
STRATUM METALS LIMITED
(TO BE RENAMED “LOCALITY PLANNING ENERGY LIMITED”)
ACN 120 658 497

NOTICE OF GENERAL MEETING

TIME: 11am

DATE: 2 November 2015

PLACE: Level 7, 151 Macquarie St, Sydney NSW

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 +61 8 9389 5885.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11am on 2 November 2015 at:

Level 7, 151 Macquarie Street, Sydney NSW

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11am on 31 October 2015.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;

- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 - CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any 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 a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

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

"That, subject to and conditional upon the passing of all Essential Resolutions, for the purpose of section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement."

3. RESOLUTION 3 – ISSUE OF SECURITIES – VENDOR CONSIDERATION SECURITIES

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

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue the Vendor Consideration Securities on the terms and conditions set out in the Explanatory Statement."

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

4. RESOLUTION 4 – CAPITAL RAISING

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

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

5. RESOLUTION 5 – GRANT OF OPTIONS TO ARMADA CAPITAL

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 75,000,000 Options exercisable at \$0.025 on or before 30 June 2017, to Armada Capital Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement.”

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

6. RESOLUTION 6 – CONVERSION UNDER INITIAL LOAN AGREEMENTS

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 7.1 and for all other purposes, approval is given for the Company to issue the Initial Lender Securities on the terms conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to

vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – VARIATION OF SXT CONVERTIBLE NOTES

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 7.1 and for all other purposes, approval is given for the Company to vary the terms of the SXT Convertible Notes from those previously approved by Shareholders at the Company’s Annual General Meeting held on 29 November 2013 on the terms and conditions set out in the Explanatory Statement.”

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

8. RESOLUTION 8 – CONVERSION UNDER SUBSEQUENT LOAN AGREEMENTS

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 7.1 and for all other purposes, approval is given for the Company to issue the Subsequent Lender Securities on the terms and conditions set out in the Explanatory Statement.”

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

9. RESOLUTION 9 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

“That, subject to and conditional upon the passing of all Essential Resolutions, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to ‘Locality Planning Energy Limited’ with effect from the date that ASIC alters the Company’s registration.”

10. RESOLUTION 10 – ELECTION OF DIRECTOR – MR DAMIEN GLANVILLE

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 11.7 of the Constitution and for all other purposes, Mr Damien Glanville who, being eligible and having consented to act, be elected as an additional director of the Company on and from Settlement.”

11. RESOLUTION 11 – ELECTION OF DIRECTOR – MR BEN CHESTER

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 11.7 of the Constitution and for all other purposes, Mr Ben Chester who, being eligible and having consented to act, be elected as an additional director of the Company on and from the date of Settlement.”

12. RESOLUTION 12 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”

13. RESOLUTION 13 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 224,384 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 14 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 226,849 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 15 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 226,849 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. RESOLUTION 16 – RATIFICATION OF PRIOR ISSUES – SHARES AND 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, Shareholders ratify the issue of 206,631 Shares and 206,631 Options exercisable at \$0.02 on or before 29 February 2016 on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

17. RESOLUTION 17 – RATIFICATION OF PRIOR ISSUES – SHARES AND 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, Shareholders ratify the issue of 309,140 Shares and 309,140 Options exercisable at \$0.02 on or before 29 February 2016 on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

18. RESOLUTION 18 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 170,137 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

19. RESOLUTION 19 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 54,246 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

20. RESOLUTION 20 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 40,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

21. RESOLUTION 21 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 451,235 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

22. RESOLUTION 22 – RATIFICATION OF PRIOR ISSUES – SHARES

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, Shareholders ratify the issue of 3,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

23. RESOLUTION 23 – GRANT OF OPTIONS TO DIRECTOR – MR ANDREW PIERCE

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

“That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,000,000 Options exercisable at \$0.025 on or before 30 June 2017 to Mr Andrew Pierce (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Andrew Pierce (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:

- a member of the Key Management Personnel; or
- a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

24. RESOLUTION 24 – GRANT OF OPTIONS TO DIRECTOR – MR DANIEL MOORE

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

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,000,000 Options exercisable at \$0.025 on or before 30 June 2017 to Mr Daniel Moore (or his nominee) on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Daniel Moore (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - a member of the Key Management Personnel; or
 - a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

25. **RESOLUTION 25 – GRANT OF OPTIONS TO DIRECTOR – MR JOHN SHEPHERD**

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

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,000,000 Options exercisable at \$0.025 on or before 30 June 2017 to Mr John Shepherd (or his nominee) on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr John Shepherd (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - a member of the Key Management Personnel; or
 - a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 28 September 2015

By order of the Board



Damon Sweeny
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

All Resolutions, other than Resolutions 12 to 25 are Essential Resolutions. **If any of the Essential Resolutions are not passed, then all of the Resolutions other than Resolutions 6 to 8 and 12 to 25 will be taken to have been rejected by Shareholders and the transaction the subject of this Notice of Meeting will not proceed.** All Resolutions (other than Resolutions 12 to 25) must be passed for the Acquisition to proceed.

1. BACKGROUND TO PROPOSED ACQUISITION OF LOCALITY PLANNING ENERGY PTY LTD

1.1 General background

Historically, the Company has been a gold exploration company focussed on exploration of the East Menzies Gold Project located in the Yilgarn Shield of Western Australia. Details of the Company's most recent activities in these areas are set out in its Annual Report lodged with ASX on 30 September 2014 and its Quarterly Activities Report lodged with ASX on 29 April 2015.

For the past 9 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.

On 2 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.

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.

A summary of the material terms of the Option Agreement is set out in Section 1.6(a) below.

This Notice of Meeting sets out the Resolutions necessary to complete the Acquisition and associated transactions. Each of the Resolutions (other than Resolutions 6 to 8 and 12 to 25) are conditional upon the approval by Shareholders of each of the Essential Resolutions. If any of the Essential Resolutions are not approved by Shareholders, all of the Resolutions (other than Resolutions 6 to 8 and 12 to 25) will fail and Settlement will not occur. A summary of the Resolutions is as follows:

- (a) as the Company is currently a gold exploration company, the Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations to a utilities company, for which Shareholder approval is required under ASX Listing Rule 11.1.2 (Resolution 1); the creation of a new class of shares, being the Performance Shares (the terms and conditions of which are set out at Schedule 1), which are being offered as part of the Vendor Consideration (defined below) (Resolution 2);
- (b) 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 Capital Raising; and
 - (D) Shares issued upon conversion of the SXT Convertible Notes;(the **Consideration Shares**); and
 - (ii) such number of performance shares on the terms set out in Schedule 1 that, together with the Consideration Shares, represent 70% of the fully diluted Shares deemed to be on issue at Settlement (the **Performance Shares**), 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) SXT Shares issued pursuant to the Capital Raising;
 - (IV) SXT Shares issued on conversion of the SXT Notes;
 - (V) the Consideration Shares; and
 - (VI) SXT Shares to be issued upon conversion of the Performance Shares to be issued pursuant to this clause 5(b); 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 (Resolution 3). Assuming Settlement occurs on 31 October 2015 and the Maximum Subscription is achieved under the Capital Raising, the Company anticipates issuing 645,632,599 Consideration Shares and 860,843,465 Performance Shares, as set out in the pro-forma capital structure contained in Schedule 4;

- (c) the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, to achieve this, must successfully undertake a capital raising by issuing 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**) via the Prospectus (**Capital Raising**) (Resolution 4); and
- (d) 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**) (Resolution 5);
- (e) 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) 23,000,000 Shares with a deemed issued price of \$0.006 per Share, together with 23,000,000 free attaching Options exercisable at \$0.02 on or before 29 February 2016, on conversion of the \$138,000 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**) (Resolution 6). Assuming Settlement occurs on 31 October 2015, the Company anticipates issuing up to 2,498,740 Shares in satisfaction of interest payable under the Initial Loan Agreements, as set out in the pro-forma capital structure contained in Schedule 4;

- (f) a variation to the terms and conditions of the SXT Convertible Notes (Resolution 7);

- (g) 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 3,000,000 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 outstanding interest payable under the Subsequent Loan Agreements,

(Subsequent Lender Shares) (Resolution 8);
- (h) the change of the Company's name to "Locality Planning Energy Limited" at Settlement (Resolution 9);
- (i) the appointment of 2 Proposed Directors nominated by LPE to the Board, being Messrs Damien Glanville and Ben Chester. (Resolutions 10 and 11);
- (j) the adoption of a new constitution (Resolution 12);
- (k) the ratification of issues of 44,869,471 Shares and 515,771 Options exercisable at \$0.02 on or before 29 February 2016, between 1 July 2014 and the date of this Meeting (Resolutions 13 to 22); and
- (l) the issue of 10,000,000 Options exercisable at \$0.025 on or before 30 June 2017 to each of Directors, Messrs Andrew Pierce, Daniel Moore and John Shepherd in consideration for past services (**Director Options**) (Resolutions 23, 24 and 25).

1.2 Overview of Locality Planning Energy Pty Ltd

(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 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.

Residential customers are exposed to high energy costs particularly those residing in strata communities. LPE's unique embedded technology and comprehensive knowledge of energy retailing markets enable strata communities the ability to pass on significant electricity cost saving to strata body corporates and individual dwellings within those strata communities, without prohibitive upfront costs.

LPE is focused on developing a way to apply niche methods to a major sector of the residential electricity market to save consumers money. Beginning as an energy consultancy firm, specialising in the energy market and large scale generation assets, LPE has the experience and

the understanding of the energy retailing market within true embedded networks. As a result 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 no energy retailer has focused solely on strata communities. LPE offers a fully comprehensive service to strata communities thus removing the burden from the body corporate as follows:

- (i) significant savings over a private or individual power bill;
- (ii) an appreciation of strata community operations;
- (iii) complaint procedures with the National Energy 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) zero cost to implement an embedded network solution; and
- (vi) LPE take full responsibility for the administration of electricity accounts.

Strata communities currently do not have the above services available and LPE enjoys a lucrative first mover advantage in supplying discounted 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 body corporates 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**

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 1.6(e).

Currently LPE hold 1 of only 20 active small customer energy retail authorisations with the AER Australia wide focussed on residential customers. Three of those holders are included in the top 20 largest ASX listed companies in Australia and 12 others are in the top 100. The sector holds \$37 billion dollars in traded electricity across active authorisations.

Holding an authorisation to retail electricity enables LPE to offer a new type of electricity solution to small consumers not yet seen before in the

Australian market. Current incumbent retailers would not see any advantage or benefit offering a true embedded network solution as it would only increase workloads for their same margin. Billing agents or 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 Act. LPE has numerous market advantages over any billing agents or exemption holders.

(c) **Target Market Background**

Overall 24% 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.

These figures are confirmed by the peak strata community lobby group Strata Community Australia (**SCA**) who have over 300 strata management companies as full members and a further 200 plus associated services as members encompassing approximately 45,000 of the 150,000 strata community sites Australia wide as part of their membership portfolio. A mere 3,500 strata community sites (2.3% Australia wide) are known to be utilising parent meter solutions.

Of the 19,000 strata community sites that are managed by members of SCA that are located in LPE's immediate target area of South East Queensland, 9,000 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) contract 10% of the SCA South East Queensland market or 900 strata community sites.

In the event that LPE is able to contract 10% of the SCA South East Queensland market, 900 strata community sites are expected to

average 62 lots per site to equate to 55,800 customers buying electricity from LPE on long term contracts of between 5 and 10 years. It is expected that 55,800 Individual customers will consume approximately 306 Gigawatts (**GW**) of electricity plus the common area and commercial quantities, which will bring the energy volumes above 400GW.

The Australian Electricity Market Commission (**AEMC**) has publicly stated that a reasonable margin for energy retailers to make on the sale of electricity to consumers is 3% to 6%. 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 billing agents and incumbent energy retailers.

Billing agents are LPE's primary competitors but LPE is the only AER regulated energy retailer focused purely on the strata community market with true direct access to customer interaction. As regulations continue to change LPE see an environment whereby the billing agents will need to either amalgamate or divest their business clientele to an energy retailer. LPE see this as a significant opportunity for growth.

Holding an authorisation to retail electricity enables LPE to offer a new type of 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 a parent meter solution as it would only increase workloads for the same margin. Billing agents and/or exemption holders cannot offer many of LPE's services due to rules around being an exemption holder and the body corporate act, along with it not being their primary service.

(e) **How LPE generates revenue**

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;
- (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 upfront costs with the body corporate through each individual site's savings in electricity costs. The long term agreements LPE is able to secure for its customers are expected to result in a higher market valuation than the incumbent traditional energy retailers. As LPE's volume of energy under management increases, not

only will LPE be able to offer its customers further savings, LPE will build a significant asset, namely electricity under management secured by long term agreements with its customers driving shareholder wealth.

1.3 Re-compliance with Chapters 1 and 2 of the Listing Rules

ASX has advised the Company that, given that the Company is proposing to make a change in its activities from a gold exploration company to a utilities company, it has exercised its discretion to require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to the Company completing the Acquisition.

For this purpose, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules in order to achieve Settlement and before it can be re-instated to trading on ASX following Settlement.

ASX Listing Rule 2.1 Condition 2 provides that it is a condition of quotation of the main class of a company's securities of an entity seeking admission to ASX that the issue price of the securities for which the company seeks quotation must be at least 20 cents in cash. In addition, ASX Listing Rule 1.1 Condition 11 provides that for an entity to be admitted to the official list, the exercise price for any options on issue must be at least 20 cents in cash.

On 11 September 2015, ASX granted the Company a waiver from the requirements outlined above to enable the Company to issue securities for the purpose of satisfying ASX Listing Rule 2.1, Condition 2 at \$0.02 per Share, with all Options issued or to be issued having an exercise price of not less than \$0.02. This waiver is subject to Shareholders approving the Company undertaking the Capital Raising at \$0.02.

1.4 Capital Raising

For the purposes of the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, the Company intends to undertake the Capital Raising through the issue of up to 300,000,000 Shares at \$0.02 per Share to raise at least \$4,000,000 and up to \$6,000,000.

Funds raised under the Capital Raising are intended to be used in the manner set out in Section 1.5 below.

The Company expects to lodge a prospectus for the Capital Raising with ASIC before the date of the General Meeting. The Capital Raising is intended to be completed in accordance with the timetable set out in Section 1.10 below.

1.5 Use of funds

Following Settlement, the Company expects to use its cash funds as follows:

Funds available	Minimum Subscription (\$4,000,000)	Percentage of Funds	Maximum Subscription (\$6,000,000)	Percentage of Funds
Existing cash reserves	\$350,000	8.0%	\$350,000	5.5%

of the Company ¹				
Funds raised from the Capital Raising	\$4,000,000	92.0%	\$6,000,000	94.5%
Total	\$4,350,000	100%	\$6,350,000	100%
Allocation of funds	Total	Percentage of Funds (%)	Total	Percentage of Funds (%)
Loan repayments ²	\$754,500	17.4%	\$754,500	11.9%
Expenses associated with the Acquisition ³	\$406,233	9.1%	\$511,233	8.2%
Funding site conversion costs	\$1,500,000	34.5%	\$3,000,000	47.2%
Additional sales and operational personnel	\$500,000	11.5%	\$500,000	7.9%
Potential acquisitions	\$750,000	17.2%	\$1,250,000	19.7%
Working capital ⁴	\$439,267	10.3%	\$334,267	5.1%
TOTAL	\$4,350,000	100%	\$6,350,000	100%

Notes

- These funds represent existing cash held by the Company and LPE at or around the date of this Notice of Meeting assuming that LPE has received \$250,000 under the Proposed Loan. The Company and LPE expect to incur costs within the ordinary course of their businesses which will diminish this amount prior to Settlement.
- Key terms of the Pettett Loan, Glanville Loan, Chester Loan and Proposed Loan are summarised in sections 1.6(f), 1.6(g), 1.6(h) and 1.6(i) respectively.
- Refer to the table below for the itemised costs of the expenses associated with the Acquisition:

Estimated Costs of Acquisition	Proposed minimum Capital Raising (\$4,000,000)	Proposed maximum Capital Raising (\$6,000,000)
Lead Manager fee	\$250,000	\$350,000
ASX Fees	\$65,913	\$67,913
ASIC Fees	\$2,320	\$2,320
Legal, Accounting and Due Diligence Expenses	\$60,000	\$60,000
Shareholder Meeting, Printing and other Costs	\$13,000	\$13,000
Share Registry	\$15,000	\$18,000
TOTAL	\$406,233	\$511,233

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, the additional funds raised will be first applied towards funding site conversion costs.

The above tables are statements of current intentions as of the date of this Notice of Meeting. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

1.6 Material Contracts of the Company

(a) 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:

- (i) **Conditions Precedent:** Settlement is conditional upon the satisfaction (or waiver by SXT) of the following conditions precedent by no later than 4 months following exercise of the LPE Option by SXT (unless indicated otherwise):
 - (A) 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;
 - (B) ASX approving the terms of the Performance Shares under ASX Listing Rules 6.1 and 6.2;
 - (C) SXT entering into agreements with all holders of SXT Convertible Notes (**Noteholders**), under which Noteholders agree to their SXT Convertible Notes being converted into Shares at or before Settlement;
 - (D) 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;
 - (E) SXT undertaking the Capital Raising and receiving valid applications for at least \$4,000,000 under the Capital Raising; and
 - (F) SXT holding a shareholder meeting to:

- (I) obtain all approvals that are required to give effect to the transactions require to complete the Acquisition; and
- (II) 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**)

- (ii) **Vendor Consideration:** upon Settlement under the Option Agreement, the Company must issue the Vendor Consideration Securities to the Vendors; and
- (iii) **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.

(b) **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 following their variation are as follows:

- (i) **Repayment:** the repayment date is the date which is the earlier of:
 - (A) the date of Settlement; and
 - (B) 31 December 2015;
- (ii) **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:
 - (A) \$0.006 per Share; or
 - (B) 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;

- (iii) **Options:** each Share issued upon conversion of a loan will have one attaching Option exercisable at \$0.02 on or before 29 February 2016;

- (iv) **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;
- (v) **Unsecured:** the loans to SXT pursuant to the Initial Loan Agreements are unsecured; and
- (vi) **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.

(c) **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 11 March 2015, the holders of the SXT Convertible Notes passed a resolution of Noteholders to vary the terms of the SXT Convertible Notes, subject to Resolution 7 being passed.

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

- (i) **Repayment Date:** the repayment date is the date which is the earlier of:
 - (A) the date of Settlement; and
 - (B) 31 December 2015,
 or such other date as agreed between the Company and the Noteholders (**Repayment Date**);
- (ii) **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.
- (iii) **Face value of SXT Convertible Notes:** each SXT Convertible Note has a face value of \$0.50;
- (iv) **Conversion:** subject to paragraph (v) and (vi) below, the SXT Convertible Notes shall be convertible into Shares (together with one free-attaching Option for every two Shares issued), 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;

- (v) **Restriction on Conversion:** a Noteholder may not, without the prior written consent of the Company, convert their SXT Convertible Notes until the earlier of:
 - (A) the Repayment Date; and
 - (B) the date of termination of the Option Agreement.
- (vi) **Automatic Conversion:** on the Repayment Date, all outstanding money under the SXT Convertible Notes will be converted into Shares and Options;
- (vii) **Unsecured:** the Company's obligations under the SXT Convertible Notes are unsecured; and
- (viii) **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).

(d) **Subsequent Loan Agreements**

Stratum proposes to enter into the Subsequent Loan Agreement with the Subsequent Lenders following dispatch of this Notice of Meeting under which it is proposed that the Subsequent Lenders will loan a total of \$500,000 to Stratum (**Subsequent Loan Face Value**). 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 ratification of this issue of Shares is the Subject of Resolution 22.

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

- (i) **Repayment:** the repayment date under each Subsequent Loan Agreement is the earlier of:
 - (A) the date which is 9 months after termination of the Option Agreement; or
 - (B) the date that a repayment notice is given to the Company by a Subsequent Lender following a default by the Company.
- (ii) **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 Capital Raising (approval for which is the subject of Resolution 8); and

- (iii) **Interest:** flat rate interest is payable by the Company for an amount equal to 24% of the Subsequent Loan Face Value (being a value of \$120,000).

(e) **Australian Energy Regulator Authorisation**

LPE's application for electricity retailer authorisation was approved by the Australian Energy Regulator (AER) on 13 November 2014 in accordance with section 92 of the National Energy Retail Law (Authorisation identification number E14005).

The AER must grant an application for a retailer authorisation if an applicant has satisfied the entry criteria:

- (i) The organisational and technical capacity criterion – the applicant must have the necessary organisational and technical capacity to meet the obligations of the retailer;
- (ii) 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
- (iii) The suitability criterion – the applicant must be a suitable person to hold a retailer authorisation (Section 90(1) Retail Law).

The AER authorisation is subject to an annual audit review.

(f) **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 (**Glanville Loan**).

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

- (i) **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;
- (ii) **Unsecured:** the loan to LPE is unsecured;
- (iii) **Interest:** the loan facility is supplied to LPE on interest free terms; and
- (iv) **Amount drawn down:** as at the date of this Notice, LPE have drawn down a total of \$100,000 under the Glanville Loan.

(g) **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:

- (i) **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;
- (ii) **Unsecured:** the loan to LPE is unsecured;
- (iii) **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
- (iv) **Amount drawn down:** At the date of this Notice LPE have drawn down a total of \$155,000 under the Chester Loan.

(h) **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 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.

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

- (i) **Repayment:** funds provided under the loan facility are payable by LPE on or before 31 October 2015. LPE may repay the loan or part of it at any time;
- (ii) **Secured:** the loan is securitised against the assets of LPE by virtue of a registered general security deed;
- (iii) **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
- (iv) **Amount drawn down:** At the date of this Notice LPE have drawn down a total of \$200,000 under the Pettett Loan.

(i) **Proposed Loan**

LPE is proposing to enter into a \$250,000 loan facility (**Proposed Loan**) to fund additional working capital requirements prior to Settlement of the Acquisition.

The key terms of the Proposed Loan are as follows:

- (i) **Repayment:** funds provided under the Proposed Loan facility are payable by LPE on the earlier of 31 December 2015 or the date of Settlement;
- (ii) **Unsecured:** the Proposed Loan to LPE is unsecured; and
- (iii) **Interest:** on commercial terms to be negotiated with proposed lenders.

1.7 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 ¹	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

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

1.8 Effect on Capital Structure

A pro-forma capital structure following Settlement is set out in Schedule 4.

1.9 Pro-Forma Statement of Financial Position

Set out in Schedule 2 is a pro-forma balance sheet of the Company assuming that all Essential Resolutions have been passed and Settlement has occurred and showing alternatively the minimum and maximum Capital Raising which is proposed to be \$4,000,000 and \$6,000,000 respectively. The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

1.10 Indicative timetable

An indicative timetable for Settlement and the associated transactions is set out below:

Event	Date
Lodgement of Prospectus with ASIC	9 October 2015
Opening Date of the Capital Raising	9 October 2015
General Meeting to approve the Transaction	2 November 2015
Closing Date of the Capital Raising	12 November 2015
Completion of the Acquisition	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 Capital Raising) on ASX	7 December 2015

Please note this timetable is indicative only and the directors of SXT reserve the right to amend the timetable as required.

1.11 Board Intentions upon Settlement

In the event that the Minimum Subscription is obtained, the funds raised from the Capital Raising, together with the Company's and LPE's existing cash reserves will be used to:

- (a) repay all monies outstanding under the Glanville Loan, Chester Loan and Pettett Loan;
- (b) pursue acquisition of 'billing agent' type competitor companies, as referred to in Section 1.2(d) above;
- (c) meet the ongoing administration costs of the Company;
- (d) pay the costs of the Capital Raising; and
- (e) contribute to the working capital of the Company.

It is intended to allocate the funds raised from the Capital Raising and existing cash reserves as set out in section 1.5 above.

1.12 Composition of the Board of Directors

It is intended that the Board will comprise the following upon Settlement:

- (a) Mr Andrew Pierce;
- (b) Mr Damien Glanville; and
- (c) Mr Ben Chester.

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.

1.13 Advantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Acquisition represents an attractive investment opportunity for the Company to change its business focus to that of a electricity retailer company;
- (b) the Acquisition of LPE will enable the Company to tap into the established nature of the LPE business;
- (c) LPE has first mover advantage as a fully authorised energy retailer focused on strata communities. LPE will secure communities savings over a long term contract of 5 plus years;
- (d) the Company will be managed by directors and officers with significant experience in the electricity retailing industry with a view to guiding the Company to be a significant player in that industry; and
- (e) As detailed in section 1.1(b) of this Explanatory Statement, the consideration for the Acquisition is comprised of Shares and Performance Shares, thereby conserving the Company's existing cash reserves.

1.14 Disadvantages of the proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Essential Resolutions:

- (a) the Company will be changing the nature and scale of its activities to primarily be an electricity retailing company, which may not be consistent with the objectives of all Shareholders;
- (a) the Acquisition will result in the Capital Raising, the issue of Vendor Consideration Securities, the issue of Armada Options, the issue of Director Options, the conversion of the SXT Convertible Notes, the issue of Initial Lender Securities and the issue of Subsequent Lender Shares, all of which will have a dilutionary effect on the holdings of Shareholders;
- (b) in connection with the Acquisition, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Acquisition, which represent sunk, but necessary costs to the Company;
- (c) future outlays of funds from the Company may be required for the operations of LPE; and

- (d) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Acquisition. Some of the key risks are summarised in Section 1.15 below.

1.15 Risk factors

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from LPE and parties contracted or associated with LPE. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all LPE Shares is set out below.

(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 247,258,414 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;
- (F) the Subsequent Lender Shares; and
- (G) the Director Options.

On issue of the Consideration Shares (assuming a Settlement date of 31 October 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 19.32% of the Company's issued Share capital;
- (B) the Vendors will hold approximately 50% of the Company's issued Share capital;
- (C) the investors under the Capital Raising will hold approximately 23.23% of the Company's issued Share capital; and
- (D) the Noteholders, Subsequent Lenders and Initial Lenders will hold approximately 7.45% 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 11.59% 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, Armada Options, Initial Lender Securities and Securities issued upon conversion of the SXT Convertible Notes as restricted securities in accordance with Chapter 9 of the ASX Listing Rules. However, submissions will be made to the ASX to apply for cash formula relief in respect of the Vendor Consideration Securities, Initial Lender Securities and Securities issued upon conversion of the SXT Convertible Notes.

Based on the post-Settlement capital structure (and assuming Settlement occurs on 31 October 2015 and no further Shares are issued or Options exercised), the Consideration Shares 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 1.6(a)(i) 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) **Spot market price risk**

As an energy retailer LPE is exposed to spot market electricity price risk where there is a mismatch between fixed price electricity sales volumes and volumes under hedge contracts. This exposure can arise from being either short hedge cover, or long hedge cover. Where LPE enters into long term wholesale contracts to fix the price of electricity it will have exposure to the extent the price of electricity is less than the fixed price under that contract and it has not hedged that exposure.

(ii) **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.

(iii) **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. This profile is extremely

consistent and has varied less than 1% in the past 50 years. Human habit is what drives this component of the risk.

(iv) **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.

(v) **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.

(vi) **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 to a competitor may adversely affect LPE's business.

(vii) **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.

(viii) **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.

(ix) **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.

(x) **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.

(xi) **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 of the Vendors and others that 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.

(d) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

1.16 Plans for the Company if the Resolutions are not passed

If the Essential Resolutions are not passed and Settlement does not occur, the Company will continue to focus on gold exploration and look for potential business acquisitions to take the Company forward.

1.17 Directors' interests in the Agreement

None of the Company's existing Directors have any interest in the proposed Acquisition, other than as disclosed in this Notice.

1.18 Vendors

Except for Pettett Pty Ltd which holds 8,539,964 Options expiring on 29 February 2016 with an exercise price of \$0.02, none of the Vendors or their associates are related parties of the Company (other than by virtue of becoming Directors upon Settlement) and they have no existing interest in the Company's Securities.

1.19 Conditionality of Resolutions

Each of the Resolutions in this Notice of Meeting (other than Resolutions 6, 7, 8 and 12 to 25) is conditional upon the approval by Shareholders of each of the Essential Resolutions. Should any of the Essential Resolutions not be approved, the Company will not proceed with the Acquisition. The Company would then immediately request that ASX remove the suspension order and allow the Company to resume trading on the ASX in its current form.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company.

As outlined in Section 1.1 of this Explanatory Statement, the Company has entered into the Option Agreement pursuant to which the Company has been granted the LPE Option to acquire all of the LPE Shares. The Company exercised the LPE Option on 31 July 2015.

The Acquisition will change the nature of the Company's activities from a mining exploration company to an electricity retailer.

A summary of the terms and conditions of the Option Agreement is set out in Section 1.6(a) above and a detailed description of LPE and its business is outlined in Section 1.2 above.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of Acquisition requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has also indicated to the Company that the change in the nature and scale of the Company's activities is a back-door listing of LPE which consequently requires the Company to (in accordance with ASX Listing Rule

11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's securities as restricted securities). Accordingly, it is anticipated that the Company's securities will be subjected to a trading halt or suspension and thereby cease trading on ASX's Official List prior to market open on the day of the Meeting. If the Essential Resolutions are approved at the Meeting, it is expected that the Company's Securities will remain suspended from quotation until the Company has acquired LPE pursuant to the Option Agreement and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Essential Resolutions are not approved at the Meeting, it is expected that the Company's securities will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

3. RESOLUTION 2 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

Resolution 2 seeks Shareholder approval for the Company to be authorised to issue the Performance Shares.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Under clause 3.1 of the Constitution and, subject to the Corporations Act and the Listing Rules, the Company may allot and issue shares in the Company on any terms, at any time and for any consideration as the Directors resolve.

Section 246B of the Corporations Act and clause 3.2 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or
- (b) the written consent of the members who are entitled to at least 75% of the votes that may be cast in respect of shares in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares. 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; and

- (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.

The full terms of the Performance Shares are set out in Schedule 1 of this Explanatory Statement.

Resolution 2 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 2 for it to be passed.

4. RESOLUTION 3 – ISSUE OF SECURITIES – VENDOR CONSIDERATION

4.1 General

As outlined in section 1.1(b) of this Explanatory Statement, the Company has entered into the Option Agreement to acquire 100% of the shares in LPE, pursuant to which the Company has agreed, subject to satisfying the Conditions Precedent, to issue the Vendor Consideration Securities.

Resolution 3 seeks Shareholder approval for the issue of the Vendor Consideration Securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

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

The Directors understand that ASX may treat the Vendor Consideration Securities the subject of Resolution 3 as restricted securities for the purpose of the ASX Listing Rules.

4.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Securities under Resolution 3:

- (a) the maximum number of Vendor Consideration Securities to be issued at Settlement is the number of securities calculated in the manner set out in Section 1.1(b) which, assuming Settlement occurs on 31 October 2015 and the Maximum Subscription is achieved under the Capital Raising, will be 645,632,489 Consideration Shares and 860,843,319 Performance Shares, as set out in the pro-forma capital structure contained in Schedule 4;

- (b) the Vendor Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all those Securities will occur on the same date;
- (c) the Vendor Consideration Securities will be issued to the Vendors (or their nominees), who are not related parties of the Company (other than as a result of the Acquisition), in consideration for their respective LPE Shares (pro rata to the number of LPE Shares held by each Vendor);
- (d) the Vendor Consideration Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Performance Shares to be issued will be granted on the terms and conditions set out in Schedule 1; and
- (f) no funds will be raised from the proposed issue as the Securities are proposed to be issued in consideration for the acquisition by the Company of all of the LPE Shares in accordance with the terms of the Option Agreement.

5. RESOLUTION 4 – CAPITAL RAISING

5.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 300,000,000 Shares at \$0.02 per Share to raise up to \$6,000,000 under the Capital Raising.

Approval is sought for the issue of these Shares pursuant to Resolution 4.

On 11 September 2015, ASX granted the Company a waiver to enable the Company to undertake the Capital Raising at no less than 2 cents per Share and to have Options on issue with an exercise price less than 20 cents. The waiver is conditional upon Shareholders approving the issue price of Shares under the Capital Raising at a price of \$0.02 per Share.

For the purposes of the Listing Rules, none of the subscribers for the Shares to be issued under Resolution 4 will be related parties of the Company.

The Capital Raising offer will be conditional on the following:

- (a) Shareholders passing all of the Essential Resolutions; and
- (b) the Shares to be issued pursuant to the Capital Raising being issued contemporaneously with Settlement.

Further details of the Capital Raising will be set out in the Prospectus.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 4 will be to allow the Company to issue Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a

longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

5.2 Technical information required by ASX Listing Rule 7.3

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

- (a) the maximum number of Shares to be issued under Resolution 4 is 300,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be \$0.02 per Share;
- (d) the Shares are proposed to be issued to the applicants of the Capital Raising under a Prospectus offer. None of these subscribers will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue; and
- (f) the Company intends to use the funds raised from the Shares issued under the Capital Raising as set out in Section 1.5.

6. RESOLUTION 5 – GRANT OF OPTIONS TO ARMADA CAPITAL

6.1 General

Resolution 5 seeks Shareholder approval for the issue of 75,000,000 Options (**Armada Options**) to Armada Capital (or its nominees) in consideration for Armada Capital introducing the Acquisition to the Company and assisting with its implementation.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 5 will be to allow the Company to issue the Armada Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Directors understand that ASX may treat the Armada Options the subject of Resolution 5 as restricted securities for the purpose of the ASX Listing Rules.

6.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Armada Options:

- (a) the maximum number of Armada Options to be issued is 75,000,000;

- (b) the Armada Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the Armada Options will be issued for nil cash consideration in satisfaction of Armada Capital introducing the Acquisition to the Company and assisting with its implementation;
- (d) the Armada Options will be issued to Armada Capital (or its nominees), none of which are related parties of the Company;
- (e) the Armada Options are exercisable at \$0.025 on or before 30 June 2017 and will be issued will be on the terms and conditions set out in Schedule 3; and
- (f) no funds will be raised from the issue of the Armada Options as they are being issued in consideration for the reason set out at Section 6.2(c) above.

7. RESOLUTION 6 – CONVERSION UNDER INITIAL LOAN AGREEMENTS

7.1 General

Under the Initial Loan Agreements, SXT borrowed \$250,000 from the Initial Lenders (**Initial Loan Face Value**). A summary of the terms and conditions of the Initial Loan Agreements is set out in Section 1.6(b) above. To date, \$112,000 of the Initial Loan Face Value has been converted into Shares and Options resulting in an outstanding liability of \$138,000 (plus accrued interest).

Each Initial Lender has formally agreed that outstanding monies under the Initial Loan Agreements will convert into Shares, together with free-attaching Options (**Initial Lender Securities**) automatically on Settlement (to the extent they are not converted prior to Settlement) or 31 December 2015. Outstanding monies under the Initial Loan Agreements accrue interest at a rate of 1% per month which accumulates monthly in arrears. Resolution 6 seeks Shareholder approval for the issue of the Initial Lender Securities at Settlement upon conversion of outstanding monies under the Initial Loan Agreements.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 6 will be to allow the Company to issue the Initial Lender Securities to the Initial Lenders in accordance with the terms of the Initial Loan Agreements during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Directors understand that ASX may treat the Initial Lender Securities the subject of Resolution 6 as restricted securities for the purpose of the ASX Listing Rules.

7.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares to the Initial Lenders:

- (a) the maximum number of Initial Lender Securities to be issued is:
 - (i) 23,000,000 Shares, together with 23,000,000 free-attaching Options; and
 - (ii) such number of Shares as, when multiplied by the issue price of \$0.006 per Share, is equal to the value of the interest accrued under the Initial Loan Agreements to the date of Settlement;
- (b) the Shares and Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the deemed issue price will be \$0.006 per Share. The Options are free-attaching and will be issued for nil consideration on the basis of one Option for every one Share issued;
- (d) the Initial Lender Securities will be issued to the Initial Lenders. None of these subscribers are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Options are exercisable at \$0.02 on or before 29 February 2016 and will be issued on the terms and conditions set out in Schedule 3; and
- (g) as the Initial Lender Securities will be issued upon conversion of monies outstanding under the Initial Loan Agreements for which SXT has already received funds, no funds will be raised by the issue of Initial Lender Securities to the Initial Lenders. SXT used the funds raised pursuant to the Initial Loan Agreements for working capital and exploration on its current mining interests.

8. RESOLUTION 7 – VARIATION OF SXT CONVERTIBLE NOTES

8.1 General

On 29 November 2013, the Company received Shareholder approval for the issue 1,350,000 SXT Convertible Notes to Mountain Gold International Limited. On 10 March 2015, pursuant to Deeds of Assignment, Assumption and Undertaking, new investors purchased the SXT Convertible Notes for \$675,000.

On 11 March 2015, the Noteholders passed a resolution to vary the terms of the SXT Convertible Notes, subject to Resolution 7 being passed. The change in terms of the SXT Convertible Notes included a reduction of the face value of the SXT Convertible Notes from \$1,350,000 to \$675,000.

The Company proposes to vary the terms and conditions of the SXT Convertible Notes as set out in Section 1.6(c) above.

Resolution 7 seeks Shareholder approval for the variation of the terms and conditions of the SXT Convertible Notes.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 7 will be to allow the Company to vary the terms of the SXT Convertible Notes and issue Shares and Options upon their conversion, without using the Company's 15% annual placement capacity.

The Directors understand that ASX may treat the Securities issued upon conversion of the SXT Convertible Notes as restricted securities for the purpose of the ASX Listing Rules.

8.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the variation of the SXT Convertible Notes:

- (a) 1,350,000 SXT Convertible Notes will be varied;
- (b) the SXT Convertible Notes were issued on 2 December 2013 and the variation will take effect immediately upon Shareholders passing this Resolution);
- (c) the face value of each SXT Convertible Note will be reduced to \$0.50 per SXT Convertible Note;
- (d) the holders of the SXT Convertible Notes are not related parties of the Company;
- (e) the terms and conditions of the SXT Convertible Notes will be varied as set out in Section 1.6(c) above; and
- (f) no funds will be raised as a result of the variation of the terms and conditions of the SXT Convertible Notes. SXT used the funds raised pursuant to the SXT Convertible Notes for working capital and exploration on its existing mining interests.

9. RESOLUTION 8 – CONVERSION UNDER SUBSEQUENT LOAN AGREEMENTS

9.1 General

Under the Subsequent Loan Agreements, SXT propose to borrow up to \$500,000 from the Subsequent Lenders (**Subsequent Loan Face Value**). On 7 August 2015 the Company announced that it has currently negotiated commitments for \$250,000 pursuant to the Subsequent Loan Agreements. All outstanding monies under the Subsequent Loan Agreements, being the Subsequent Loan Face Value, will automatically convert into Shares on Settlement, at the same issue price as those Shares issued under the Capital Raising.

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 ratification of this issue of Shares is the Subject of Resolution 22.

Resolution 8 seeks Shareholder approval for the issue of the Subsequent Lender Shares to the Subsequent Lenders upon conversion under the Subsequent Loan Agreements.

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 8 will be to allow the Company to issue Shares to the Subsequent Lenders in accordance with the terms of the Subsequent Loan Agreements during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares to the Subsequent Lenders:

- (a) the maximum number of Subsequent Lender Shares to be issued is:
 - (i) 25,000,000 Shares on conversion of the Subsequent Loan Face Value; and
 - (ii) up to 6,000,000 Shares on conversion of interest payable under the Subsequent Loan Agreements;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the deemed issue price will be the same issue price as those Shares issued under the Capital Raising;
- (d) the Subsequent Lender Shares will be issued to the Subsequent Lenders. None of these subscribers are related parties of the Company;
- (e) the Subsequent Lender Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) as the Subsequent Lender Shares will be issued upon conversion of all outstanding monies under the Subsequent Loan Agreements, for which SXT has already received funds, no funds will be raised by the issue of Subsequent Lender Shares to the Subsequent Lenders. SXT proposes to use the funds raised under the Subsequent Loan Agreements for working capital and exploration on its existing mining interests.

10. RESOLUTION 9 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new

name.

Resolution 9 seeks the approval of Shareholders for the Company to change its name to "**Locality Planning Energy Limited**". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon Settlement.

If Resolution 9 is passed the change of name will take effect after ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 9 is passed, the Company will lodge a copy of the special resolution with ASIC following Settlement in order to effect the change.

Resolution 9 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 9 for it to be passed.

11. RESOLUTIONS 10 AND 11 – ELECTION OF DIRECTOR – MR DAMIEN GLANVILLE AND MR BEN CHESTER

In accordance with clause 11.7 of the Constitution, the Company may elect a person as a Director by resolution passed at a general meeting.

Under clause 11.7 of the Constitution, a Shareholder or a person intending on becoming a Director must provide a written statement that they are nominated for election as a Director and the proposed Director must give their consent to the nomination as Director (**Notice of Directorship**). The Company has received the Notices of Directorship for each of the proposed Directors, which are enclosed with this Notice of Meeting.

Pursuant to Resolutions 10 and 11, Mr Damien Glanville and Mr Ben Chester seek election from Shareholders to be appointed as Directors of the Company upon Settlement.

The qualifications and experience of the Proposed Directors are set out below:

11.1 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 to provide a clean energy solution aimed to save ratepayers over \$10m over the coming decades. He took the project from conception through to a commercial business case for the Sunshine Coast Regional Council (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 2015.

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.

11.2 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.

12. RESOLUTION 12 – REPLACEMENT OF CONSTITUTION

12.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 12 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2011.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- (a) updating the name of the Company to that adopted in Resolution 9;

- (b) updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- (c) expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement; however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website <http://www.stratummetals.com.au/> and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9389 5885). Shareholders are invited to contact the Company if they have any queries or concerns.

12.2 Summary of material proposed changes

(a) Fee for registration of off market transfers

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

The Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

(b) Dividends

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and

- (iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

(c) **Partial (proportional) takeover provisions**

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

Other than as a result of the proposed Acquisition and Capital Raising, as at the date of this Notice of Meeting, no Director is aware of any

proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (i) proportional takeover bids may be discouraged;
- (ii) lost opportunity to sell a portion of their Shares at a premium; and
- (iii) the likelihood of a proportional takeover bid succeeding may be reduced.

12.3 Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 12.

Resolution 12 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 12 for it to be passed.

13. RESOLUTION 13 TO 22 – RATIFICATION OF PRIOR ISSUES – SHARES AND OPTIONS

13.1 General

Between 1 July 2014 and 10 August 2015, the Company issued 4,869,471 Shares and 515,771 Options upon part conversion of the Initial Loan Face Value and in consideration of interest payment obligations under the SXT Convertible Notes, Initial Loan Agreements and Subsequent Loan Agreements (**Interest Securities**). 40,000,000 Shares were also issued pursuant to a placement raising funds which were used for working capital purposes (**Placement Shares**).

Resolutions 13 to 22 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options (**Ratification**).

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

13.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) the dates, number and issue prices of the Share and Options issued are set out in the table below:

Issue Date	Issue Price	Number of Shares issued	Number of Options issued
1 July 2014	\$0.12 per Share	224,384 ¹	-
1 October 2014	\$0.12 per Share	226,849 ²	-
14 January 2015	\$0.12 per Share	226,849 ³	-
19 January 2015	\$0.006 per Share (together with one free-attaching Option for each Shares issued)	206,631 ⁴	206,631 ⁶
30 January 2015	\$0.006 per Share (together with one free-attaching Option for each Shares issued)	309,140 ⁵	309,140 ⁶

12 March 2015	\$0.12 per Share	170,137 ⁷	
21 May 2015	\$0.12 per Share	54,246 ⁸	
21 May 2015	\$0.007 per Share	40,000,000 ⁹	
10 August 2015	\$0.12 per share	451,235 ¹⁰	
10 August 2015	\$0.02 per share	3,000,000 ¹¹	
TOTAL		44,869,471	515,771

Note:

1. 224,384 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 2. 226,849 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 3. 226,849 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 4. 206,631 Shares were issue as consideration for interest payable on the Initial Loan Face Value
 5. 309,140 Shares were issue as consideration for interest payable on the Initial Loan Face Value
 6. Free attaching Options issued as consideration for interest payable on the Initial Loan Face Value. The Options are exercisable at \$0.02 on or before 29 February 2016 and have been issued on the terms and conditions set out in Schedule 3.
 7. 170,137 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 8. 54,246 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 9. 40,000,000 Shares were issued pursuant to a private placement made to sophisticated investors.
 10. 451,235 Shares were issue as consideration for interest payable on the face value of the SXT Convertible Notes
 11. 3,000,000 Shares were issue as consideration for interest payable on the \$250,000 of negotiated commitments pursuant to the Subsequent Loan Agreements.
- (b) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) the Options issued on the terms and conditions set out in Schedule 3;
- (d) the Interest Securities were issued to Noteholders and the Initial Lenders;
- (e) no funds were raised from the issue of the Interest Securities as they were issued upon conversion of part of the Initial Loan Face Value and in consideration of the Company's interest payment obligations under the SXT Convertible Notes and Initial Loan Agreements; and

- (f) the funds raised from the issue of the Placement Securities were used for working capital purposes.

14. RESOLUTIONS 23, 24 AND 25 – ISSUE OF OPTIONS TO DIRECTORS

14.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 30,000,000 Options (**Director Options**) to Messrs Andrew Pierce, Daniel Moore and John Shepherd (**Directors**) on the terms and conditions set out below.

Resolutions 23, 24 and 25 seek Shareholder approval for the grant of the Director Options to the Directors (or their nominees).

14.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Director Options constitutes giving a financial benefit and Messrs Andrew Pierce, Daniel Moore and John Shepherd are related parties of the Company by virtue of being Directors.

The Directors (other than Andrew Pierce who has a material personal interest in Resolution 23) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Director Options, the subject of Resolution 23, because the agreement to grant the Director Options, reached as part of the remuneration package for Andrew Pierce, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Directors (other than Daniel Moore who has a material personal interest in Resolution 24) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Director Options, the subject of Resolution 24, because the agreement to grant the Director Options, reached as part of the remuneration package for Daniel Moore, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Directors (other than John Shepherd who has a material personal interest in Resolution 25) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Director Options, the subject of Resolution 25, because the agreement to grant the Director Options, reached as part of the remuneration package for John Shepherd, is considered

reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

14.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Director Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

14.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 23, 24 and 25:

- (a) the Director Options will be granted to Messrs Andrew Pierce, Daniel Moore and John Shepherd (or their nominees);
- (b) the total number of Director Options to be issued is 30,000,000 as follows:
 - (i) 10,000,000 Director Options to Mr Andrew Pierce;
 - (ii) 10,000,000 Director Options to Mr Daniel Moore; and
 - (iii) 10,000,000 Director Options to Mr John Shepherd,
- (c) the Director Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Director Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the Director Options are exercisable at \$0.025 on or before 30 June 2017 and will be issued on the terms and conditions set out in Schedule 5.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Director Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Director Options to Messrs Andrew Pierce, Daniel Moore and John Shepherd (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

15. **GLOSSARY**

\$ means Australian dollars.

Acquisition has the meaning given in Section 1.1 of the Explanatory Statement.

Armada Capital has the meaning given in Section 1.1 of the Explanatory Statement.

Armada Options has the meaning given in Section 6.1 of the Explanatory Statement.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising has the meaning given in Section 1.1 of the Explanatory Statement.

Chair means the chair of the Meeting.

Chester Loan means the loan facility agreement between LPE and Mr Ben Chester the terms of which are summarised in section 1.6(g) of the Explanatory Statement.

Company or **SXT** means Stratum Metals Limited (ACN 120 658 497).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Essential Resolutions means all Resolutions other than Resolutions 12 to 23.

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

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Glanville Loan means the loan facility agreement between LPE and Mr Damien Glanville the terms of which are summarised in section 1.6(f) of the Explanatory Statement.

Initial Lenders means those persons who lent funds to the Company under the Initial Loan Agreements.

Initial Lender Securities has the meaning give in Section 1.1 of the Explanatory Statement.

Initial Loan Agreements means loan agreements between the Company and the Initial Lenders dated between 8 October 2014 and 19 January 2015 pursuant to which the Initial Lenders loaned to the Company, a total of \$250,000, the terms of which are summarised in Section 1.6(b) of the Explanatory Statement.

Initial Loan Face Value means the total amount lent to SXT by the Initial Lenders under the Initial Loan Agreements, being \$250,000.

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

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

Maximum Subscription means maximum subscription under the Capital Raising, being \$6,000,000.

Minimum Subscription means the minimum subscription requirement under the Capital Raising, being \$4,000,000

National Energy Market means a wholesale market through which generators sell electricity in eastern and southern Australia. The main customers are energy retailers, which bundle electricity with network services for sale to residential, commercial and industrial energy users. The market covers six jurisdictions, Queensland, New South Wales, the Australian Capital Territory (ACT), Victoria, South Australia and Tasmania that are physically linked by an interconnected transmission network.

Noteholder means a holder of a SXT Convertible Note.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Option Agreement has the meaning given in Section 1.1 of the Explanatory Statement.

Performance Shares means the performance shares proposed to be offered as part of the Vendor Consideration Securities set out in Section 1.1 of the Explanatory Statement, and on the terms set out in Schedule 1.

Performance Milestones means the performance milestones attaching to the Performance Shares as set out in Schedule 1.

Pettett Loan means the loan facility agreement between LPE and Mr Roger Pettett the terms of which are summarised in section 1.6(h) of the Explanatory Statement.

Proposed Constitution has the meaning given in Section 12.1 of the Explanatory Statement.

Proposed Directors means Mr Damien Glanville and Mr Ben Chester.

Proposed Loan means the loan facility agreement proposed to be entered into by LPE, the terms of which are summarised in section 1.6(i) of the Explanatory Statement.

Prospectus means the prospectus prepared by the Company in accordance with Chapter 6D of the Corporations Act, pursuant to which the Capital Raising will be undertaken.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice or any one of them, as the context requires.

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 or means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Subsequent Lender Securities has the meaning given in Section 1.1 of the Explanatory Statement.

Subsequent Lenders means those persons who loaned funds to SXT under the Subsequent Loan Agreements.

Subsequent Loan Agreements means loan agreements, pursuant to which the Subsequent Lenders will loan to SXT the Subsequent Loan Face Value, the terms of which are summarised in Section 1.6(d) of the Explanatory Statement.

Subsequent Loan Face Value means the \$250,000 lent to SXT by the Subsequent Lenders under the Subsequent Loan Agreements.

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, as varied in accordance with Resolution 7, the terms of which are summarised in Section 1.6(c).

Vendor Consideration Securities has the meaning given in Section 1.1 of the Explanatory Statement.

Vendors has the meaning given in Section 1.1 of the Explanatory Statement.

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

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

1. Terms of Performance Shares

- (a) **(Performance Shares):** Each Performance Share is a share in the capital of SXT. Each Performance Share will have paid up capital of \$0.0000001.
- (b) **(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.
- (c) **(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.
- (d) **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(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.
- (f) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (g) **(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.
- (h) **(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.
- (i) **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under item (g) (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.
- (j) **(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.

- (k) **(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.

2. Conversion of the Performance Shares

- (a) **(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:
 - (i) 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.
 - (ii) 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.
 - (iii) 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**).
- (b) **(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.
- (c) **(Conversion on change of control)** Subject to paragraph 2(d) and notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:
 - (i) 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
 - (ii) 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.

- (d) **(Deferral of conversion if resulting in a prohibited acquisition of Shares)** If the conversion of a Performance Share under paragraph 2(b) or 2(c) 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:
 - (i) 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.
 - (ii) 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.
- (e) **(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.
- (f) **(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.
- (g) **(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.
- (h) **(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.

SCHEDULE 2 – PRO-FORMA STATEMENT OF FINANCIAL POSITION

1. INTRODUCTION

This Section sets out the Historical Financial Information and Pro-forma Financial Information. The basis for preparation and presentation is set out below.

The Financial Information has been prepared by management and adopted by the Directors of the Company. The Financial Information is considered to be the consolidated group of Stratum and LPE on the basis as set out below.

2. BASIS OF PREPARATION

The Historical Financial Information and Pro-forma Financial Information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies on the assumption that the proposed acquisition occurred on 31 December 2014.

The accounting policies comply with Australian Equivalents to International Financial Reporting Standards (**AIFRS**) which ensures compliance with International Financial Reporting Standards (**IFRS**). The Historical and Pro-forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Company's financial statements for the half year ended 31 December 2014 have been reviewed by Bentleys Chartered Accountants (Brisbane Partnership).

Roger Noakes, Registered Auditor, Mooloolaba, Queensland, audited LPE's financial statements for the half year ended 31 December 2014.

The Historical Financial Information of the consolidated group provided in this Notice of Meeting comprises a Pro-forma consolidated statement of financial position as at 31 December 2014, which is based upon:

- (a) the Company's reviewed statement of financial position as at 31 December 2014;
- (b) LPE's audited statement of financial position as at 31 December 2014,

(together, the **Historical Financial Information**) and relevant Pro-forma adjustments required to present the consolidated group, (together with the Historical Financial Information (**Pro-forma Financial Information**)).

The information in this Section is presented on a pro-forma basis only, and as a result it is likely that this information will differ from the actual financial information for the consolidated group as at Settlement.

3. ACCOUNTING UNDER AASB 3 'BUSINESS COMBINATIONS' TO DETERMINE THE ACQUIRER

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be deemed to be the accounting acquirer (accounting parent).

The Company is the legal acquirer (legal parent) in respect of the proposed acquisition (LPE is the legal subsidiary) and it will issue Shares in the Company to effect the business combination. However, in accordance with Australian Accounting Standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and therefore deemed to be the accounting acquirer (accounting parent).

The proposed acquisition is a merger of a listed and non-listed entity and the Directors have considered the guidance set out in Australian Accounting Standard AASB 3 'Business Combinations' and LPE was deemed to be the accounting acquirer (accounting parent). This accounting method is referred to as a 'reverse acquisition'. The factors considered included the relative voting rights after the business combination, Board and management composition of the consolidated group and other factors.

The net assets of the Company reflect the assets and liabilities deemed to be acquired by LPE and are stated at their acquisition date fair values. The assets and liabilities of LPE as the accounting acquirer are maintained at their historical book values.

Any difference between the fair value of the value of the consideration paid, and the fair value of the assets of the Company acquired is recognised as goodwill, or as a discount, on consolidation.

The Company is the legal acquirer and will be the reporting entity of the consolidated group. The accounting policies of the consolidated group used in the compilation of the Pro-forma Financial Information are based on those of the Company. A summary of the significant accounting policies of the Company is disclosed in the audited financial statements of the Company for the year ended 30 June 2014, available on ASX's website at www.asx.com.au (ASX: SXT).

Upon Settlement, the business of the Company will have changed to that of the consolidated group resulting in the need to consider and/or adopt new accounting policies.

No adjustments have been made in the Pro-forma Financial Information for any expected synergies or integration costs following Settlement. Nor have any adjustments been made in the Pro-forma Financial Information for any one-off or non-recurring costs, other than those set out in the Pro-forma adjustments.

The functional and presentation currency of both the Company (the reporting entity) and LPE is Australian dollars. The Pro-forma Financial Information is presented in Australian dollars.

4. PRO-FORMA FINANCIAL INFORMATION

1. Introduction

This Section sets out the Historical Financial Information and Pro-forma Financial Information. The basis for preparation and presentation is set out below.

The Financial Information has been prepared by management and adopted by the Directors of the Company. The Financial Information is considered to be the consolidated group of Stratum and LPE on the basis as set out below.

2. Basis of Preparation

The Historical Financial Information and Pro-forma Financial Information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies on the assumption that the proposed acquisition occurred on 31 December 2014.

The accounting policies comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) which ensures compliance with International Financial Reporting Standards (IFRS). The Historical and Pro-forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Company's financial statements for the half year ended 31 December 2014 have been reviewed by Bentleys Chartered Accountants (Brisbane Partnership).

Roger Noakes, Registered Auditor, Mooloolaba, Queensland, audited LPE's financial statements for the half year ended 31 December 2014.

The Historical Financial Information of the consolidated group provided in this Notice of Meeting comprises a Pro-forma consolidated statement of financial position as at 31 December 2014, which is based upon:

- a. the Company's reviewed statement of financial position as at 31 December 2014;
- b. LPE's audited statement of financial position as at 31 December 2014, (together, the **Historical Financial Information**); and
- c. relevant Pro-forma adjustments required to present the consolidated group, (together with the Historical Financial Information, the **Pro-forma Financial Information**).

The information in this Section is presented on a Pro-forma basis only, and as a result it is likely that this information will differ from the actual financial information for the consolidated group as at completion of the proposed acquisition.

3. Accounting under AASB 3 'Business Combinations' to determine the acquirer

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be deemed to be the accounting acquirer (accounting parent).

The Company is the legal acquirer (legal parent) in respect of the proposed acquisition (LPE is the legal subsidiary) and it will issue Shares in the Company to effect the business combination. However, in accordance with Australian Accounting Standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and therefore deemed to be the accounting acquirer (accounting parent).

The proposed acquisition is a merger of a listed and non-listed entity and the Directors have considered the guidance set out in Australian Accounting Standard AASB 3 'Business Combinations' and LPE was deemed to be the accounting acquirer (accounting parent). This accounting method is referred to as a 'reverse acquisition'. The factors considered included the relative voting rights after the business combination, Board and management composition of the consolidated group and other factors.

The net assets of the Company reflect the assets and liabilities deemed to be acquired by LPE and are stated at their acquisition date fair values. The assets and liabilities of LPE as the accounting acquirer are maintained at their historical book values.

Any difference between the fair value of the value of the consideration paid, and the fair value of the assets of the Company acquired is recognised as goodwill, or as a discount, on consolidation.

The Company is the legal acquirer and will be the reporting entity of the consolidated group. The accounting policies of the consolidated group used in the compilation of the Pro-forma Financial Information are based on those of the Company. A summary of the significant accounting policies of the Company is disclosed in the audited financial statements of the Company for the year ended 30 June 2014, available on ASX's website at www.asx.com.au.

Upon completion of the proposed acquisition, the business of the Company will have changed to that of the consolidated group resulting in the need to consider and/or adopt new accounting policies.

No adjustments have been made in the Pro-forma Financial Information for any expected synergies or integration costs following the completion of the proposed acquisition. Nor have any adjustments been made in the Pro-forma Financial Information for any one-off or non-recurring costs, other than those set out in the Pro-forma adjustments.

The functional and presentation currency of both the Company (the reporting entity) and LPE is Australian dollars. The Pro-forma Financial Information is presented in Australian dollars.

4. Pro-forma Financial Information

This Section contains the Pro-forma Financial Information for the merged group, reflecting the combined business of the Company and LPE. The Pro-forma Financial

Information is presented to provide shareholders with an indication of the consolidated group's consolidated financial position as if the proposed acquisition had been implemented as at 31 December 2014.

As the proposed acquisition, if implemented, will be effected at a future date, the actual financial position of the consolidated group post completion will differ from that presented below.

References to notes in the table presented below refer to the notes to Pro-forma adjustments set out below.

STRATUM METALS LTD

Proforma Statement of Financial Position

31 December 2014

MINIMUM RAISE

	Stratum	LPE	Note 1 SXT Placements	Note 2 SXT Option Fee	Note 2 LPE Option Fee	Note 3 SXT ILS Conversion & interest	Note 4 SXT SCN Conversion & interest	Note 5 SXT SLS Conversion & interest	Note 6 SXT options exercised	Note 7 LPE Debt Reductions	Note 8 LPE Consideration	Note 9 LPE Acquisition	Note 10 Capital Raise MINIMUM	Note 11 SXT Armada Options	Proforma Stratum/LPE
ASSETS															
Current Assets															
Cash and cash equivalents	105,319	108,179	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	0	0	3,603,767	0	4,789,399
Trade and other receivables	12,206	25,866	0	0	0	0	0	0	0	0	0	0	0	0	38,072
Other assets	1,250	17,498	0	0	0	0	0	0	0	0	0	0	0	0	18,748
Total Current Assets	118,775	151,543	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	0	0	3,603,767	0	4,846,219
Non-Current Assets															
Financial assets	0	10,000	0	0	0	0	0	0	0	0	25,462,855	(25,462,855)	0	0	10,000
Intangible	0	0	0	0	0	0	0	0	0	0	0	6,565,025	0	0	6,565,025
Other	0	65,815	0	0	0	0	0	0	0	0	0	0	0	0	65,815
Plant and equipment	2,254	14,121	0	0	0	0	0	0	0	0	0	0	0	0	16,375
Total Non-Current Assets	2,254	89,936	0	0	0	0	0	0	0	0	25,462,855	(18,897,829)	0	0	6,657,215
TOTAL ASSETS	121,029	241,479	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	25,462,855	(18,897,829)	3,603,767	0	11,503,434
LIABILITIES															
Current Liabilities															
Trade and other payables	499,303	26,303	0	0	0	0	0	0	0	0	0	0	0	0	525,606
Financial liabilities	255,000	200,000	0	0	0	(205,000)	0	0	0	(200,000)	0	0	0	0	50,000
Convertible Notes	1,350,000	0	0	0	0	0	(1,350,000)	0	0	0	0	0	0	0	0
Short term provisions	0	6,822	0	0	0	0	0	0	0	0	0	0	0	0	6,822
Total Current Liabilities	2,104,303	233,125	0	0	0	(205,000)	(1,350,000)	0	0	(200,000)	0	0	0	0	582,428
Non-Current Liabilities															
Financial liabilities	0	100,000	0	0	0	0	0	0	0	(100,000)	0	0	0	0	0
Total Non-Current Liabilities	0	100,000	0	0	0	0	0	0	0	(100,000)	0	0	0	0	0
TOTAL LIABILITIES	2,104,303	333,125	0	0	0	(205,000)	(1,350,000)	0	0	(300,000)	0	0	0	0	582,428
NET ASSETS	(1,983,274)	(91,646)	642,000	(100,000)	100,000	247,300	1,309,500	475,000	153,333	0	25,462,855	(18,897,829)	3,603,767	0	10,921,006
TOTAL EQUITY	(1,983,274)	(91,646)	642,000	(100,000)	100,000	247,300	1,309,500	475,000	153,333	0	25,462,855	(18,897,829)	3,603,767	0	10,921,006

STRATUM METALS LTD

Proforma Statement of Financial Position

31 December 2014

MAXIMUM RAISE

	Stratum	LPE	Note 1 SXT Placements	Note 2 SXT Option Fee	Note 2 LPE Option Fee	Note 3 SXT ILS Conversion & interest	Note 4 SXT SCN Conversion & interest	Note 5 SXT SLS Conversion & interest	Note 6 SXT options exercised	Note 7 LPE Debt Reductions	Note 8 LPE Consideration	Note 9 LPE Acquisition	Note 10 Capital Raise MINIMUM	Note 11 SXT Armada Options	Proforma Stratum/LPE
ASSETS															
Current Assets															
Cash and cash equivalents	105,319	108,179	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	0	0	5,478,767	0	6,664,399
Trade and other receivables	12,206	25,866	0	0	0	0	0	0	0	0	0	0	0	0	38,072
Other assets	1,250	17,498	0	0	0	0	0	0	0	0	0	0	0	0	18,748
Total Current Assets	118,775	151,543	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	0	0	5,478,767	0	6,721,219
Non-Current Assets															
Financial assets	0	10,000	0	0	0	0	0	0	0	0	30,129,521	(30,129,521)	0	0	10,000
Intangible	0	0	0	0	0	0	0	0	0	0	0	6,690,025	0	0	6,690,025
Other	0	65,815	0	0	0	0	0	0	0	0	0	0	0	0	65,815
Plant and equipment	2,254	14,121	0	0	0	0	0	0	0	0	0	0	0	0	16,375
Total Non-Current Assets	2,254	89,936	0	0	0	0	0	0	0	0	30,129,521	(23,439,496)	0	0	6,782,215
TOTAL ASSETS	121,029	241,479	642,000	(100,000)	100,000	42,300	(40,500)	475,000	153,333	(300,000)	30,129,521	(23,439,496)	5,478,767	0	13,503,434
LIABILITIES															
Current Liabilities															
Trade and other payables	499,303	26,303	0	0	0	0	0	0	0	0	0	0	0	0	525,606
Financial liabilities	255,000	200,000	0	0	0	(205,000)	0	0	0	(200,000)	0	0	0	0	50,000
Convertible Notes	1,350,000	0	0	0	0	0	(1,350,000)	0	0	0	0	0	0	0	0
Short term provisions	0	6,822	0	0	0	0	0	0	0	0	0	0	0	0	6,822
Total Current Liabilities	2,104,303	233,125	0	0	0	(205,000)	(1,350,000)	0	0	(200,000)	0	0	0	0	582,428
Non-Current Liabilities															
Financial liabilities	0	100,000	0	0	0	0	0	0	0	(100,000)	0	0	0	0	0
Total Non-Current Liabilities	0	100,000	0	0	0	0	0	0	0	(100,000)	0	0	0	0	0
TOTAL LIABILITIES	2,104,303	333,125	0	0	0	(205,000)	(1,350,000)	0	0	(300,000)	0	0	0	0	582,428
NET ASSETS	(1,983,274)	(91,646)	642,000	(100,000)	100,000	247,300	1,309,500	475,000	153,333	0	30,129,521	(23,439,496)	5,478,767	0	12,921,006
TOTAL EQUITY	(1,983,274)	(91,646)	642,000	(100,000)	100,000	247,300	1,309,500	475,000	153,333	0	30,129,521	(23,439,496)	5,478,767	0	12,921,006

5. Notes to the Pro-forma adjustments

The following Pro-forma adjustments to the Historical Financial Information have been made in the compilation of the Pro-forma Financial Information, including the adjustments to reflect the impact of acquisition accounting and certain transactions and/or events post 31 December 2014.

It should be noted the Pro-forma adjustments set out in this report are based on all necessary shareholder approvals being obtained.

Note 1: Stratum has completed two capital raisings since 31 December 2014 totalling \$680,000 less costs of \$38,000:

- in January 2015 \$400,000 was raised, less raising costs of \$24,000.
- In May 2015 \$280,000 was raised, less raising costs of \$14,000.

Note 2: On 1 July 2015, the Company executed an exclusive option agreement to acquire 100% of LPE. The option facilitation fee of \$100,000 paid in July 2015 has been expensed (reflected in Equity) and included in LPE as cash received.

Note 3: The Company raised a further \$45,000 in January 2015 by the issue of an unsecured convertible loan (\$45,000 less raising costs of \$2,700). This is in addition to the \$205,000 of unsecured convertible loans existing at 31 December 2014. Since January 2015, \$112,000 worth of loans have been converted in to Shares and Options in the Company pursuant to the Unsecured Convertible Loan Agreements. The balance of the loans (\$138,000) will be converted on settlement of the transaction.

All interest to be paid in respect to the loans, will be settled in shares and options, (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.

Note 4: Pursuant to executed Deeds of Assignment, Assumption and Undertaking with an effective date of 10 March 2015, new investors purchased the Mountain Gold International Convertible Notes ('SCN') for \$675,000, at which time the terms of the MG Notes changed (subject to shareholder approval), including a reduction of the face value of the MG Notes from \$1,350,000 to \$675,000. This debt reduction represents a gain (reflected in Equity) of \$675,000 in the accounts of the Company.

The Company has paid a capital raising fee of 6.0% (\$40,500) to the finder of the new investors. This fee has been expensed (reflected in Equity). The balance (\$675,000) of the MG Notes will convert to Shares and Options upon settlement of the transaction.

All interest to be paid in respect to the SCN, 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.

Note 5: The Company raised \$250,000 in August 2015 and proposes to raise a further \$250,000 in September 2015 by the issue of an unsecured convertible loans (less raising costs of \$25,000). The loans will be converted on settlement of the transaction.

All interest to be paid in respect to the loans, 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.

Note 6: In August 2015 a total of 7,666,667 options were exercised at 2 cents each and raised \$153,333.

Note 7: Upon completion of the \$4.0 million (Minimum raise) or \$6.0 million (Maximum raise) capital raise (Note 9 below), the following cash payments will be made:

- \$200,000 to repay a loan to LPE (that was in existence at 31-Dec-14);
- \$100,000 to repay a loan from a director of LPE (that was in existence at 31-Dec-14);
- \$155,000 to repay a loan from a director that was provided since 31-Dec-14.
- \$49,500 to repay a loan from a director that was provided since 31-Dec-14; and
- \$250,000 to repay a proposed loan to LPE in September 2015.

The total effect of these transactions will be reduce cash by a net \$300,000, reduce current liabilities by \$200,000 and reduce non-current liabilities by \$100,000.

Note 8: In consideration for 100% of the issued capital in LPE, Stratum has agreed to issue the following securities to the LPE shareholders:

1. Such number of Shares determined by a formula as set out in Section 1.1(c)(i) of this Notice of Meeting Explanatory Memorandum. We have determined that 545,632,599 Shares (\$4.0 million Minimum raise) and 645,632,599 (\$6.0 million Maximum raise) will be issued on settlement.
2. 727,510,132 Performance Shares (\$4.0 million Minimum raise) and 860,843,465 (\$6.0 million Maximum raise) that will convert in to Stratum Shares upon satisfaction of certain milestones.

The values of the securities to be issued, for the purpose of the Pro-forma adjustments, are set out below:

Shares

\$4.0 million Minimum raise:

$$545,632,599 \times \$0.02 = \$10,912,652$$

\$6.0 million Maximum raise:

$$645,632,599 \times \$0.02 = \$12,912,652$$

\$0.02 per Share represents the share price of the proposed Prospectus capital raising that will occur on settlement.

Performance Shares

\$4.0 million Minimum raise:

$$727,510,132 \times \$0.02 = \$14,550,203$$

\$6.0 million Maximum raise:

$$860,843,465 \times \$0.02 = \$17,216,869$$

\$0.02 per Performance Share is based on the information set out in Appendix B.

Note 9: The business combination was deemed to meet the definition of a 'reverse acquisition' under Accounting Standard AASB 3 Business Combinations. As a result, the legal acquirer (Stratum) was considered to be the acquiree for accounting purposes, and the legal acquiree (LPE) was considered to be the acquirer for accounting purposes.

By applying the principles of AASB 3 and other professional guidance, the consideration deemed to have been 'paid' by LPE to purchase Stratum was based on the expected number of shares in Stratum at the expected acquisition date, multiplied by the expected placement price per share as set at the latest market placement. The placement price was preferred to the market price as a more reliable measurement of fair value due to:

- the significant volatility in the price of shares in the company traded in recent months; and
- the significant changes in share capital as a result of the business combination between Stratum and LPE.

This was deemed to be the most reliable measurement method, and resulted in deemed consideration for the business combination of \$10.91 million (\$4.0 million Minimum raise) and \$12.91 million (\$6.0 million Maximum raise). The expected fair value of net assets of Stratum at acquisition date will be \$4.35 million (\$4.0 million Minimum raise) and \$6.22 million (\$6.0 million Maximum raise). As a result, Goodwill on acquisition of \$6.57 million (\$4.0 million Minimum raise) and \$6.69 million (\$6.0 million Maximum raise) was calculated.

Note 10: A minimum capital raising of \$4.0 million is required as part of the proposed acquisition, to be conducted pursuant to a Prospectus Offering. The Directors will also set a limit of a maximum capital raising of \$6.0 million for the Prospectus offering. The Pro-forma Financial Information shows the effect of both the minimum and maximum capital raises, assuming that both will be fully subscribed.

The Pro-forma adjustments reflect the net impact of the proposed minimum and maximum capital raisings adjusted for the costs of the capital raising. The costs include:

- Capital raising fees (5.0% on all funds raised plus a \$50,000 Management Fee)
- Expert (eg. legal, accounting) fees
- ASX listing fees
- Share registry fees
- Printing and mailing fees

The following items are not shown as Pro-forma adjustments on the tables above as they are an adjustment within the Equity accounts.

Note 11: Armada Capital will be issued 75,000,000 options as a fee for corporate finance and lead management.

Directors of Stratum will be issued 30,000,000 options for past services.

The expense (in Equity) will be offset against an Option Reserve, also within Equity. For the purposes of the Pro-forma Financial Information, this is assumed to be \$0.0089 per Option. Refer Appendix A for valuation.

APPENDIX A

Option valuation:

Item	Note	1
Underlying share price	a	\$0.02
Exercise price	b	\$0.025
Valuation date		30 September 2015
Expiration date		30 June 2017
Volatility	c	100%
Risk free rate	d	2.75%
Valuation per option (post-consolidated)		\$0.0089

Note A- Underlying share price: The valuation has assumed the underlying spot price to be \$0.02 – the proposed Capital Raising Price.

Note B- Valuation date: It is assumed that the options will be issued following shareholder approval on or around 30 September 2015.

Note B- Expected volatility of share price: We have not used the annualised volatility of a Stratum share as traded on ASX as the Company's future activities are substantially changing from a junior mineral exploration company to that of one associated with electricity retailing to strata communities. As the life of the options is relatively short and the volatility of companies in the utilities sector can be high, we consider a 100% volatility for a relatively short term option exercise period to be reasonable.

Note D- Risk-free rate: The risk free interest rate for a 1.75 year term approximates 2.75%.

APPENDIX B

The Performance Shares will vest into ordinary shares in Stratum upon the satisfaction of certain vesting conditions that are non-market based vesting conditions (**Performance Milestones**) as disclosed in Schedule 1.

The Performance Shares are issued for \$0.0000001 each and no consideration will be payable upon the vesting of the Performance Shares on the satisfaction of all of the Performance Milestones.

In effect, the initial undiscounted value of the Performance Shares is the value of an underlying Share in Stratum as traded on ASX at the date of issue of the relevant Performance Shares.

It is noted that the share price of a Stratum Share trading on ASX on 25 September 2015 was 1.9 cents. The proposed Capital Raising of a minimum of \$4,000,000 is to be undertaken at an issue price of \$0.02 per Share. We believe it is appropriate to use the 2.0 cent Capital Raising price as a "market value" of a Stratum Share to value the Performance Shares (and in evaluation of the fair value of the Consideration Shares).

For the purpose of this valuation the undiscounted value of the Performance Shares to be issued to the Shareholders of LPE is 2.0 cent.

As the Performance Milestones are non-market based performance conditions and under International Financial Reporting Standards ("IFRS"), no discount is applied in valuing the Performance Shares at the grant/issue date for not meeting the Performance Milestones. A discount is only applied where Performance Milestones are market based or are predominately market based.

The valuation is not necessarily the market price that the Performance Share could be traded at and it is not automatically the market price for taxation purposes. Under IFRS, the Company's Directors at the date of issue of the Performance Shares will need to estimate the date when each Performance Milestones will be met and account for the value over the period from date of issue to the date the Performance Milestones will be met.

Conclusion on valuation of Performance Shares to LPE Shareholders

The underlying value of a Stratum share is deemed to be 2.0 cent. Thus for the purposes of the valuation, the 727,510,132 (Minimum Subscription) and 860,843,465 (Maximum Subscription) undiscounted Performance Shares in Stratum may have an underlying value of \$14,550,203 and \$17,216,869 respectively.

The future value of the Performance Shares may increase or decrease from the initial assessed 2.0 cents each, depending on the future share price of a Stratum Share as traded on ASX and how near each Performance Milestones is to being met. However as noted above, under IFRS, the Company's Directors at the date of issue of the Performance Shares will need to estimate the date when each Performance Milestones will be met and account for the value over the period from date of issue to the date the Performance Milestones will be met.

The maximum period to account for the Performance Shares is 30 months as any Performance Shares not converted to Shares in Stratum within 30 months from the issue of the Performance Shares will lapse.

SCHEDULE 3 – TERMS AND CONDITIONS OF OPTIONS

The terms of the Options are as follows:

- (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.

SCHEDULE 4 – PRO FORMA CAPITAL STRUCTURE

On the basis that Settlement and associated transactions occurs on 31 October 2015 on the terms set out in Section 1.1 of the Explanatory Statement and the Maximum Subscription is achieved under the Capital Raising, SXT's capital structure will be as follows:

	Shares ⁹	Options	SXT Convertible Notes	Performance Shares
Current	249,458,414	51,232,437 ¹	1,350,000	-
Conversion of SXT Convertible Notes (face value) ³	42,187,500	21,093,750 ²	(1,350,000)	-
Conversion of SXT Convertible Notes (interest) ³	687,945	-	-	-
Conversion under Initial Loan Agreements (face value) ⁴	23,000,000	23,000,000 ²	-	-
Conversion under Initial Loan Agreements (interest) ⁴	2,298,740	2,298,740 ²	-	-
Conversion under Subsequent Loan Agreements (face value) ⁵	25,000,000	-	-	-
Conversion under Subsequent Loan Agreements (interest) ⁵	3,000,000	-	-	-
Grant of Options to Armada Capital ⁶	-	75,000,000	-	-
Grant of Options to Directors ⁷	-	30,000,000	-	-
Capital Raising ⁸	300,000,000	-	-	-
SUB-TOTAL	645,632,599	202,624,926	-	-
Vendor Consideration ⁹	645,632,599	-	-	860,843,465
TOTAL	1,291,265,198	202,624,926	-	860,843,465

Notes:

- ¹ 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

- ² Exercisable at \$0.02 on or before 29 February 2016. A summary of the terms and conditions of the Options to be issued is set out in Schedule 3.

- ³ 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 1.6(c) of the Explanatory Statement.
- 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 1.6(b) of the Explanatory Statement.
- ⁵ Stratum will seek to be granted loans to the value of \$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 1.6(d) of the Explanatory Statement.
- 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 Schedule 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 Schedule 3.
- ⁸ Assumes Maximum Subscription under the Capital Raising at an issue price of \$0.02 per Share.
- ⁹ Refer to Section 1.1(b) of the Explanatory Statement for a summary of the Vendor Consideration Securities to be issued to the Vendors at Settlement.

SCHEDULE 5 – TERMS AND CONDITIONS OF ARMADA AND DIRECTOR OPTIONS

The terms of the Options are as follows:

- (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.

APPOINTMENT OF PROXY FORM

STRATUM METALS LIMITED
(TO BE RENAMED "LOCALITY PLANNING ENERGY LIMITED")
ACN 120 658 497

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11am, on 2 November 2015 at Level 7, 151 Macquarie Street, Sydney NSW and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 14, 15 and 16 (except where I/we have indicated a different voting intention below) even though Resolutions 14, 15 and 16 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Change to nature and scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Creation of a new class of securities – Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Securities – Vendor Consideration Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Armada Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Conversion under Initial Loan Agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Conversion of SXT Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Conversion under Subsequent Loan Agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Election of Director – Mr Damien Glanville	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Election of Director – Mr Ben Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16	Ratification of Prior Issues – Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17	Ratification of Prior Issues – Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 18	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 19	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 20	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 21	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 22	Ratification of Prior Issues – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 23	Grant of Options to Director – Mr Andrew Pierce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 24	Grant of Options to Director – Mr Daniel Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 25	Grant of Options to Director – Mr John Shepherd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):**Individual or Shareholder 1**

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:**Contact name:****Contact ph (daytime):****E-mail address:****Consent for contact by e-mail:**YES ☐ NO ☐

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** 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.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Stratum Metals Limited, Suite 8, 55 Hampden Road, Nedlands WA 6009; or
 - (b) facsimile to the Company on facsimile number 08 93895885; or
 - (c) email to the Company at damon@ampereltd.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.