

2 July 2015  
ASX ANNOUNCEMENT

## OPTION AGREEMENT TO ACQUIRE 100% OF AN ENERGY RETAILING BUSINESS SUPPLYING ELECTRICITY TO STRATA COMMUNITIES

### Highlights

- Option to acquire 100% of Locality Planning Energy Pty Ltd (**LPE**), an energy retailer authorised by the Australian Energy Regulator (**AER**).
- 1 of 23 suppliers authorised to operate in the residential market throughout the National Energy Market (**NEM**).
- A highly scalable operating business with a first to market advantage and compelling business and technology solution, capable of generating rapid revenue through energy under management expansion.
- LPE targets strata communities where 36% of residential energy consumers reside.
- The sector bills \$37 Billion in traded electricity per annum.
- LPE is currently operating in Queensland and plans to expand into NSW in the short term.

### Background

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Stratum Metals Limited (ASX:SXT) (**Stratum**) is pleased to announce that it has executed an exclusive option agreement (**HOA**) to acquire 100% of the issued capital in energy retailer Locality Planning Energy Pty Ltd (ACN 148 958 061) (**Acquisition**).

LPE is an energy retailer authorised by the Australian Energy Regulator to supply and sell electricity to residential customers throughout the National Energy Market. 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.

Stratum Metals Limited ACN 147 867 301

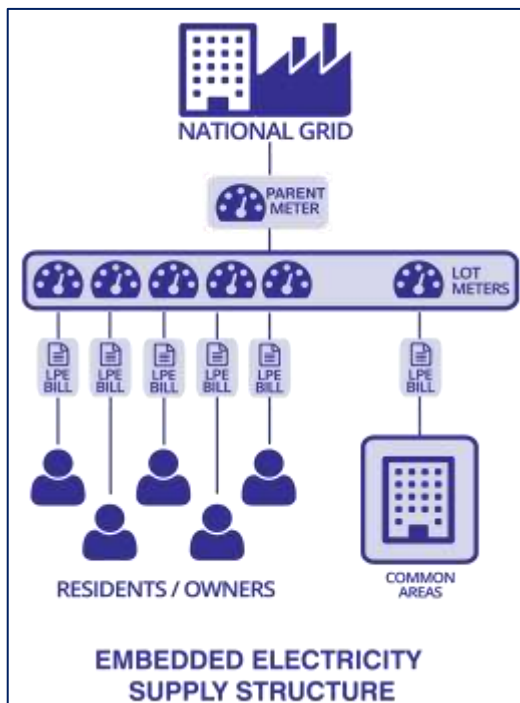
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LPE offers a comprehensive service to strata communities removing unnecessary administrative and financial burdens from the body corporate:

- Significant savings over a private or individual power bill
- An appreciation of strata community operations
- Complaint procedures with the National Energy Rules and Law
- The requirement to provide an avenue for energy consumers to access the energy ombudsman and/or ACCC complaint resolution services
- Zero cost to implement an embedded network solution; and
- 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.

Currently LPE hold 1 of only 23 active 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.

LPE currently operates in Queensland and plans to expand into NSW in the short term. Further expansion is planned into key markets focused on population centres along the entire east coast of Australia (excluding Victoria) and in South Australia. 36% of consumers within this target area live in a strata community.

LPE generates revenue through the sale of electricity and services to the end customer and has 3 main revenue streams:

- consulting fees;
- a margin on the volume of electricity; and
- a daily service charge.

LPE's initial price offer is a fixed kilowatt (kWh) charge and a day rate secured via a long term agreement with each strata community 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 deeper savings, they will build a significant asset, namely electricity under management secured by long term agreements with its customers driving shareholder wealth.

### Key Acquisition Terms

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- Stratum paid an option facilitation fee of \$25,000 upon signing the HOA. Stratum will pay a further option facilitation fee of \$25,000 within the next 15 days.
- In consideration for exercising the option, Stratum must pay an option facilitation fee of \$50,000 to LPE in consideration for the LPE shareholders granting an option to Stratum (exercisable on or before 30 July 2015) to acquire 100% of the issued capital in LPE (**Option**).
- The Option period lasts for 30 days from the date of the HOA. If Stratum does not pay the option fees or does not provide written notice to LPE stating that Stratum wishes to exercise the Option, the Option will lapse and the parties will be released from their obligations without any further liability to the other for any reason whatsoever.
- In consideration for 100% of the issued capital in LPE, Stratum agrees to issue the following securities to the LPE shareholders in proportion to the number of LPE shares held (all on a pre-consolidation basis refer to Settlement conditions below):
  - such number of fully paid ordinary shares in the capital of Stratum (**Stratum Shares**) as is equal to the number of Stratum Shares deemed to be on issue on the date of settlement (**Settlement Date**) (including any Stratum Shares issued under the Capital Raising, defined below, and including any Stratum Shares issued upon conversion of any Stratum convertible notes on issue on or before the Settlement Date) (the **Consideration Shares**);
  - such number of performance shares (**Performance Shares**) that together with the Consideration Shares represent 70% of the fully diluted Stratum Shares deemed to be on issue on the Settlement Date, including the Performance Shares. The Performance Shares will convert automatically into Stratum Shares upon satisfaction of the following milestones (subject to ASX approval);
    - One third of the Performance Shares shall convert upon LPE having under management (supply and sell under contract) 50 Giga Watts (GW) of annualised energy contracts within 18 months from the Settlement Date;
    - One third of the Performance Shares shall convert upon LPE having under management (supply and sell under contract) 75GW of annualised energy contracts within 24 months from the Settlement Date;

- One third of the Performance Shares shall convert upon LPE having under management (supply and sell under contract) 100GW of annualised energy contracts within 30 months from the Settlement Date.
- Settlement of the acquisition (**Settlement**) is conditional upon the satisfaction (or waiver by Stratum) of the following conditions precedent by no later than 2 months following exercise of the Option by Stratum (unless indicated otherwise):
  - completion of due diligence by Stratum on LPE's business and operations, to the sole satisfaction of Stratum within 30 days following the execution of the HOA (**Execution Date**);
  - completion of due diligence by LPE on Stratum's business and operations, to the sole satisfaction of LPE within 30 days following the Execution Date;
  - ASX approving the terms of the Performance Shares under ASX Listing Rules 6.1 and 6.2;
  - Stratum entering into agreements with all holders of notes convertible into Stratum Shares under which they agree to their notes being converted into Stratum Shares at or before Settlement;
  - the conditional approval by ASX to reinstate the securities of Stratum to trading on ASX (after Stratum re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being satisfied to the reasonable satisfaction of Stratum and LPE;
  - Stratum undertaking and successfully completing a capital raising with valid applications for at least \$4,000,000 (**Capital Raising**);
  - Stratum undertaking a consolidation of its issued share capital on a 1 for 2 basis (or such other ratio as determined by Stratum in its sole discretion) (**Consolidation**); and
  - Stratum holding a shareholder meeting to:
    - obtain all approvals that are required to give effect to the transactions contemplated; and
    - change the name of Stratum to "Locality Planning Energy Limited" (or such other name as is agreed between LPE and Stratum).
- Armada Capital Pty Ltd will receive 75,000,000 Options (exercisable at a 25% premium to the price of the Capital Raising on a pre-Consolidation basis on or before 30 June 2017) in consideration for introducing and assisting with the implementation of the proposed acquisition of LPE by Stratum.

#### **Listing Rule Re-Compliance and Capital Raising**

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Since the acquisition of LPE will result in a significant change to the nature and scale of Stratum's activities, it will require Stratum's shareholder approval under ASX Listing Rule 11.1.2 and will also require Stratum to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Subject to the receipt of shareholder approval, Stratum will also undertake the Capital Raising to raise at least \$4,000,000, to be completed under a prospectus.

## Indicative Timetable\*

The indicative timetable for completion of the transaction and Stratum's re-compliance with the ASX listing rules is outlined below:

Event	Date
Execute option agreement for the acquisition of LPE	1 July 2015
Exercise of Option	16 July 2015
Due diligence completion	16 July 2015
Despatch notice of meeting seeking approval for the acquisition of LPE	17 July 2015
General meeting of shareholders to approve the acquisition of LPE	19 August 2015
Lodgement of Capital Raising prospectus with ASIC	20 August 2015
Closing date of Capital Raising under the prospectus	3 September 2015
Despatch holding statements for Capital Raising and acquisition of LPE	8 September 2015
Re-quotation of Stratum Shares on ASX	11 September 2015

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

## Indicative Capital Structure

The following table illustrates the change in Stratum's capital structure (pre Consolidation basis) following the LPE acquisition and Capital Raising with a Settlement Date of 30 September 2015:

	Shares	Options	Convertible Loans/Notes	Performance Shares
Current	236,140,512	56,699,104	1,500,000	
Conversion of Mt Gold Note and interest <sup>1</sup>	42,638,833	21,093,750	(1,350,000)	
Conversion of Stratum Loans and interest <sup>2</sup>	27,243,835	27,243,835	(150,000)	
Capital Raising <sup>3</sup>	200,000,000	-		
<b>Sub-Total</b>	<b>506,023,080</b>	<b>105,036,689</b>	-	
Consideration for acquisition of LPE	506,023,080	-		1,094,783,049
Armada Options	-	75,000,000		
<b>TOTAL</b>	<b>1,012,046,161</b>	<b>180,036,689</b>	-	<b>1,094,783,049</b>

**Notes:**

- <sup>1</sup> Assuming that MG Noteholders and Stratum shareholders agree to reduce the face value of the MG Note and convert at a 20% discount to the Capital Raising price (assuming a Capital Raising price of \$0.02 per Stratum Share) together with one free attaching Stratum Option (exercisable at \$0.02 on or before 29 February 2016) for every two Stratum Shares issued. This value assumes that 6 months interest has accrued under the Mt Gold Note prior to conversion.
- <sup>2</sup> Stratum has been granted loans to the value of \$150,000 (**Stratum Loans**) which will convert at Settlement into Stratum Shares together with one free attaching Stratum Option (exercisable at \$0.02 on or before 29 February 2016) for every Stratum Share issued. The Stratum Loans accrue simple interest at a rate of 1% per month. This value assumes that 9 months interest has accrued under the Stratum Loans prior to conversion.
- <sup>3</sup> Assuming a Capital Raising price of \$0.02 per Stratum Share.

For further information, please contact Stratum's company secretary on +61 8 9389 5885.

On behalf of the Board  
Damon Sweeny  
Company Secretary