

10 September 2014

ASX ANNOUNCEMENT

Capital Raising

Highlights

- **\$2.3 million capital raising over two stages**
 - **Appointed Armada Capital as Lead Manager**
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Stratum Metals Limited (**Stratum** or **Company**) advises that it has signed a mandate to appoint Armada Capital Limited (**Armada**) as Lead Manager to raise up to \$2.3 million via a two stage capital raising (**Mandate**).

Stage 1 - \$250,000

Stage 1 will comprise an unsecured loan to Stratum of \$250,000.

The key terms of the Stage 1 raising are:

- Term of loan = repayable on the earlier of six months or completion of Stage 2 raising.
- Interest = 1% per month payable in cash or shares at the lenders election.
- Loan proceeds to be advanced to Stratum within seven days of the loan documentation being executed.
- Stratum will seek shareholder approval for the loan to be converted into Stratum shares at a price of 80% of the Stage 2 raising price. Each converted share will have one free attaching option (exercisable at \$0.02 on or before 29 February 2016). If shareholder approval for the loan to be converted in to shares (and attaching options) is received, the lender may elect to be repaid in cash or shares (and attaching options), or a combination thereof.

Stage 2 - \$2,057,500

Stage 2 will comprise the issue of 274,333,333 new shares at \$0.0075 per share with one free attaching option (exercisable at \$0.02 on or before 29 February 2016) for every two shares issued to raise a total of up to \$2,057,500.

The key terms of the Stage 2 raising are:

- Raising to comprise the issue of 274,333,333 shares at \$0.0075 per share with one free attaching option (exercisable at \$0.02 on or before 29 February 2016) for every two shares issued, being a total of 137,166,667 options (**Stage 2 Options**).
- The Stage 2 raising is subject to receiving shareholder approval, which will be put to shareholder via a General Meeting as soon as practicable.
- Stratum will apply to have the Stage 2 Options listed.

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Further Terms and Conditions

The Stage 1 and 2 raisings are not underwritten and will be marketed by Armada on a best endeavours basis to Sophisticated Investors that fall under the Corporations Act 2001 Section 708 exceptions.

The Company has agreed with Mountain Gold International Ltd (**Mountain Gold**), the holder of outstanding convertible notes in the Company to the value of \$1.35 million, that Mountain Gold will accept a settlement of their notes of 50% of the face value (i.e. \$675,000) to be paid by the proceeds of the Stage 2 raising. Mountain Gold may accept a combination of cash and/or shares (and attaching options) on the same terms of the Stage 2 raising.

Upon successful completion of the raisings, Armada will be paid fees consisting of:

- 5% of the gross amounts raised (excluding GST);
- \$25,000 management fee (excluding GST); and
- 50.0 million options (exercisable at \$0.02 on or before 29 February 2016) issued to Armada (or its nominee/s).

Armada will also be reimbursed for out of pocket expenses regardless of whether the raisings are successful.

Subject to completion of the Stage 1 and 2 raisings, Armada will have the right to nominate two directors to the Board of Stratum, to replace Messrs Pierce and Anthon.

Use of Funds

Funds raised will be used to support further evaluation of the Company's East Menzies Goldfield and Gidgee projects, investigate other acquisition opportunities, repurchase convertible notes held by Mountain Gold, pay trade creditors, provide general working capital and meet the costs of the raisings.

As noted above, \$675,000 of the Stage 2 raising will be used to satisfy the outstanding Mountain Gold convertible note, in a combination of cash and/or shares.

The net proceeds available to the Company of the total funds raised will depend on the level of repayment of the Stage 1 raising (versus conversion to shares and options, subject to shareholder approval). The maximum amount of net proceeds (after Armada fees) will be \$1.50 million and the minimum amount of net proceeds (after Armada fees and repayment of all Stage 1 loans) would be \$1.25 million.

Armada Capital

Armada Capital is a Perth based specialist investment and advisory firm with a significant global network of brokers, industry professionals and investor access.

Armada is a small cap sector specialist with industry experience in gold, copper, iron ore, oil, gas and renewable energy.

For further information on the Company's activities, please refer to ASX announcements or the Company's website www.stratummetals.com.au, for the latest Investor Presentation.

On behalf of the Board
DP Cornish
Company Secretary