule 7.2 exception 9.

The Incentive Scheme is a fundamental component of the Company's remuneration policy which includes providing effective long term incentives for performance and retention of its staff.

The Incentive Scheme is a framework for the provision of long term incentives to executives and employees of the Company at all levels and is comprised of two parts. Part 1 provides for the issue of Options ("Part 1") and Part 2 provides for the issue of Performance Share Rights ("Part 2").

Shareholder approval is required if any issue of securities pursuant to the Incentive Scheme is to fall within the exception to the calculation of the 15% limit imposed by Listing Rule 7.1 on the number of securities which may be issued without shareholder approval. Accordingly, shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by the holders of ordinary securities within three years of that date of issue.

Securities have previously been issued under Shareholder approved Incentive Scheme.

Reason for the Incentive Scheme

To achieve the corporate objectives, the Company needs to attract and retain its key staff.

Your Board believes that grants of Options and Performance Rights to eligible employees will provide a powerful tool to underpin the Company's employment strategy and that the implementation of the Incentive Scheme will:

- Enable the Company to recruit and retain the talented people need to achieve its business objectives;
- Link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- Align the financial interest of participants of the Incentive Scheme with those of Shareholders; and
- Provide incentives to participants of the Incentive Scheme to focus on superior performance that creates shareholder value.

Outline of the Incentive Scheme

This section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Incentive Scheme.

Participation

Well designed, performance linked equity plans are widely considered to be very effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to create a valuable personal asset and financial stake in the Company.

The Board wishes to be in a position to offer either Performance Share Rights or Options to employees to achieve the objective outline above.

Prior Shareholder approval will be required before any Director or related party of the Company can participate in the TRF Incentive Scheme.

Performance Conditions

The Board's policy is that long term equity based reward for employees should be linked to the achievement by the Company of a performance condition.

Options and Performance Share Rights granted to eligible employees will be subject to performance conditions as determined by the Board, acting as the Remuneration Committee from time to time. These performance conditions must be satisfied before either the Performance Share Rights or Options vest.

The performance conditions are likely to be lined to a combination of Total Shareholder Return ("TSR") being the change in the share price over the relevant measurement period plus dividends (if any) notionally reinvested in the Shares, together with the achievement of other major milestones for the Company as identified in the Company's Strategic Plan. TSR is currently the measure most widely utilised by listed companies in their incentive share plans.

Rules of The Incentive Scheme.

The Board may from time to time in its absolute discretion issue invitations to full-time or part-time employees of the Company or a Group Company ("Eligible Person") to participate in the Incentive Scheme. The number of Performance Share Rights and Options which may be granted under the TRF Incentive Scheme at any time must not exceed the maximum permitted under ASIC Class Order 03/184 (which provides relief from the disclosure regime of the Corporations Act). Shares issued upon exercise of Performance Share Rights and Options shall rank equally with exiting Shares.

Restriction.

Anyone who wishes to trade any Share issued or transferred under the Incentive Scheme must seek and receive Board approval.

An Eligible Person may be offered the opportunity to participate in Part 1 of the issue of Options or Part 2 for the issue of Performance Share Rights.

The following is a summary of Part 1 of the Incentive Scheme with respect to the issue of Options:

a. Terms and Conditions of Options.

The Board may, in its absolute discretion, determine the terms and conditions of the Options to be offered to Eligible Persons under the Incentive Scheme, including the exercise price, expiry date and any exercise or performance conditions which need to be fulfilled before the Options may be exercised. The Board will have regard to the market value of the Shares at the time it resolves to offer Options determining the exercise price of the Options.

b. No payment for grant of Option.

An Eligible Person will not pay anything for the grant of Options. The Eligible Person must pay the exercise price to the Company to exercise the Options into Shares.

c. Exercise of Options.

Subject to any exercise or performance conditions set by the Board. Options may be exercised any time prior to their expiry date. In addition, the Options will be exercisable in certain takeover or change in control events, notwithstanding exercise or performance conditions may not have been met.

d. Pro rata issues, bonus issues, reorganisations of capital and winding up.

- i.* Options do not carry any rights to the holder to participate in any issue of securities to existing Shareholders;

- ii. If there is a bonus issue to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the option holder would have received if the Option had been exercised before the record date of the bonus issue;
 - iii. If there is a pro-rata issue (other than bonus issue) to Shareholders, the exercise price of the Options will be reduced according to the formula provided in the Listing Rules;
 - iv. If there is a reorganisation of the issued capital of the Company, then the rights of the option holder (including the number of Options to which the option holder is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation ; and
 - v. If a resolution for a members' voluntary winding up of the Company is proposed (other than for the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to the option holder of the proposed resolution. Subject to the exercise conditions of the Options, the option holder may, in the period referred to in the notice, exercise their Options.
- e. *Lapse of Options.*
- i. Options not validly exercised on or before their expiry date will automatically lapse;
 - ii. Unless otherwise determined by the Board, if Options are granted subject to exercise conditions and prior to satisfaction of the exercise conditions, an Eligible Person cease to be an Eligible Person for any reason other than the Specified Reason, any such Options held by the Eligible Person (or his or her nominated associate) will automatically lapse;
 - iii. Unless otherwise determined by the Board, if Options are granted subject to exercise conditions, and prior to satisfaction of the exercise conditions, and Eligible Person cease to be an Eligible Person because of a Specified Reason, any such Options held by the Eligible Person (or his or her nominated associate) may be exercised within 45 days of the event of the Specified Reason, or such longer period as the Board determines, subject to the Board waiving or varying the exercise conditions of the Options such that they may be exercised. Options not exercised within the 45 days or the longer period set by the Board will automatically lapse; and
 - iv. Unless otherwise determined by the Board, if an Eligible Person cease to be an Eligible Person, at any time after an Option is or has become exercisable, the Eligible Person (or his or her nominated associate) must exercise such Options within 30 days or they will automatically lapse.

The following is a summary of Part 2 of the Incentive Scheme with respect to the issue of Performance Share Rights:

- a. *Nature of Performance Share Rights.*
A Performance Share Right is an option to receive a Share on the terms set out in the Incentive Scheme for the relevant performance period and subject to satisfaction of the applicable hurdles. The performance period, performance hurdles and test dates for measuring the performance hurdles may be determined by the Board from time to time.
- b. *No Payment.*
An Eligible Person will not pay anything for the grant of Performance Share Rights and no amount will be payable by the holder of a Performance Share Right on the exercise of the Performance Share Right.
- c. *Vesting.*
A Performance Share Right is automatically considered to be exercised if it has vested and the Company is obliged to issue the shares. Performance Share Rights may vest in the following ways:
 - i. If the applicable performance hurdles are satisfied as at the relevant test date;
 - ii. If the holder cease to be an Eligible Person because of an "Uncontrollable Event" (e.g. death, serious injury, disability, retrenchment or redundancy). In these circumstances, all of the unvested Performance Share Rights that are capable of becoming exercisable if performance hurdles are met at the next test date will vest automatically and any other unvested Performance Share Rights will only vest if determined by the Board in its absolute discretion;

- iii. If the holder ceases to be an Eligible Person because of resignation, all the unvested Performance Share Rights will automatically lapse. In these circumstances the Board in its absolute discretion, after due consideration of the performance of the Eligible Person in meeting the performance hurdles may use its absolute discretion to amend the Performance Share Rights vesting criteria;
 - iv. Unvested Performance Share Rights that have not lapsed will vest if a takeover bid (as defined in the Corporations Act) to acquire Shares becomes unconditional; at any time after a "Change of Control Event" (as defined in Part 2 of the TRF Incentive Scheme) has occurred; or if a merger by way of scheme of arrangement under the Corporation Act has been approved by the Court.
- d. *Exercise.*
Performance Share Rights are automatically exercised if they vest. The Company must issue new Shares or procure the transfer of existing Shares to the holder immediately upon vesting of Performance Share Rights.
- e. *New Issue.*
Performance Share Rights do not confer on the holder a right to participate in a new issue of Shares in the Company, including by way of bonus issue, rights issue or otherwise.
- f. *Variation of Capital.*
If there are certain variations of the Share Capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction of Share Capital, a demerger or other distribution in specie, the Board may make one of the following adjustments as it considers appropriate in accordance with the provisions of the Listing Rules:
 - i. The number of Shares which may be issued or transferred upon exercise of any of the Performance Share Rights; or
 - ii. Where Performance Share Rights have been exercised but no Shares have been issued or transferred following the exercise, the number of Shares which may be issued or transferred.
- g. *Lapse.*
All Performance Share Rights will lapse on the date where performance hurdles have not been satisfied on the test date determined by the Board.

Listing Rule Information

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- a. A summary of the Incentive Scheme is set out above and a copy of the Incentive Scheme is available to Shareholders free of charge on request to the Company Secretary;
- b. This is the second approval sought under Listing Rule 7.2 Exception 9, with respect to the Incentive Scheme, since it was last approved in 2010:
 - 2,500,000 Options have been granted pursuant to the Incentive Scheme;
 - 5,906,000 Performance Share Rights have been granted pursuant to the Incentive Scheme;
 - 2,000,000 Options have been cancelled in accordance with their terms;
 - 2,119,500 Performance Share Rights have been cancelled in accordance with their terms;
 - No Options have been exercised in accordance with their terms;
 - No Performance Share Rights have vested in accordance with their terms; and
- c. A voting exclusion statement has been included for the purposes of Resolution 5.

GLOSSARY

In this Explanatory Statement and Notice of Meeting:

\$ means Australian dollars. All amounts in this Explanatory Statement are in Australian dollars unless otherwise stated.

ASX means ASX Limited.

ASX Listing Rules or Listing Rules means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

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

Directors means the Directors of the Company.

Equity Securities has the same meaning as in the ASX Listing Rules

Official Quotation has the same meaning as in the ASX Listing Rules.

Options means the options on the terms set out in Annexure A.

Performance Share Rights means an entitlement granted to a participant in the Company's Employee Incentive Scheme to receive shares subject to the satisfaction of any existing applicable vesting conditions, performance hurdles and/or exercise conditions.

Share Means a fully paid ordinary share in the capital of Trafford.

Trafford or the Company means Trafford Resources Limited (ABN 93 112 257 299).

ANNEXURE "A"

Terms and Conditions of Options exercisable at 20 cents on or before 20 May 2015 The terms and conditions of the Options to be ratified by Shareholders in accordance with Resolutions 3 are as follows:

- a) Each Option entitles the holder to subscribe for one Share in the capital of the Company.
- b) Subject to paragraph (c) below, the Options are exercisable at 20 cents each and can be exercised at any time up to 5.00pm Perth time on 20 May 2015 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.
- c) An Option Holder may exercise some of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options that are available to be exercised at that time.
- d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application has been made to ASX for official quotation of the Options.
- e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.
- h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 20 May 2015 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.
- i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

Appointment of Proxy - Trafford Resources Limited ABN 93 112 257 299
PROXY FORM

The Secretary
 Trafford Resources Limited
 P O Box 1124
 WEST PERTH WA 6872

I/We _____ being a member/members of Trafford Resources Limited (the "Company") hereby appoint			
_____ Print proxy's name in full			
of _____ print proxy's address			
and (if you wish to appoint two proxies) _____ print second proxy's name in full			
of _____ print second proxy's address			
or, in the proxy's/proxies' absence or if no other appointee is mentioned, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Bentleys, Level 1, 12 Kings Park Road, West Perth on Friday 21 November 2014 at 9.30 am. and at any adjournment of that meeting in respect ofof my/our shares or, failing any number being specified, ALL of my/our shares. The Chair will vote all available proxies in favour of all the resolutions if no directions are given.			
Important – this section applies to Resolution 1 If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolution 1, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark the box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.			<input type="checkbox"/>
If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his or her discretion.			
I/We direct my/our proxy to vote as indicated below:			
ORDINARY BUSINESS RESOLUTION	For	Against	Abstain
1. Adoption of Remuneration Report (Non-binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Dr Allan Trench as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of Allotment and Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Approval of Trafford Resources Limited Employee Incentive Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Note: 1. If you have appointed two proxies the proportion of your voting rights allocated to each proxy is: Proxy No. 1 _____% Proxy No. 2 _____%. 2. If the appointment of a proxy is signed by the appointor's attorney, this form must be accompanied by the authority under which the appointment was signed, or a certified copy of the authority.			

Signed this _____ day of _____ 2014

If a natural person:

SIGNED by _____)

)

 (Signature)

If a Company:

THE COMMON SEAL of _____)

ACN _____)

was affixed in the presence of: _____)

)

 (Signature of Secretary/other Director)

 (Signature of Director/Sole Director)

 (Name of Secretary/other Director in full)

 (Name of Director/Sole Director in full)

PROXY VOTES

A vote given in accordance with the terms of an instrument or proxy is valid notwithstanding the previous death or unsoundness of mind of the principal, the revocation of the instrument (or the authority under which the instrument was executed), or the transfer of the Share in respect of which the instrument or power is given, if no intimation in writing of the death, unsoundness of mind, revocation or transfer has been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the instrument is used or the power is exercised.

REPRESENTATIVES OF CORPORATE SHAREHOLDERS

A body corporate ("the Appointor") that is a Shareholder may authorise, in accordance with Section 250D of the Corporations Act 2001, by resolution of its Directors or other governing body such person or persons as it may determine to act as its Representative at any Meeting of the Company or of any class of Shareholders. A person so authorised shall be entitled to exercise all the rights and privileges of the Appointor as a Shareholder. When a Representative is present at a Meeting of the Company, the Appointor shall be deemed to be personally present at the Meeting unless the Representative is otherwise entitled to be present at the Meeting.