

27 May 2014

Dear Shareholder,

## Invitation to Participate in the Trafford Resources Limited Share Purchase Plan and Bonus Option Offer

Having recently received its Research and Development Rebate of **\$1.4 million**, the Company intends to further advance its 2014 exploration programmes.

In particular it proposes considerable follow-up of the exciting maiden, high grade **tin** discovery at its 100% owned Wilcherry Hill project. It is also preparing to commence field work for gold, nickel and copper in the Challenger/Woomera area of South Australia where it controls approximately 7500 Km<sup>2</sup> of highly prospective ground. In Colombia exciting, low cost entry, copper/gold opportunities also continue to present.

With this in mind the Board of Trafford Resources Limited (ASX : TRF) is now pleased to announce a Share Purchase Plan ("SPP") with free attaching Option and Bonus Option Offer to all shareholders to acquire additional new shares in the Company, free of brokerage and transaction costs. This is an excellent way for those shareholders holding less than a marketable parcel to increase their shareholding, enabling them to trade on ASX.

This SPP provides Eligible Shareholders with the right to acquire additional shares in the Company with no fees or transaction costs. "Eligible Shareholders" means existing Trafford shareholders in Australia and New Zealand who are registered on the Company's share register at 5pm WST on 21 May, 2014.

The SPP offer provides Eligible Shareholders with a facility to subscribe for between \$1,500 and \$15,000 worth of new Trafford shares without reference to the size of their shareholding. Shares are offered at the issue price of 7 cents per share. Eligible Shareholders who subscribe for Shares under the SPP are also being offered, subject to Shareholder approval, for every Share applied for, one (1) free attaching option exercisable at 10 cents on or before 16 February 2015, and one (1) bonus free attaching option at identical terms issued after 85 days; provided the shareholder retains the same number of share received through the SPP offer after 80 days. These Options are being offered under a prospectus dated 22 May 2014 (Prospectus) that is enclosed together with the detailed terms and conditions of the SPP and conditional on the Company obtaining Shareholder approval at a general meeting scheduled for 7 July 2014. If Shareholder approval is not obtained, Shareholders who subscribe for the SPP will be issued Shares under the SPP but will not be issued any Options.

Under this SPP the Company plans to raise up to \$1,250,000 comprising of approximately 17,857,143 ordinary shares at 7 cents per share. Any shortfall from the SPP may be placed at the discretion of the Directors.

Trafford is an exploration company committed to adding to shareholder wealth through the employment of all of the considerable skills and experience at its disposal to wherever worthwhile opportunities occur.

Whilst your Board is mindful of the current market conditions, it also views this time, in a traditionally cyclical industry, as a clear opportunity to prepare the Company for better times ahead.

As an example, Trafford's investment and technical involvement in Robust Resources Ltd (ASX : ROL) in 2008 (at the beginning of the GFC) resulted in a return to shareholders of approximately \$17 Million. Some of those funds were returned to shareholders directly, as a dividend, whilst the balance was utilised for in ground exploration. As a result shareholders suffered much less value dilution than might otherwise have been the case.

More recently the Company has taken a similar position in Orinoco Gold Limited (ASX : OGX). The recent announcement of the outstanding gold grades from a bulk sampling program indicates that this involvement will be at least as successful as the ROL project.

In South Australia, Trafford is a dominant tenement holder, having under its control over 10,000 Km<sup>2</sup> of highly prospective ground at both Wilcherry Hill, at the northern end of the Eyre Peninsula and around the Challenger gold mine to the North of the Gawler Craton.

Drilling and ground geochemistry in the Black Hills area, near Wilcherry Hill earlier this year demonstrated a significant number of targets that are now ready to be followed up by RC/diamond drilling. The funds raised from this share placement plan will be partly used for this purpose.

Similarly, the Twin Peaks project in Western Australia is showing immense promise as a potentially lucrative DSO hematite iron producer / exporter. The Company is earning up to 80% of this project from the Independence Group (ASX : IGO) and, having earned a 51% equity position, intends to continue the "earn in".

The previous SPP in May 2013 also outlined the manner in which the funds to be raised were intended to be used. It is satisfying to note that the Company achieved those objectives as reported to you throughout the year. In particular the Company's initial objective of earning a 51% interest in the Twin Peaks Joint Venture has been reached.

The rebate of \$1.4 million from the Australian Tax Office represents the tax effect of total allowable research and development expenditure incurred during the financial year ended 30 June 2013 i.e. the company spent approximately \$3.1 million alone on accredited expenditure. This is a remarkable achievement for a junior exploration company and highlights the goal of your directors to place your Company in the mid tier ranks of our industry.

Further information can be obtained from Trafford's website or by following the link below:

<http://www.traffordresources.com.au>

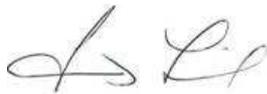
Full details of the SPP and how to participate are set out in the attached SPP offer documentation (consisting of an SPP Offer Document, a Prospectus for the Options and a combined application form for the shares and options).

The SPP offer is made in accordance with ASIC Class Order 09/425 and therefore does not require a prospectus for the purposes of Chapter 6D of the Corporations Act. However, given that ASIC Class Order 09/425 does not provide relief for the grant of options, the Company has issued the Prospectus for the offer of free attaching option and bonus attaching option. Please refer to the enclosed Prospectus for further information in relation to the offer of free attaching option and bonus attaching option.

To apply for a parcel of shares and the associated attaching options, please read these documents carefully and follow the instructions on the enclosed personalised application form. You may also wish to discuss this investment with your financial advisor.

Your continuing support as a shareholder of Trafford Resources Limited is appreciated. Participation in the SPP is optional. The Directors of Trafford intend to subscribe for shares under the SPP.

Yours sincerely

A handwritten signature in black ink, appearing to read 'I.D. Finch', written in a cursive style.

Ian D. Finch  
**Managing Director**

## THE OFFER AT A GLANCE

### Key Dates\*

21 May 2014	<b>Record Date 5.00pm (WST)</b> The date on which Trafford Resources Limited determined Eligible Shareholders registered on that date.
29 May 2014	<b>Opening Date</b> The date the SPP opens.
27 June 2014	<b>Closing Date</b> The date on which the SPP closes. Applications and payments (including BPAY) must be received by 5.00pm (WST).
30 June 2014	<b>Share Allotment and Despatch Date</b> The date shares are allotted and holding statements sent to shareholders.
3 July 2014	<b>Share Trading Date</b> The date on which it is expected that shares will commence trading on the ASX.
7 July 2014	<b>General Meeting</b> Shareholder meeting to approve the issue of Options offered under the Prospectus.
7 July 2014	<b>Option Allotment, Despatch and Trading Date</b> The date free attaching options are allotted and holding statements sent to optionholders. Options expected to commence trading on ASX.
17 September 2014	<b>Bonus Options Determination Date</b> The date on which entitlement to Bonus Options are determined.
22 September 2014	<b>Bonus Options Allotment and Despatch Date</b> The date bonus options are allotted and holding statements sent to optionholders.

***\*Trafford Resources Limited has the discretion to alter any of the Key Dates without notice.***

### Offer Details

Issue Price	The issue price is 7 cents per share which represents 1.9% discount to the 7 day volume weighted average price of the Company's share price between 28 April 2014 and 7 May 2014.
Attaching Options	<p>(a) One free attaching option for every share applied for, exercisable at 10 cents at any time on or before 16 February 2015.</p> <p>(b) One additional free attaching option (bonus issue) for every share applied for, exercisable at 10 cents at any time on or before 16 February 2015 will be issued to all share holders who participate in the SPP and remain registered share holders with the same number of shares in eighty (80) days after the date of allotment of the SPP shares.</p> <p>It is the intention of the Company to apply for ASX Listing of these options.</p>

Minimum Application Amount	The minimum application amount is \$1,500.
Maximum Application Amount	The maximum application amount is \$15,000.
Permitted Application Amounts	Each Eligible Shareholder is entitled to subscribe for a parcel of shares valued at any of \$1,500, \$3,150, \$4,900, \$6,300, \$9,100, \$11,900 or \$15,000.

## Valuation of Shares and Options

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

Under the SPP the Company is offering one (1) Share at an issue price of \$0.07 per Share to raise up to \$1,250,000 together with free attaching Option on the basis of one (1) free attaching Option for every one (1) Share subscribed for under the SPP and a further one (1) free attaching Bonus Option for every one (1) Share subscribed for under the SPP to be allotted eighty-five (85) days after the allotment of Share applied for via the SPP, provided the Share is retained in full after eighty (80) days.

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

In light of this, The Company considers it prudent to make available to Shareholders a valuation of the Options using the Black and Scholes option valuation model. Based on the assumptions set out below and using this model, the Options have a potential value as follows:

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

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

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

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

## QUESTIONS AND ANSWERS

### 1. What is the Share Purchase Plan?

The Share Purchase Plan (SPP) is an opportunity for eligible shareholders as at 21 May 2014 to purchase additional ordinary shares in the Company without brokerage and commission costs.

It also provides an excellent way for those shareholders holding less than a marketable parcel to increase their shareholding without incurring brokerage and commission costs, thus enabling them to be able to trade on ASX.

All shares issued to shareholders under the SPP will rank equally with existing shares and will carry the same voting rights and other entitlements.

### 2. What is the Issue Price of the Shares?

The issue price is 7 cents per share. You should note that the market price of the Company's shares may rise or fall between the date of this offer and the date the shares are allotted under the SPP. This means that the issue price may be higher, equal or lower than the price of the shares traded on ASX at the time the shares applied for under the SPP are allotted and issued.

### 3. How will the Funds Raised be used?

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

### 4. How many Shares can I apply for under the SPP?

Regardless of the number of shares you currently own, you are entitled to apply for a parcel

of shares in the Company valued at any of \$1,500, \$3,150, \$4,900, \$6,300, \$9,100, \$11,900 or \$15,000.

If you hold shares in more than one capacity (for example you are both a joint holder and a sole holder), the maximum amount you can apply for under the Plan in all capacities is \$15,000.

**By applying to purchase shares under the SPP, you will agree to be bound by the terms and conditions of the SPP as set out in this offer document.**

**5. How do I apply for Shares under the SPP?**

If you wish to participate in the SPP, please follow the instructions set out on the enclosed personalised application form and send this form together with your cheque or money order made payable to "Trafford Resources Limited" to:

Advanced Share Registry  
PO Box 1156, Nedlands, WA 6909

Alternatively you can make a BPAY payment as shown on the application form. If you make a BPAY payment, you do not need to return the application form. Please note that New Zealand shareholders are not able to make a BPAY payment.

Shareholders should note that if they do make payment via BPAY you are certifying that at the time of payment you have not received shares under the SPP in excess of \$15,000 including any shares of the same class under any previous share purchase plan or any similar arrangement in the 12 months prior to making payment.

If you wish to participate you should ensure that your application form and payment is received by no later than 5.00pm (WST) on 27 June 2014.

Please allow adequate time for mail deliveries.

You will not be able to withdraw or revoke your application once you have sent us the completed application form and payment.

**6. How long is the SPP offer open for?**

The SPP opens on 29 May 2014 and is expected to close on Friday 27 June 2014. The Directors reserve the right to vary the Closing Date.

If you wish to participate you should ensure that your application form and payment is received by no later than 5.00pm (WST) on 27 June 2014.

**7. Do I have to participate in the SPP?**

Participation in the SPP is voluntary.

Before you apply for shares under the SPP we recommend you seek independent financial advice from your professional advisor or stockbroker.

**8. Further assistance**

If you have any questions in relation to the SPP please contact your professional advisor or stockbroker.

If you require information on how to complete the application form please contact the Company Secretary on (08) 9485 1040 or the Company's share registry on (08) 9389 8033.

## TRAFFORD RESOURCES LIMITED SHARE PURCHASE PLAN

### Terms and Conditions

#### This document sets out the terms and conditions of the offer under the Share Purchase Plan

#### **Purpose**

The purpose of the Share Purchase Plan (**Plan**) is to offer shareholders of Trafford Resources Limited ABN 92 112 257 299 (**Company**) the opportunity to acquire additional fully paid ordinary shares in the Company up to a maximum value of \$15,000 without the need to pay brokerage or commission costs and without the need for the Company to issue a Prospectus as provided for in ASIC Class Order 09/425, upon such terms and conditions as the Board of Trafford Resources Limited in its absolute discretion sees fit.

#### **Shareholders Eligibility to Participate**

Participation in the Plan is open to each person registered as a holder of ordinary shares in the Company on 21 May 2014 (**Record Date**), who has an address in Australia or New Zealand (**Eligible Shareholders**) subject to the conditions detailed below.

Due to foreign security laws, it is not practical for shareholders who are resident in other countries to participate under the Plan.

Participation in the Plan is optional and is subject to the following terms and conditions. Offers made under the Plan are non-renounceable.

Joint shareholders are taken to be a single registered holding for the purpose of the Plan, and the joint holders are entitled to participate in the Plan in respect of that single holding only. If the same joint holders receive more than one offer under the Plan, those joint holders may only apply for the aggregate maximum parcel of shares between any joint or individual holdings, being \$15,000.

Trustees and nominees are able to apply for one maximum parcel of shares under the Plan for each beneficiary that is expressly noted on Trafford Resources Limited's share register as a trustee or nominee for a named beneficiary. If Trafford Resources Limited's share register does not record a named beneficiary in respect of your trustee or nominee holding, the rules for multiple holdings apply.

By electing to participate in the Plan, the shareholder shall be deemed to have certified that the aggregated maximum amount subscribed for under the Plan does not exceed \$15,000. Furthermore shareholders will be deemed to have confirmed, in relation to all shares applied for them under the Plan that they do not make application for any other person in circumstances which might involve any breach of securities law of any jurisdiction other than Australia and New Zealand and have agreed to be bound by Trafford Resources Limited's Constitution in respect of all the shares issued to them under the Plan.

### **Issue Price**

The price of shares to be issued under the Plan will be \$0.07 (7 cents) per share with one free attaching option per share exercisable at 10.0 cents per option on or before 16 February 2015 and a Bonus Option to be issued in accordance with the paragraph below "Bonus Issue of Options". The issue price is approximately a 1.9% discount to the 7 day volume weighted average price of the Company's share price between 28 April 2014 and 7 May 2014.

The market price of shares in Trafford Resources Limited may rise or fall between the date of this offer and the date that new shares are issued to you. This means that the issue price may be higher, equal or lower than the price of the shares traded on ASX at the time the shares applied for under the Plan are issued and allotted.

### **Bonus Issue of Options**

The offer and grant of Options is governed by the Prospectus.

All Shareholders who participate in the SPP who retain their full entitlement of shares at a date eighty (80) days after the allotment of their shares applied for via this SPP shall be entitled to receive, at no cost, one (1) additional option for each option allotted to them in accordance with the SPP and the Prospectus on the same terms and conditions as those options. In summary each bonus option issued shall have an exercise price of 10 cents and expiry date of 16 February 2015. Application will be made for the Bonus Option to be granted quotation.

### **Application and Notices**

At the discretion of the Directors of the Company, Eligible Shareholders will be sent the SPP offer documentation, consisting of an SPP Offer Document, a Prospectus for the Options and a combined application form for the shares and options.

Eligible Shareholders may apply to purchase a parcel of shares under the Plan valued at any of \$1,500, \$3,150, \$4,900, \$6,300, \$9,100, \$11,900 or \$15,000.

If you wish to participate in the Plan you must complete the attached personalised application form and provide payment in accordance with the instructions set out on the application form.

The number of shares to which you are entitled will be calculated by dividing the subscription amount elected by the purchase price per share.

Applications will not be accepted after 27 June 2014 (**Closing Date**) of the offer, unless the Directors elect to vary the Closing Date.

The Company reserves the right to reject any application where there is non-compliance with this rule or any other terms or conditions of the Plan.

Oversubscriptions or refunds of other application monies will be without interest.

### **Scale back**

If the subscriptions received by Trafford Resources Limited exceed \$1,250,000 or such other amount as determined by the Directors, the Company may in its absolute discretion choose to undertake a scale back to the extent and in the manner it sees fit. Any scale back will be announced on 30 June 2014 (**Allotment Date**) unless the Directors vary the Closing Date for the SPP.

**Shortfall**

In the event that the SPP is not fully subscribed, any shortfall may be placed at the discretion of the Directors. The Company will offer the free attaching Option and free attaching Bonus Option to investors who subscribe for any shortfall on the same terms offered to Eligible Shareholders.

**Shares Issued Under the Plan**

Shares issued under the Plan will rank equally in all respects with all other ordinary fully paid shares in the Company from the date of issue.

Shareholder holding statements and/or CHESS notifications will be issued in respect of all shares.

After the issue of shares under the Plan, the Company will make application for these shares to be listed for quotation on the official list of the ASX.

**Terms of Options**

The offer and grant of Options is governed by the Prospectus, and is conditional on Shareholders approving the grant of the free attaching Option and Bonus Option at a shareholder meeting to be held on 7 July 2014.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Quotation of options on ASX will be sought and the Company will apply to ASX for official quotation of Shares issued on the exercise of options.

There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 7 Business Days after the issue is announced. Option holders shall be afforded the opportunity to exercise all options which they are entitled to prior to the date for determining entitlements to participate in any such issue.

Options must be exercised in multiples of 5,000, unless the holder exercises all Options able to be exercised at that time.

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each option holder, holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the option holder may subscribe pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank *pari passu* in all respects with the other Shares issued upon exercise of the options.

**Modification and Termination of the Plan**

Trafford Resources Limited may settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant or application, and the decision of Trafford Resources Limited will be conclusive and binding on all participants and other persons to whom the determination relates.

Trafford Resources Limited reserves the right to waive strict compliance with any provision of these terms and conditions. The power of Trafford Resources Limited under these conditions may be exercised by the Directors of the Company or any delegate of the Directors of the Company.

**ASIC & ASX Relief**

This offer of new shares under the Plan is made in accordance with the relief granted under ASIC Class Order 09/425. This class order grants relief from the requirement to prepare a prospectus for the offer of new shares under the Plan. However, given that ASIC Class Order 09/425 does not provide relief for the grant of options, the Company has issued the Prospectus for the offer of free attaching option and a free bonus attaching option. Please refer to the enclosed Prospectus for further information in relation to the offer of free attaching option and bonus attaching option.

**Contact Details**

If you have any questions regarding the Plan or how to deal with this offer, please contact your professional advisor or stockbroker.

If you require information on how to complete the application form, please contact the Company's share registry on (08) 9389 8033 or the Company Secretary (08) 9485 1040.