

31 October 2014

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 September 2014 Quarter.

Key Highlights

- Completion of Share Purchase Plan
- Conversion of all outstanding convertible loans, no third party debt
- Executed option over Canadian Graphite asset and other assets

Manitouwadge Graphite Project

The company announced that it has entered into an exclusive option to acquire 100% of a 3,400 Ha graphite project located north-east of the town of Manitouwadge in Ontario, Canada (“Manitouwadge Project”). See announcement to ASX on 7 October 2014.

The Manitouwadge Project has significant graphite potential. Initial metallurgical test work on samples taken from site indicates 55% of the graphite is sized large or jumbo flake size, which is the highest value and most sought after graphite flake size with its use in new technologies expected to rapidly expand over the next decade.

In addition, the proposed acquisition includes a separate exclusive option for 100% of a project comprising 2,700Ha of mineral leases located north of the town of Hinton in Alberta, Canada (“Hinton North Project”) with potential for other minerals.

The acquisitions are subject to ASX and Stratos shareholder approval (if required).

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Key Points:

- **Jumbo and Large Flake Potential:** Reports commissioned from Activation Laboratories Ltd (“Actlabs”) by the vendor for metallurgical work (on an initial 2kg grab sample) indicates that 16.2% of the graphite concentrate reported to the +425 µm size fraction (jumbo flake obtained without gravity or flotation), 10.3% of the sample reported to the -425 to +300µm (jumbo flake), 29% reported to a -300 to +180µm (large flake) size fraction and 11.1% reported to the -180 to +150µm (medium flake) size fraction. The Company expects jumbo and large flake graphite to be in demand due to its increasing use in new technologies such as batteries and electric vehicles.
- **The Manitouwadge Project is an attractive deposit with significant graphite exploration potential:** studies of the area by the Ontario Geological Survey (“OGS”) indicate graphite showings of 5% (up to 20% locally) (ref: OGS report 5889). Aerial electromagnetic (“AEM”) surveys flown for Noranda Inc. (when exploring for volcanic-hosted massive sulphide (“VHMS”) deposits) indicate six significant conductors on the project that may be indicative of either VHMS or graphite deposits.
- **Excellent Infrastructure:** Canada is regularly rated as one of the leading global mining jurisdictions. The Manitouwadge Project has excellent access to sealed roads and logging roads. It is 50kms from the Trans-Canada Highway and 20kms from the nearest rail access point. The project is 30km north east of Manitouwadge and 120kms south west from Hearst both of which have experienced mining populations due to other mines in the area. There are also other graphite projects in the area including the world class Albany graphite deposit 50kms west of Hearst which is being developed by Zenyatta Ventures (which in 2013 won the award for the top performing mining company on the TSX- Venture Exchange).
- **Immediate Work Plan to Commence:** The Company and its advisors have commenced a review of historical information including geological reports and HLEM data. The plan is to shortly commence a channel sampling program which will seek to confirm graphite grades and grain size distribution in the existing trenches and then finalise drill locations for an initial due diligence drill program of approx. 600m (potentially expandable to 2,400m) which will target the EM anomalies. An application for a permit to allow drilling is in the process of being lodged on behalf of Stratos.
- **Hinton North Project:** The Hinton North project is held under a separate option and is a development stage project. The project is in the foothills of the Rocky Mountains and has had approximately 7,000m of historical drilling. The project has a granted coal mining lease and a historical NI43-101 resource (not a JORC-compliant resource) of high quality thermal coal (HV C Bituminous). The coal is a multi-seam product that exhibits attractive characteristics with

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the main seams to be targeted showing potential for low sulphur, moderate ash and high energy values.

Yinchen Tin Project

During the quarter the Company continued to progress the acquisition of the Yinchen Tin Project, with further extensive legal due diligence performed regarding the project's tenure. The Company has made formal submissions to the local authorities seeking the completion of the final registration and approval process.

Corporate

The Company completed an oversubscribed share purchase plan and following the conversion of all convertible loans is free of third party debt. The Company had a closing cash balance of \$336,000 as at 30 September 2014.

The board continues to review the asset mix for the company and the opportunity to either develop, joint venture, acquire and sell or otherwise exit projects as appropriate. The board continues to review investment opportunities that have the potential to significantly add value for shareholders.

Schedule of Mining Interests

Stratos wishes to provide the following information in relation to additional information required by Listing Rule 5.3.3 Mining tenements held at the end of the September 2014 quarter and their location.

Mining Interest ID	Location	Project	Interest
IUP-OP #2	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
SKP KPD #7	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #21	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #22	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #23	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #24	West Belitung, Belitung Island, Indonesia	Yinchen	30%*

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IUP-OP #25	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #26	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #27	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #28	West Belitung, Belitung Island, Indonesia	Yinchen	30%*
IUP-OP #29	West Belitung, Belitung Island, Indonesia	Yinchen	30%*

* Stratos signed definitive documentation to acquire 60% of Yinchen project interest in a jointly owned vehicle with Metalcorp / Tennant.

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