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 December 2013 Quarter.

Key Highlights

- Stratos progressed the acquisition of certain Indonesian tin assets ("the Yinchen Tin Project") on Belitung ("Billiton") Island, Indonesia in conjunction with international commodities trading house, Metalcorp and the Sambas Offshore Tin Project off the coast of West Kalimantan.
- The Company completed a $110,000 capital raising via issue of convertible notes approved by shareholders in November 2013.

Yinchen Tin Project

During the quarter the Company continued to progress the acquisition of the Yinchen Tin Project.

Stratos intends to undertake a review of existing data, immediately followed by its own testing of prospective areas. Future work undertaken by Stratos will be focused on identifying areas suitable for near term production and cash flows, and to delineate a resource and reserve suitable for reporting under the JORC 2012 Code. Initial exploration is to be focused on the most prospective alluvial tin areas. Hard rock tin potential in close proximity to the alluvials will also be examined. The 60% interest in the 11 Production IUPS (equivalent to mining licenses) will be held by a Singapore based vehicle owned on an equal basis by Stratos and Metalcorp Group, the European based global commodities trader. A subsidiary of the Metalcorp 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 Metalcorp 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 prevailing 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 approvals (if required).

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 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 11 Production IUPs 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](image-url)
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.

The next stage of exploration and delineation of tin deposits on the tenements is expected to commence shortly and will likely include mapping, auger drilling and control drilling/bulk sampling. The focus 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.

Figure 3 - Local artisanal Miners using gravity separation of alluvial deposits on Belitung Island
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 Figure 5 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
Offshore tin production is becoming increasingly dominant as a cost competitive method for tin mining in Indonesia. 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 the region of Bangka Island.

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 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 had a closing cash and investments balance of $350,000 as at 31 December 2013 of which $221,000 was held in cash.

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.

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 December 2013 quarter and their location.

<table>
<thead>
<tr>
<th>Mining Interest ID</th>
<th>Location</th>
<th>Project</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>IUP 211/Distamben/2011</td>
<td>West Kalimantan, Indonesia</td>
<td>Sambas</td>
<td>Option to acquire 70%</td>
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<tr>
<td>IUP-OP #2</td>
<td>West Belitung, Belitung Island, Indonesia</td>
<td>Yinchen</td>
<td>30%*</td>
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<tr>
<td>SKP KPD #7</td>
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<td>Yinchen</td>
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<td>30%*</td>
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<td>Yinchen</td>
<td>30%*</td>
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</tbody>
</table>

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

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