

31 July 2013

STRATOS RESOURCES LIMITED

QUARTERLY ACTIVITIES REPORT

Stratos Resources Limited (“Stratos” or “the Company”) (ASX: SAT) is pleased to provide the following quarterly activities report for the June 2013 Quarter.

Key highlights

- The Company executed documentation to acquire 60% of the Yinchen Tin project (the “Yinchen Tin Project”) in conjunction with international commodity trading group, Metalcorp. The Yinchen Tin Project includes 11 granted highly prospective Tin tenements covering 1,200Ha on Belitung (“Billiton”) Island with historical artisanal workings (indicating both alluvial and hard rock potential).
- Subsequent to quarter end, Stratos has executed an option agreement to acquire 70% of the Sambas offshore tin project in West Kalimantan, Indonesia (“Sambas Tin Project”), located near the Southern end of the South East Asian tin belt.
- The Company had \$520,000 cash as at 30 June 2013. Stratos also retains an investment in Sprint Energy Ltd (ASX: SPS) of 35m shares. SPS is an ASX listed oil and gas company which has optioned a highly prospective oil and gas project in the Russian Federation.

The Company has taken substantial steps in the last quarter to become a significant player in the tin exploration and development market. During the quarter the Company completed documentation to acquire the Yinchen Tin Project and has also recently acquired an exclusive option over the Sambas Tin Project. Both projects are highly prospective for tin and are located in close proximity to the South East Asian Tin belt.

Yinchen Tin Project

During the quarter the Company executed documentation to acquire the Yinchen Tin Project (see ASX announcement dated 4 June 2013)

Stratos intends to undertake a review of existing data, immediately followed by its own testing of prospective areas. Work undertaken by Stratos will be focused on identifying areas suitable for production in the short term, and to delineate a resource and reserve suitable for reporting under the JORC code. Initial exploration will be in alluvial areas with a view to examining hard rock potential once in production.

The 60% shareholding investment will be held by a Singapore based joint venture vehicle owned on an equal basis by Stratos and Metalcop Group, the European based global commodities trader. A subsidiary of the Metalcop Group, Tennant Metals, has been involved in the marketing and sales of tin product from Belitung Island for many years and is a major participant in the Asian market for tin. The remaining 40% shareholding is currently held by a local partner with long mining and processing experience on the island. The Metalcop Group has agreed to provide an off-take agreement for 100% of the tin produced from the eleven (11) tenements and up to US\$5.00 million of trade finance. These arrangements are to be at market rates and are subject to final terms and conditions and definitive documentation.

Consideration to be paid by Stratos is to be all scrip, with shares to the value of \$400,000 at VWAP to be issued to the vendor. These shares will be subject to a voluntary one (1) year escrow. The transaction is subject to ASX and shareholder approval (if required).

Discussions in relation to the potential acquisition of the Yinchen smelter assets also continue with relevant Indonesian and other interested parties. In the interim, smelting arrangements at market rates are available from one of the other smelters on Belitung Island.

The Region

Belitung and its neighbouring island, Bangka represent the largest single tin export regions globally. The islands are located on the busy shipping routes of the Java Sea. Belitung Island is 150km in diameter and is approximately equal distance by sea from Singapore, Malaysia and Jakarta.



Figure 1 - Belitung Island, Indonesia

Belitung and Bangka Islands are located in the prolific South East Asian tin belt. The SE Asia Tin Belt extends from Myanmar to the Java Sea in Indonesia and has produced more than 9.6Mt of tin metal or 54% of world tin (Schwartz 1995). This belt is characterized by stanniferous (tin bearing) granites of Late Triassic age (circa 220 million years), such as the Tanjung Pandan granite batholith which dominates the NW of Belitung island.

Mining on Bangka and Belitung Island is predominantly of secondary placer deposits with both on-shore gravel pumping and off-shore dredging (targeting ancient offshore paleochannels containing high grade tin concentrations) being the major mining methods.

Yinchen Tin Project Tenements

The tenements comprise 1,200 Ha of highly prospective area predominantly on the Western half of Belitung Island. In most cases the tenements are surrounded by or adjacent to tenements owned by PT Timah, the major tin producer in Indonesia.

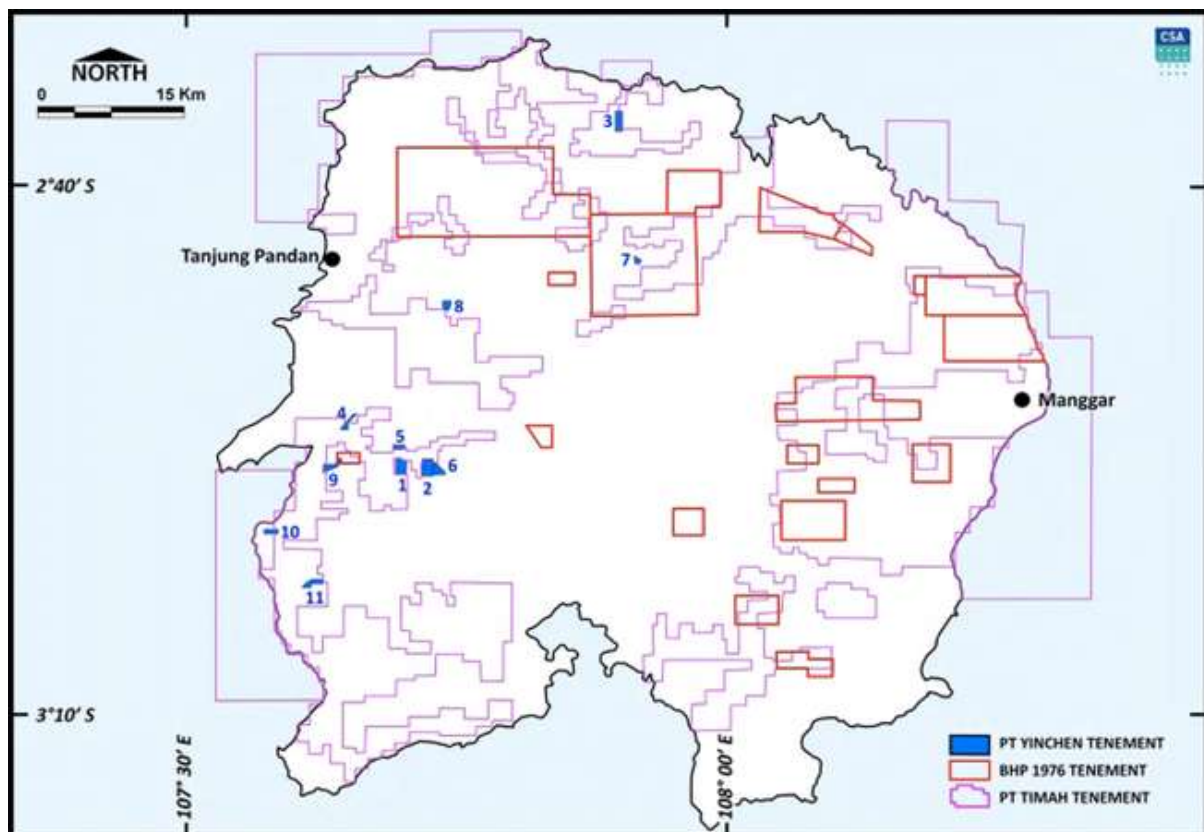


Figure 2 – Location of acquired tenements on Belitung Island in blue

Many areas proximal to the tenements continue to be worked by small scale miners using primitive equipment. Given the historical production of tin from alluvial mining, Stratos intends utilising modern mining methods and technology in order to undertake exploration required to delineate a resource and reserve initially with a longer term focus on developing hard rock tin sources on the island.



Figure 3 - Local artisanal Miners using gravity separation of alluvial deposits on Belitung Island

Historical geological works (sampling, drilling and assaying) have been undertaken at the tenements. These works indicate potential for both alluvial and hard rock tin structures. The XRF assay results (from the Intertek laboratory in Jakarta) of various surface samples undertaken at site by Stratos are shown below. The results ranged up to 8.3% Sn (excluding the high grade cassiterite sample derived from a panning sample) and averaged 3.2% Sn (also excluding the high grade cassiterite sample).

IDENT UNITS	As PPM	Cu PPM	Fe %	Pb PPM	Sb PPM	Ti %	W PPM	Zn PPM	Zr PPM	Sn %	
DET.LIM	5	2	0.01	2	5	0.01	10	2	5	0.01	
SCHEME	IC30	IC30	IC30	IC30	IC30	IC30	IC30	IC30	IC30	XR02	Notes
AU-YS/002-01	14	4	0.43	96	<5	0.01	14	13	<5	2.58	
AU-YS/022-01	95	94	2.11	1010	<5	0.01	139	16	<5	2.93	
AU-YS/025-01	21	4	0.87	25	<5	0.01	68	14	9	8.3	
AU-YS/025-02	80	16	18.6	53	6	0.02	19	98	<5	4.51	
AU-YS/025-04	495	22	24.3	176	8	0.01	37	189	<5	3.6	
AU-YS/025-05S	<5		0.34	13	<5	0.01	<10	17	202	44.2	Cassiterite
AU-YS/025-06	31	3	2.3	35	<5	<0.01	<10	21	<5	0.29	
AU-YS/025-07	502	13	35.1	76	17	0.02	<10	172	<5	0.04	
Average (excluding cassiterite)										3.18	

Figure 4 - Table of XRF assay results

The next stage of exploration and delineation of tin deposits on the tenements is expected to commence in the third quarter of 2013 and will likely include mapping, auger drilling and control drilling/ bulk sampling. The focus of the joint venture will be to reprocess available historical data and then further test the most productive areas in order to realize cash flow positive production in the shortest possible time frame.

Sambas Tin Project

The Sambas project exploration IUP covers 49,270 hectares of prospective offshore areas from the mouth of the Paloh River to north of Tanjung Dato, West Kalimantan, Indonesia (see Figures 5 & 6 below). The licence area extends from the shore line to 8km offshore and in waters generally between 5 and 20m in depth which is considered ideal for offshore alluvial tin extraction.

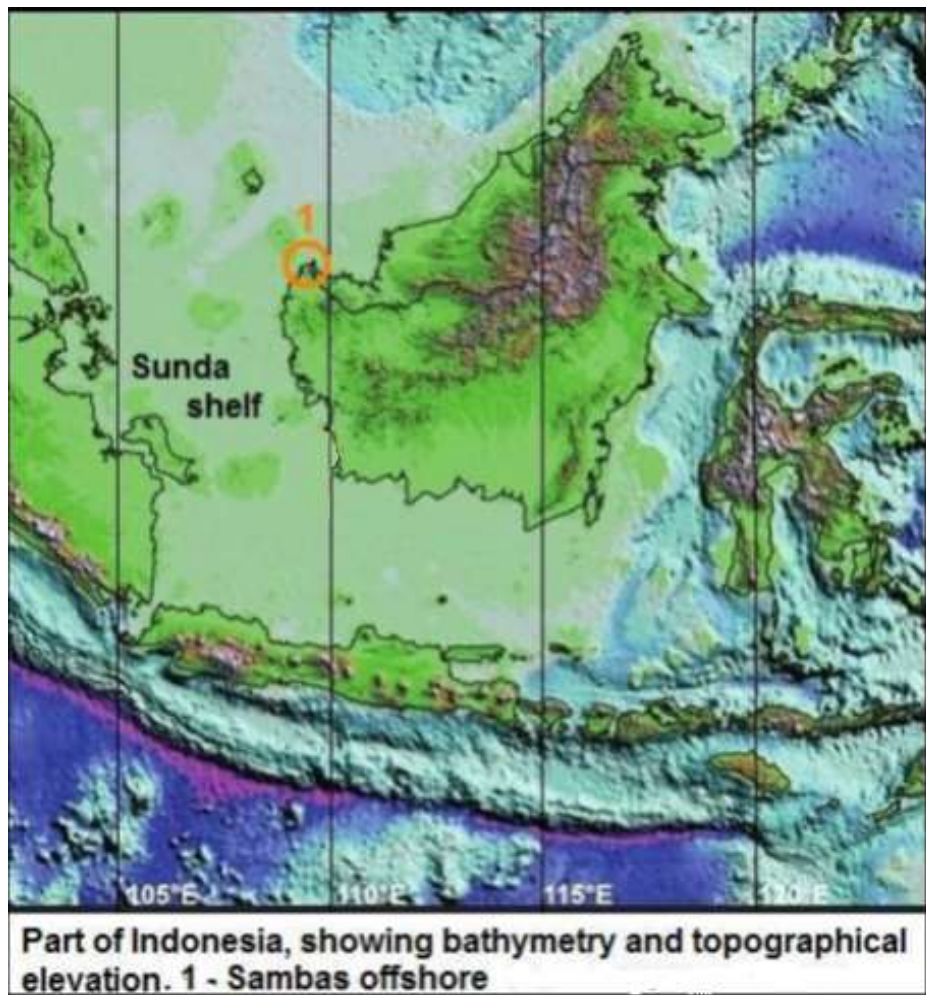


Figure 5 – Sambas Location Map

Historical sampling taken from the Sambas project has indicated the potential for commercial alluvial tin mineralisation. A total of 45 subsea grab samples have been taken and analysed by the project owners with results of up to 0.7% Sn reported. The range of sample grades reported by the project owners is between 0 and 0.7% with a number of samples in the range of 0.02% (0.3kg/ m²), which is considered potentially viable for an alluvial tin operation. It is noted that Stratos does not currently have details regarding precise sampling methods, collection locations, or analytical methods in its possession, and the Company intends to further review the historical data and perform its own geological review of the project during the term of the option as part of its due diligence process.

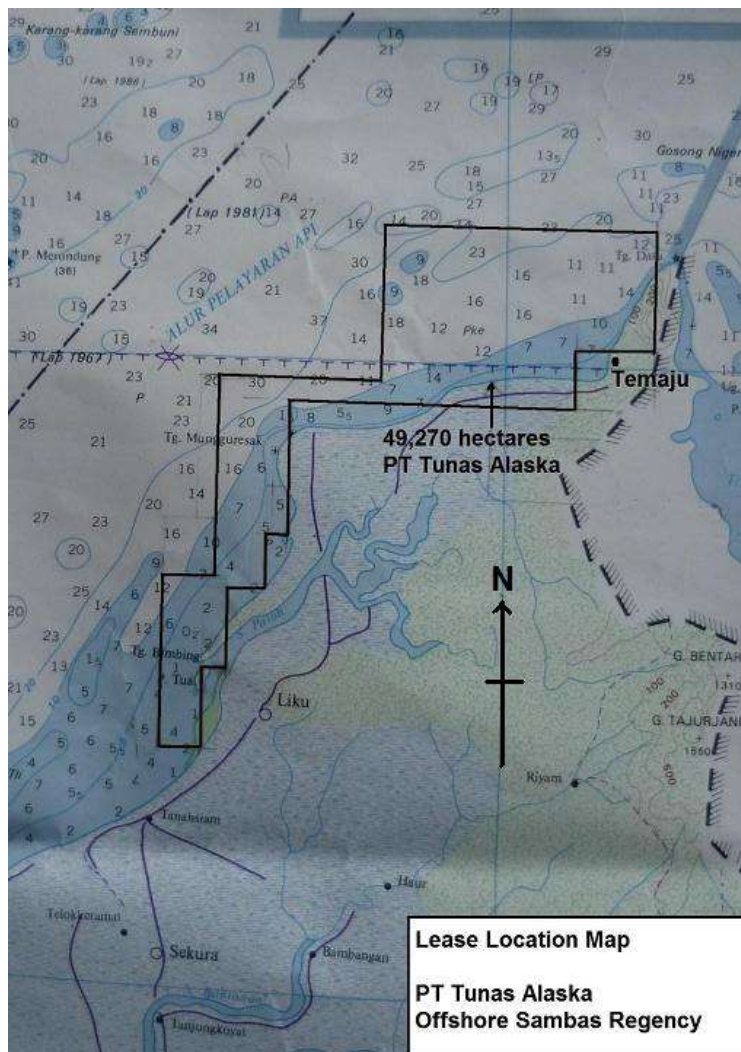


Figure 6 – Lease Location Map

Offshore Tin

Offshore tin production is becoming increasingly dominant as the most competitive cost of recovery method for tin mining in Indonesia, due mainly to declining tin grades on historically mined land based sites. There is a variety of offshore tin mining techniques that take advantage technically of the relatively shallow water. Using “pass over” technology targeting of higher grade zones can determine paleo rivers and beaches that are known to host tin. The intent is to use known targeted dredging techniques low foot print and impact on the environment ensuring that plume modeling and waste stream placement offers minimal environmental impact.

The largest offshore tin miner globally is PT Timah, the Indonesian listed tin miner, which currently operates 25 dredges mainly around in the region of the Bangka / Belitung Islands.



Figure 7 - Typical tin dredge

The Sambas project complements the Yinchon Tin Project on Belitung Island which has also been acquired by the Company (see announcement 4 June 2013). Stratos intends to assess both projects in parallel in order to determine forward work programs and production planning.

Strong partners

Should Stratos exercise the option to acquire the project, it will hold the 70% investment in conjunction with a West Kalimantan mining conglomerate with many years operating experience in the area. The Vendor has previous experience successfully managing resource projects in West Kalimantan from exploration to production in conjunction with foreign companies.

The Tin Market

China and Indonesia currently represent 70% of global tin production. As China is a net importer of tin, Indonesia is the most significant driver of the world's tin export market. Tin is predominantly used in solder and is therefore exposed to the rapid industrialization of China and other developing economies and third world economies as they acquire various electronic devices including mobile phones, televisions, whitegoods and motor vehicles, amongst others.

Stratos is of the opinion that the world tin market will continue to strengthen, and as such the company will remain focused on testing and development of its tin assets, and will continue to assess additional acquisition opportunities.

- **Tin in Short Supply:** The demand for tin as outlined by a variety of commentators, including the main tin association, the International Tin Research Institute ("ITRI"), are forecasting tightness in tin supply and corresponding upwards price pressure. ITRI has

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forecast an increase from current price levels of \$20,000 to \$30,000 – 35,000 in the period to 2016.

- **Major Tin Production Region:** The 2 major producers of tin globally are China and Indonesia, each of which produced over 30% of global production in 2011. Chinese tin is consumed domestically resulting in Indonesia being recognized as the major supplier to the export market globally.
- **Strong Growth Markets:** Tin is exposed to the high growth Asian consumer markets (ie. electronic goods, mobile phones, white goods) including China which continues to grow at 7-8% p.a.

Corporate

The Company has maintained its cash balance during the quarter, with the closing cash balance being \$523,000 as at 30 June 2013. The Company also retains an interest in 35m Sprint Energy Ltd (ASX: SPS) shares (current trading price of 1.2c/share).

During the quarter the Company successfully settled \$150,000 of historical creditors (i.e. pre 30 June 2012) in dispute for \$0. The total creditor balance has now been reduced from over \$1.1m as at 30 June 2012 to \$180,000 as at 30 June 2013 of which \$150,000 represents pre 30 June 2012 creditors that remain in dispute.

The Board continues to review investment opportunities in both the tin sector and other commodity sectors that have the potential to significantly add value for shareholders.

Competent Person Statement:

The information in this announcement that relates to exploration, mineral resources or ore reserves is based on information compiled by Mr Paul Cmrlec (B.Eng (mining) Hons. M.AusIMM). Mr Cmrlec has the sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person described by the 2004 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cmrlec consents to the inclusion in this report of the matter based on his information in the form and context in which it appears.

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