
NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**STRAITS RESOURCES LIMITED
(ASX: SRQ)****\$60 MILLION FULLY UNDERWRITTEN ENTITLEMENT OFFER
\$20 MILLION SHORT TERM FINANCE FACILITY
TRITTON OFF-TAKE AGREEMENT****Highlights**

Straits Resources Limited (“Straits” or “the Company”) is pleased to announce the following financing and operational initiatives:

- A \$20 million short term finance facility provided by Glencore (“Glencore Facility”)
- A \$60 million fully underwritten pro rata renounceable entitlement offer which is being sub-underwritten by Glencore for up to \$40 million and a number of existing shareholders for the balance (“Entitlement Offer”)
- A life of mine off-take agreement with Glencore for production at the Tritton Copper Mine
- A renegotiated repayment schedule for the Mt Muro silver loan with Credit Suisse
- Commencement of cost saving initiatives and operational restructuring, including Board and management changes
- Pursuit of a demerger or sale of Mt Muro.

Commenting on the initiatives, Straits Chairman Alan Good said:

“These measures are intended to provide Straits with a stable platform and reduced cost base from which to deliver the Company’s operational objectives and which are aimed at realising value for all shareholders. The funds raised from the Entitlement Offer are expected to allow Straits to increase the capital development of the Mt Muro mine in order that it can achieve its target of 90-110koz of gold equivalent production in FY2013. The Company also has a strong copper portfolio with the Tritton copper mine, highly prospective near-mine targets including Avoca Tank and Kurrabung, and regional exploration properties including Temora. The Board has also decided that it will investigate separating Straits’ gold and copper assets to determine whether such restructure will create additional value for shareholders.

We welcome the support of a significant international group in Glencore. The Entitlement Offer provides all eligible shareholders with an opportunity to participate in the raising and we look forward to the ongoing support and participation of shareholders.”



Straits

Background

On 10 August 2012, Straits announced that it had appointed Investec Bank (Australia) Limited (“Investec”) to review strategic options available to the Company to strengthen its capital structure and identify opportunities to best maximise value for Straits’ shareholders.

The Straits Board also engaged accounting firm Deloitte to undertake an independent analysis of Straits’ short term cash flows and funding requirements. After considering the Deloitte analysis and competing proposals put to the Company, the Board resolved to proceed with the \$20 million Glencore Facility and the \$60 million Entitlement Offer which, once completed, will strengthen Straits’ balance sheet and provide a more appropriate working capital position. In conjunction with these funding arrangements, Straits is implementing cost saving initiatives and operational changes to significantly reduce the cost base of the Company.

Further details are set out below.

Glencore Facility

Straits is pleased to announce that it has executed an agreement with Glencore for a \$20 million short term finance facility. The facility is a progress draw facility and is available for immediate drawdown. The drawings under this facility will be applied to meet the Company’s short term funding requirements.

The facility will incur interest at BBSW¹ + 7% per annum (calculated daily) and is repayable within 60 days from the proceeds of the Entitlement Offer.

Entitlement Offer

Straits today announces a fully underwritten 1.55 for 1 pro rata renounceable entitlement offer of new Straits ordinary shares to raise \$60 million.

The proceeds from the Entitlement Offer are intended to be applied to:

- pay existing creditors (including repayment of the Glencore Facility) and return to normal payment terms (approximately \$25million);
- fund the development of Mt Muro through waste stripping activities (approximately \$20 million); and
- provide working capital for the Company and pay the costs of the Entitlement Offer (approximately \$15 million).

The principal terms of the Entitlement Offer are as follows:

- 1.55 new fully paid ordinary shares for every 1 share held on the record date (17 September 2012) by Straits shareholders with a registered address in Australia, New Zealand, Singapore, Hong Kong, the UK or Germany or any other shareholders in other jurisdictions to whom the Company decides to make offers;

¹ 'BBSW' is the average mid rate on a relevant date, for Australian Dollar bills of exchange, accepted by an approved bank, having a tenor with a designated maturity, that appears on an approved information vendors service at approximately 10.08am AEST, on that date.

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- issue price of \$0.085 per share, representing a 23.5% discount to the 10 day VWAP of \$0.111 and a 17.2% discount to the fully diluted Theoretical Ex Rights Price (TERP) of \$0.103;
- the offer is renounceable, allowing eligible shareholders to trade their entitlements on the ASX from 11 September 2012 to 26 September 2012. This means that eligible shareholders who do not wish to take up all or part of their entitlements can seek to sell those entitlements for value on the ASX (or can seek to buy additional entitlements to increase the number of shares they are entitled to apply for under the Entitlement Offer); and
- a top-up facility will be available allowing eligible shareholders to apply for additional shares over and above their entitlements (additional shares will be allotted to the extent there is a shortfall under the Entitlement Offer).

Given the high entitlement offer ratio of the Entitlement Offer, there is the potential for the Entitlement Offer to result in a significant change to Straits' shareholding register. Details of the effect the Entitlement Offer will have on control of Straits are set out in the Cleansing Notice, which will be released to the ASX today.

A summary of the key terms of the underwriting agreement are set out in the Entitlement Offer Booklet which will be released to ASX today and sent to eligible shareholders in accordance with the timetable attached as an appendix to this announcement.

The underwriting agreement is subject to certain termination events which are summarised in the Entitlement Offer Booklet.

Further information regarding the Entitlement Offer will be sent to shareholders in accordance with the timetable.

Off-take Agreement

In conjunction with providing the Glencore Facility and sub-underwriting the Entitlement Offer, Straits has entered into a life of mine off-take agreement with Glencore for 100% of production from the Tritton Copper Mine. The off-take agreement will commence upon the expiry of the existing off-take contracts in late 2013. The off-take agreement provides for market based copper concentrate payment terms derived from applicable LME copper settlement prices in accordance with industry practice, with treatment and refining charges based on annual published benchmark terms for copper concentrates.

Credit Suisse Silver Loan Restructure

Straits has agreed revised terms for its Silver Loan facility with Credit Suisse. The key change to the facility is a deferral of all silver deliveries into the loan until March 2013 (releasing 570,275oz of silver in that period - valued at approximately \$17 million²) when the Mt Muro mine is scheduled to significantly increase silver production rates. Under the revised delivery schedule, 1,955,053oz of silver are to be delivered between March 2013 and June 2015.

² Based on a silver price of US\$30/oz



Corporate and Operational Initiatives

The Company has established a Restructuring Committee, reporting to the Board and the CEO to develop and implement a major restructuring program to reduce costs, optimise operations and drive financial and operational efficiencies throughout the business, including at both the Mt Muro and Tritton mines. Deloitte with its restructuring and mining operational excellence teams has been engaged to assist the Restructuring Committee. Key initiatives include:

- Reduction in corporate overhead through a reduction in personnel, other cost savings and reallocation of direct costs to the specific operations, with expected head office savings of approximately \$9 million on an annualised basis.
- Elimination of all non-essential regional exploration, except for around Tritton and that required to keep tenements in good standing.
- Senior management changes with Straits' Chief Executive Officer Milan Jerkovic to retire on 31 March 2013 or such earlier date as agreed with the Board. The Company will commence a search for a replacement CEO immediately and will continue to search for a CFO.
- Strengthening the Board with two new non-executive directors, one of which would be an independent director with strong industry expertise, to assist the Company implement its revised strategies. Should Glencore acquire a significant shareholding in Straits following the Entitlement Offer, Straits has agreed to appoint a Glencore representative to its Board.
- A cost reduction program at Tritton including a reduction in personnel, removal of contractors and a halt on all non-critical works. These measures are expected to save approximately \$20 million in annualised costs against preceding quarter annualised costs.

Demerger or divestment of Mt Muro

As part of its previously announced strategic review, Straits and its corporate advisor Investec have initiated a process to investigate future options for Mt Muro. Following the completion of the Entitlement Offer, a formal process will be initiated to review options available which may include a demerger or sale of the mine to a third party.

Straits is also continuing the trade sale process for the Hillgrove Antimony mine, with a number of interested parties currently conducting due diligence.

For further information, visit the Straits website at www.straits.com.au or contact:

Mr Milan Jerkovic
Chief Executive Officer
Phone: 61 8 9480-0500

Mr Dave Greenwood
Corporate Affairs
Phone: 61 8 9480-0500

Mr Hugh Thomas
Managing Director Investment Banking
Investec Bank (Australia) Limited
Phone: 61 2 9293 2000

This release does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer or sale would be illegal. This release may not be distributed or released

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in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the securities referred to in this release in any jurisdiction outside Australia. In particular, neither the entitlements nor the new shares to be offered and sold in the Entitlement Offer have been, and none of them will be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the new shares may not be offered or sold, directly or indirectly, to, any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

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Appendix – Entitlement Offer Timetable

The key dates for the Entitlement Offer are:

Ex-date – rights trading commences and shares trade without an entitlement to participate in the Entitlement Offer	11 September 2012
Record date to determine entitlements (7.00pm Melbourne time)	17 September 2012
Anticipated date for despatch of the Entitlement Offer Booklet and Entitlement and Acceptance Forms to eligible shareholders	19 September 2012
Entitlement Offer opens	19 September 2012
Rights trading ends	26 September 2012
New shares quoted on a deferred settlement basis	27 September 2012
Acceptances close (5.00pm Melbourne time) – last date for lodgement of Entitlement and Acceptance Forms and payment of application money in full	4 October 2012
Allotment of new shares under the Entitlement Offer	12 October 2012
Normal trading of new shares commences on ASX	15 October 2012

The times and dates above are indicative only. Straits reserves the right to change the timetable without prior notice.