



Straits Resources Limited

ACN 147 131 977

# Offer Document

Fully underwritten pro-rata renounceable entitlement offer of 1.55 New Shares for every Share held at an issue price of \$0.085 per New Share to raise approximately A\$60 million

**The Entitlement Offer closes at 5.00 pm (Melbourne time) on 4 October 2012**

This Offer Document is important and should be read in its entirety. You should contact your professional adviser about its contents if you are in doubt about it. This Offer Document is provided for information purposes and is not a prospectus or other disclosure document under the Corporations Act.

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

Lead Manager and Underwriter

**Investec Bank (Australia) Limited**

Legal Adviser

**Corrs Chambers Westgarth**

## Contents

<b>1</b>	<b>Entitlement Offer at a glance</b>	<b>2</b>
<b>2</b>	<b>Chairman's letter</b>	<b>3</b>
<b>3</b>	<b>Details of the Entitlement Offer</b>	<b>5</b>
<b>4</b>	<b>How to participate</b>	<b>14</b>
<b>5</b>	<b>Risk factors</b>	<b>19</b>
<b>6</b>	<b>Additional information</b>	<b>26</b>
<b>7</b>	<b>Definitions</b>	<b>32</b>
<b>Corporate directory</b>		<b>inside back cover</b>

## Enquiries

If you have any questions, please call the Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) at any time between 8.30am and 5.30pm (Melbourne time) on any business day until the Closing Date, or consult your stockbroker, accountant or other professional advisor.

## 1 Entitlement Offer at a glance

<b>Issue Price</b>	\$0.085 per New Share
<b>Eligible Shareholder Entitlement</b>	1.55 New Shares for every Share held on the Record Date
<b>Discount of the Issue Price to the VWAP on the ten trading days to 30 August 2012 of \$0.111</b>	23.5%
<b>Discount of the Issue Price to the Theoretical Ex-Rights Price<sup>1</sup> of \$0.103</b>	17.2%
<b>Approximate number of New Shares to be issued</b>	707,620,685 shares
<b>Approximate amount to be raised (after costs)</b>	\$56.5 million
<b>Approximate number of Shares on issue following the Entitlement Offer</b>	1,164,150,159

### Key dates

Ex Date (date on which Shares trade without Rights attached) and Rights trading commences on ASX	11 September 2012
Record Date to determine Entitlements (7.00pm Melbourne time)	17 September 2012
Offer Document and Entitlement and Acceptance Form despatched	19 September 2012
Entitlement Offer opens	19 September 2012
Last day of Rights trading	26 September 2012
<b>Closing Date</b> – last date for lodgement of Entitlement and Acceptance Forms and Application Money (5.00pm Melbourne time)	4 October 2012
Issue of New Shares	12 October 2012
Despatch of holding statements for New Shares and normal trading of New Shares expected to commence on ASX	15 October 2012

These dates are indicative only and may be subject to change. Subject to the Listing Rules, the Directors, in conjunction with the Lead Manager and Underwriter, reserve the right to vary the dates. The Directors also reserve the right not to proceed with the Entitlement Offer.

<sup>1</sup> The Theoretical Ex-Rights Price is the theoretical price at which Shares should trade immediately after the Ex Date. It is a theoretical calculation only and the actual price at which Shares trade immediately after the Ex Date will depend on many factors and may not be the same as the Theoretical Ex-Rights Price.

## 2 Chairman's letter

7 September 2012

Dear Shareholder,

On 7 September 2012, Straits announced the following financing and operational initiatives:

- a \$20 million short term finance facility provided by Glencore;
- a \$60 million fully underwritten pro rata renounceable Entitlement Offer which is being sub-underwritten by Glencore for up to \$40 million and the balance by a number of key existing shareholders;
- 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; and
- pursuit of a demerger or sale of Mt Muro.

These measures will provide Straits with a stable platform and reduced cost base 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 90-110 koz of gold equivalent production in FY2013.

On behalf of your Directors, I am pleased to invite you to participate in the Entitlement Offer.

The Entitlement Offer provides Eligible Shareholders with the opportunity to subscribe for 1.55 New Shares for every Share held, at an issue price of \$0.085 per New Share, which represents a discount of 23.5% to the VWAP of Shares on the ten trading days to 30 August 2012 (being the last day Shares were traded on ASX before the Entitlement Offer was announced) of \$0.111 and a 17.2% discount to the Theoretical Ex-Rights Price of \$0.103.<sup>2</sup>

Eligible Shareholders may apply for New Shares in excess of their Entitlement (**Additional New Shares**). Additional New Shares will only be allocated to Eligible Shareholders if and to the extent that Straits determines to do so, in its absolute discretion having regard to circumstances as at the time of the close of the Entitlement Offer.

The Entitlement Offer will raise approximately \$56.5 million (after the costs of the Entitlement Offer).

---

<sup>2</sup> The Theoretical Ex-Rights Price is the theoretical price at which Shares should trade immediately after the Ex Date. It is a theoretical calculation only and the actual price at which Shares trade immediately after the Ex Date will depend on many factors and may not be the same as the Theoretical Ex-Rights Price.

The proceeds of the Entitlement Offer will be used to:

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

This Offer Document contains a number of important parts, including:

- instructions on “How to participate” setting out how to accept all or part of your Entitlement in the Entitlement Offer if you choose to do so;
- risk factors for you to consider; and
- important legal information.

With this document you will also find your Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided on the form and the instructions on “How to participate” in **section 4**.

The Entitlement Offer closes at 5.00pm (Melbourne time) on 4 October 2012. To accept your Entitlement, you need to ensure that your completed Entitlement and Acceptance Form and Application Money is received by Straits before this time and date OR you have paid your Application Money via BPAY®<sup>3</sup> pursuant to the instructions that are set out on the Entitlement and Acceptance Form. Please refer to the instructions on “How to participate” in **section 4** for further information.

You should obtain any professional advice you require to evaluate whether to participate in the Entitlement Offer.

For further information regarding the Entitlement Offer, please call the Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or visit our website at [www.straits.com.au](http://www.straits.com.au).

On behalf of the Directors, I thank you for your continued support and I commend the Entitlement Offer to you.

Yours sincerely



**Alan Good**  
Chairman

---

<sup>3</sup> Registered to BPAY Pty Ltd

## 3 Details of the Entitlement Offer

### 3.1 The offer

Eligible Shareholders are invited to participate in a pro-rata renounceable Entitlement Offer of approximately 707,620,685 New Shares. The Entitlement Offer will be conducted on the basis of 1.55 New Shares for every Share held on the Record Date. The Issue Price for each New Share is \$0.085, payable in full on application. Fractional Entitlements to New Shares will be rounded up to the nearest whole New Share.

Your Entitlement to subscribe for New Shares is shown on your personalised Entitlement and Acceptance Form which accompanies this Offer Document.

### 3.2 Purpose of the Entitlement Offer

The Entitlement Offer will raise approximately \$60 million, before costs.

The proceeds of the Entitlement Offer will be used to:

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

### 3.3 Eligible Shareholders

This document contains an offer of New Shares to Eligible Shareholders.

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7.00pm (Melbourne time) on 17 September 2012 (the **Record Date**);
- have a registered address in Australia, New Zealand, the United Kingdom, Hong Kong, Singapore or Germany;
- are not in the United States or acting on behalf of a person in the United States (except for a limited number of Shareholders at the Record Date that are Qualified Institutional Buyers and have been contacted directly by Straits); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Straits may (in its absolute discretion) extend the Entitlement Offer to any institutional or sophisticated Shareholder in any foreign jurisdiction (subject to compliance with applicable laws).

### 3.4 Additional New Shares

Eligible Shareholders may apply for New Shares in excess of their Entitlement (**Additional New Shares**). Additional New Shares will only be allocated to Eligible Shareholders if and to the extent that Straits determines to do so, in its

absolute discretion having regard to circumstances as at the time of the close of the Entitlement Offer. Any Additional New Shares will be limited to the extent there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer.

Straits may scale back any application for Additional New Shares in its absolute discretion, but will not scale back any Entitlement.

New Shares and Additional New Shares will rank equally with existing Shares.

### **3.5 Minimum subscription**

There is no minimum subscription as the Entitlement Offer is fully underwritten.

### **3.6 Opening and Closing Date for applications**

The Entitlement Offer opens for acceptances on 19 September 2012 and all Entitlement and Acceptance Forms and payments of Application Money must be received by no later than 5.00 pm (Melbourne time) on 4 October 2012, subject to the Directors being able to vary the Closing Date in consultation with the Lead Manager and Underwriter and in accordance with the Listing Rules.

### **3.7 Rights trading**

The Rights are renounceable. This means that Eligible Shareholders can offer to sell their Rights on ASX or otherwise transfer them if they do not wish to take up some or all of the New Shares to which they are entitled. See **section 4** for instructions on how to deal with your Entitlement.

Trading of Rights on ASX will commence on 11 September 2012 and will end on 26 September 2012. Eligible Shareholders may sell some or all of their Rights on ASX during this period if they decide not to accept their full Entitlement to the New Shares.

Straits has appointed the Lead Manager and Underwriter to sell the Rights of Ineligible Shareholders (see **section 3.10** for further information).

### **3.8 Allotment of New Shares and ASX quotation**

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date. It is expected that the New Shares will be allotted no later than 12 October 2012 and holding statements posted the following business day. However, if the Closing Date is extended, the dates for allotment and posting may also be extended.

No allotment of New Shares will be made until permission is granted for their quotation by ASX.

Application Money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be retained by Straits, irrespective of whether allotment takes place.

### **3.9 Underwriting and sub-underwriting**

The Entitlement Offer is fully underwritten by Investec Bank (Australia) Limited. The Underwriting Agreement is summarised in **section 6.2**. The Entitlement Offer is being sub-underwritten by Glencore for up to \$40 million and the balance by a number of Straits' key existing Shareholders.

### **3.10 Overseas and Ineligible Shareholders**

#### **General restrictions**

This Offer Document and the accompanying Entitlement and Acceptance Form do not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the Rights or New Shares, or to otherwise permit an offering of Rights or New Shares outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and Germany.

Return of an Entitlement and Acceptance Form or your BPAY payment will be taken by Straits as a representation that there has been no breach of such laws.

#### **New Zealand**

New Shares are offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

#### **United Kingdom**

Neither the information in this Offer Document nor any other document relating to the Entitlement Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Shares.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons who are "qualified investors" (within the meaning of section 86(7) of FSMA) and (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of



the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This document is issued on a confidential basis and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances in which section 86(1) FSMA applies and which do not require the publication of a prospectus. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

### **Hong Kong**

This Offer Document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than (i) to "professional investors" (as defined in or in rules made under the SFO) or (ii) in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such shares, unless the sale is exempt from the prospectus and authorisation requirements of the laws of Hong Kong within six months following the date of issue of such shares.

The contents of this Offer Document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### **Singapore**

The offer of New Shares by Straits is made only to and directed at, and the New Shares are only available to, persons in Singapore who are existing holders of Shares previously issued by Straits.

This Offer Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights or New Shares may not be circulated or distributed, nor may the Rights or New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) existing holders of Shares pursuant to Section 273(1)(cd) of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**) or (ii) pursuant to, and in accordance with the conditions of, an exemption under any provision of subdivision (4) of Division 1 of Part XIII of the SFA.

### **Germany**

The information in this Offer Document is not an offer to sell New Shares to the public in the Federal Republic of Germany, and an offer and sale of the securities may not be made other than in compliance with the Securities Prospectus Act (Wertpapierprospektgesetz) as of 22 June 2005 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and the Securities Sales Prospectus Act (Wertpapier-Verkaufsprospektgesetz), or any other laws applicable in the Federal Republic of Germany (including the Prospectus Directive Amending Directive (2010/73/EU)) governing the issue, offering and sale of securities.

No sales prospectus has been or will be published with respect to the New Shares and no application to the competent authorities has been made under the Securities Prospectus Act or the Securities Sales Prospectus Act to publicly market the New Shares. Accordingly, no offering document will be distributed to the public in Germany.

### **United States**

The Rights and the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States without registration under the US Securities Act or an exemption from such registration requirements. The Rights may only be taken up or exercised by, and the New Shares may only be offered or sold to, directly or indirectly, persons outside the United States in "offshore transactions" (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act.

As part of the Entitlement Offer, Straits will be offering Rights and New Shares to a limited number of its existing shareholders in the United States that are Qualified Institutional Buyers pursuant to an exemption from the registration requirements of the US Securities Act and other applicable U.S. state securities laws.

This Offer Document is neither an offer to sell nor a solicitation of an offer to buy securities except in reliance on a relevant exemption.

This Offer Document and the accompanying Entitlement and Acceptance Form will not be sent by Straits or its agents to any Shareholder in the United States

other than to a limited number of Shareholders that are Qualified Institutional Buyers and have been contacted directly by Straits.

Nominees and other registered Shareholders that are acting on behalf of a person in the United States must not:

- send this Offer Document or any other document relating to the Entitlement Offer to any person in the United States;
- purport to sell Rights on behalf of a person in the United States; or
- purport to exercise Rights on behalf of a person in the United States.

### **Ineligible Shareholders**

Straits is not extending the Entitlement Offer to Ineligible Shareholders having regard to:

- (a) the cost of complying with legal and regulatory requirements outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and Germany;
- (b) the number of Ineligible Shareholders; and
- (c) the number and value of New Shares which could be offered to Ineligible Shareholders.

Where the Offer Document has been dispatched to Ineligible Shareholders, the Offer Document is provided for information purposes only.

In limited circumstances Straits may elect to treat as Eligible Shareholders certain Shareholders who would otherwise be Ineligible Shareholders, provided Straits is satisfied that it is not precluded from lawfully issuing New Shares to such Shareholders either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

### **Sale of Rights of Ineligible Shareholders**

Straits has appointed the Lead Manager and Underwriter to sell the Rights of Ineligible Shareholders on ASX if there is a viable market in the Rights and a premium over the expenses of sale can be obtained.

The Lead Manager and Underwriter, in its absolute discretion, may determine the price or manner in which any sale is made.

Any interest earned on the proceeds of the sale of these Rights will firstly be applied against expenses of such a sale, including brokerage, and any balance will accrue to Straits.

The proceeds of sale (if any) of all Rights of Ineligible Shareholders will be aggregated by the Lead Manager and Underwriter and paid to the Share Registry. The Share Registry (on behalf of Straits) will distribute such proceeds (if any) in Australian dollars to the Ineligible Shareholders for whose benefit the Rights have been sold in proportion to their shareholdings at the Record Date (after deducting brokerage, commission and other expenses).

Neither Straits nor the Lead Manager and Underwriter will be liable for a failure to sell Rights or to sell Rights at any particular price. If there is no viable market for the Rights of Ineligible Shareholders, their Rights will be allowed to lapse and the relevant New Shares will revert to the Lead Manager and Underwriter to be dealt with under the terms of the Underwriting Agreement.

### **3.11 Taxation consequences**

The taxation consequences of any investment in New Shares will depend upon your particular circumstances.

Potential investors must make their own enquiries concerning the taxation consequences of an investment in Straits. Applicants should consult their tax adviser for advice applicable to their individual needs and circumstances.

### **3.12 Consequences of the Entitlement Offer not proceeding**

If the Entitlement Offer does not proceed for any reason, including in circumstances where the Underwriting Agreement is terminated, Shareholders who take up their Rights and/or who buy Shares on market will have increased their investment in the Company in circumstances where the Company will be in an unstable financial position and, in the absence of securing additional funding, it may be unable to continue to trade as a going concern.

### **3.13 Privacy**

The information about Eligible Shareholders included on an Entitlement and Acceptance Form is used for the purposes of processing the Entitlement and Acceptance Form and to administer the Eligible Shareholder's holding of New Shares. By submitting an Entitlement and Acceptance Form, each applicant agrees that Straits may use the information provided for the purposes set out in this privacy statement and may disclose it for those purposes to the Lead Manager and Underwriter, the Share Registry and Straits' related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires Straits to include information about each Shareholder (including name, address and details of the Shares held) in the Register. The information contained in the Register must remain there even if that person ceases to be a Shareholder. Information contained in the Register is also used to facilitate payments and corporate communications (including Straits' financial results, annual reports and other information that Straits wishes to communicate to its security holders) and compliance by Straits with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by, or on behalf of, Straits or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building, 45 St George's Terrace, Perth WA 6000

### **3.14 Not investment advice**

The Entitlement Offer is made in accordance with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35.

This Offer Document is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not investment advice and does not take into account your investment objectives, financial situation, tax position and particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to invest.

### **3.15 Future performance and forward looking statements**

Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of Straits or any return on any investment made pursuant to this Offer Document.

Past share price performance of Straits provides no guidance as to its future share price performance.

An investment in New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Straits. Straits does not guarantee any particular rate of return or the performance of Straits, nor does it guarantee the repayment of capital from Straits of any particular tax treatment. You should have regard to the "Risk Factors" section of this Offer Document (**section 5**).

### **3.16 Rounding of Entitlements**

Where fractions arise in the calculation of Entitlements, they will be rounded up to the next whole number of New Shares.

### **3.17 Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Offer Document.

Any information or representation that is not in this Offer Document may not be taken as having been authorised by Straits or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, none of Straits, or any other person, warrants or guarantees the future performance of Straits or any return on any investment made pursuant to this document.

### **3.18 Governing law**

This Offer Document, the Entitlement Offer and the contracts formed on acceptance of applications are governed by the laws applicable in Western Australia, Australia.

### **3.19 Interpretation**

Some capitalised words and expressions used in this Offer Document have defined meanings which are explained in **section 7**.

A reference to time in this Offer Document is to the local time in Melbourne, Australia, unless otherwise stated. All financial amounts in this Offer Document are expressed in Australian dollars, unless otherwise stated.

## 4 How to participate

### 4.1 What you may do – choices available

Before taking any action you should read this Offer Document in its entirety.

The number of New Shares to which Eligible Shareholders are entitled is shown on the Entitlement and Acceptance form. If you are an Eligible Shareholder you may:

Option	See section
Take up your Entitlement in full or in part and you may apply for Additional New Shares	4.2
Sell all or some of your Rights on ASX	4.5
Transfer all or some of your Rights to another person other than on ASX	4.6
Allow some or all of your Rights to lapse	4.7

### 4.2 If you wish to accept your Entitlement in full or in part

Either:

- Complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up in accordance with the instructions on the form. Return your completed form in the enclosed reply paid envelope, together with the Application Money to the Share Registry at the address set out in **section 4.4**. It must be received by no later than 5.00 pm (Melbourne time) on 4 October 2012.

OR:

- Make a payment of \$0.085 for each New Share you wish to apply for by BPAY in accordance with the instructions on the Entitlement and Acceptance Form by no later than 5.00 pm (Melbourne time) on 4 October 2012.

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**). Additional New Shares will only be allocated to Eligible Shareholders if and to the extent that Straits determines to do so, in its absolute discretion having regard to circumstances as at Closing Date. Any Additional New Shares will be limited to the extent there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Entitlement Offer.

Straits may scale back any application for Additional New Shares in its absolute discretion, but will not scale back any Entitlement.

### **4.3 Payment for New Shares**

The Issue Price of \$0.085 per New Share is payable in full on application.

All payments are to be made in Australian currency by cheque drawn on and payable at any Australian bank or by BPAY.

Cheques should be made payable to “**Straits Resources Limited – Entitlement Offer Account**” and crossed “Not Negotiable”.

Applicants are asked not to forward cash. Receipts for payments will not be issued.

BPAY payments should be made in accordance with the instructions on the Entitlement and Acceptance Form using the BPAY Biller Code and unique Customer Reference Number shown on the form. You are not required to return the Entitlement and Acceptance Form if you use BPAY to pay the Application Money.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 5.00pm (Melbourne time) on the Closing Date.

Application money will be held in trust in a subscription account until allotment. Any interest earned on Application Money will be for the benefit of Straits and will be retained by Straits irrespective of whether allotment takes place.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

### **4.4 Address details and enquiries**

Completed Entitlement and Acceptance Forms (including payment of Application Money) should be forwarded to the Share Registry by mail in the enclosed prepaid envelope or delivered to the following address:

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001

For further information on your Entitlement or what your choices are in relation to it, please contact the Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000.

### **4.5 If you wish to sell Rights on ASX**

If you wish to sell all or some of your Rights on ASX, provide instructions to your stockbroker as soon as possible.

Trading of Rights on ASX will commence on 11 September 2012 and sale of your Rights must be completed on or before 26 September 2012, when Rights trading ceases. Brokerage may be payable to your stockbroker in connection with the sale of Rights on ASX.



There is no guarantee that Eligible Shareholders wishing to sell Rights on ASX will be able to do so.

In dealing with the sale of Rights, your stockbroker will act on your behalf. Straits accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Buyers of Rights on ASX will need to pay the Issue Price of the New Shares to take them up and should follow the directions of their stockbroker.

The assignment, transfer and exercise of Rights trading on the ASX is restricted to persons meeting certain eligibility criteria. In particular, persons in the United States and persons acting on behalf of persons in the United States will not be eligible to purchase Rights on ASX or exercise Rights purchased on ASX. If holders at the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Rights and, as a result, they may receive no value for them.

#### **4.6 If you wish to transfer all or part of your Entitlement to another person other than on ASX**

If your existing Shares are held on the issuer sponsored subregister, send a completed standard renunciation and acceptance form (obtainable from your stockbroker or the Share Registry) to the Share Registry at the address set out in **section 4.4** by no later than 5.00 pm (Melbourne time) on 4 October 2012. Renunciations must be signed by both buyer and seller before being lodged with the Share Registry. If the buyer wishes to take up their Rights, a completed Appendix E entitlement acceptance form (in the form released by Straits to ASX) should also be sent to the Share Registry by this time, together with the buyer's cheque for Application Money in relation to the transferred Rights.

If your Shares are held on the CHESS subregister, you will need to contact your stockbroker for further instructions.

If you wish to transfer part of your Rights to another person as described above, but also want to take up some or all of the balance of your Rights, you will need to complete the Entitlement and Acceptance Form in respect of the Rights you wish to take up before lodging it, and you will also need to pay the Issue Price per New Share in respect of the Rights you are taking up.

If the Share Registry receives both a completed standard renunciation and acceptance form and a completed Entitlement and Acceptance Form in respect of the same Rights, the renunciation will be given priority over the acceptance.

#### **4.7 If you do not wish to accept all or any part of your Entitlement**

If you decide not to take up all or part of your Entitlement, do not take any further action and your Rights will lapse. The New Shares which represent your Entitlement will form part of the shortfall to be issued as Additional New Shares or taken up by the Lead Manager and Underwriter, in accordance with the Underwriting Agreement. You will receive no payment for your lapsed Rights. You cannot sell or transfer your lapsed Rights to another person. Your holding

of existing Shares will, however, be diluted because the issue of New Shares will increase the total number of Shares on issue.

#### **4.8 Representations by acceptance**

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY®, you will be deemed to have represented, warranted and agreed on behalf of yourself and each person on whose behalf you are acting for the benefit of Straits as follows:

- (a) either (A) you are not in the United States and are not acting on behalf of a person in the United States, or (B) if you are in the United States, you are a Qualified Institutional Buyer, and in each case you are otherwise an Eligible Shareholder as defined in **section 3.3**;
- (b) you understand that the Rights and New Shares have not been, and will not be, registered under the US Securities Act, and that, accordingly, the Rights may only be taken up or exercised by, and the New Shares may only be offered and sold to, Eligible Shareholders (A) in the United States, that are Qualified Institutional Buyers and have been contacted directly by Straits, pursuant to an exemption from the registration requirements of the US Securities Act and other applicable securities laws, or (B) outside the United States, in "offshore transactions" (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act;
- (c) if you are in the United States, you further represent and warrant that your participation in the Entitlement Offer will be subject to the acknowledgements, warranties, representations and agreements set out in the Letter of Representations you previously provided to Straits;
- (d) if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting on behalf of a person in the United States; and
- (e) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia, New Zealand, the United Kingdom, Hong Kong, Singapore or Germany and is not in the United States and is not acting on behalf of a person in the United States, and you have not sent this Offer Document, the Entitlement and Acceptance Form or any information relating to the Entitlement Offer to any such person.

#### **4.9 Representations by acquirers of Rights and restrictions on taking up Rights acquired**

To take up Rights, investors who acquire Rights on ASX or otherwise will be required to complete an Appendix E entitlement acceptance form (in the form released by Straits to ASX) and return it to the Share Registry at the address set out in **section 4.4** by no later than 5.00 pm (Melbourne time) on 4 October

2012, together with a cheque for Application Money in relation to the transferred Rights.

Investors should note that if you purchase Rights in a transaction on ASX or otherwise, in order to take up those Rights and subscribe for New Shares you must:

- be a resident in Australia or New Zealand or, subject to Straits being satisfied that a relevant exemption from any applicable legal restrictions on the purchase or exercise of Rights is available, in other jurisdictions including the United Kingdom, Hong Kong, Singapore or Germany; and
- not be in the United States or acting on behalf of a person in the United States.

You will be required to make certain representations, warranties and agreements in the Appendix E entitlement acceptance form. If you do not satisfy the above conditions, you will not be entitled to take up Rights or subscribe for New Shares.

It is the responsibility of purchasers of Rights to inform themselves of the eligibility criteria for exercise. If holders of Rights after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Rights and will receive no value for them.

## 5 Risk factors

Applicants for New Shares should be aware that there are risks associated with an investment in Straits, many of which are outside the control of Straits and cannot be mitigated.

The risk factors listed below are not exhaustive of the risks faced by the Company or by investors in the Company. Potential investors should also have regard to the Company's prior publications and announcements. The factors set out below, and others not referred to specifically, may in the future materially affect the financial performance of the Company and the value of the New Shares. The New Shares carry no guarantee in respect of payment of dividends, profitability, return of capital or the price at which they will trade on ASX.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares.

**(a) The Company may not execute on its strategy for Mt Muro or implement its initiatives nor transition into a cashflow positive business**

Straits' producing assets are currently generating minimal or negative cashflows. The Company's ongoing success is dependent on it, by early 2013, executing on its strategy for the development of Mt Muro mine to a point that it can reach its target of 90-110 koz of gold equivalent production in FY2013. If the Company is unable to successfully develop the Mt Muro mine or takes longer to develop the mine than anticipated, this will adversely and materially affect the financial position of the Company. The Company expects to restructure both the Board and management in order to position it to better execute on this strategy. In particular, the Company is in the process of recruiting a mine manager for Mt Muro. Recruitment of a suitably qualified and experienced mine manager for Mt Muro is a key factor that will impact on the future development at Mt Muro. There is the risk that the disruption caused by the management changes will adversely impact on the Company's ability to execute its strategy.

**(b) Key personnel risk**

Straits is reliant on a number of key senior employees. Loss of such personnel may have an adverse impact on performance. The Company expects to restructure both the Board and management in order to position it to better execute on its strategy. During the time of restructure, there is a risk that the Company is not able to retain key senior employees that are important to the Company's ability to execute on its strategy. Furthermore, the ongoing success of Straits will be closely linked to its ability to recruit and train high quality personnel with experience in the industry. In particular, Straits must recruit qualified new appointees as its chief executive officer, chief financial officer and mine manager for Mt Muro. The inability to attract and retain the services of a sufficient number of suitably qualified personnel and proposed

reductions in personnel could adversely affect its operating results and financial performance.

**(c) General economic conditions**

Domestic and global economic conditions may affect Straits' performance. Factors such as inflation, interest rates, prices and availability of critical supplies, such as oil, power, water, acid and other reagents, may delay operations and impact operating costs and may adversely affect the prospects of the Company. The Company's future possible revenue and share price can be affected by these factors all of which are beyond the control of the Company and the Directors.

**(d) Reserves and resources risks**

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to mining development plans which may, in turn, adversely affect the Company's operations.

**(e) Exploration and appraisal risk**

The Company's future mineral production is dependent on replenishing proved reserves through successful exploration and development. There can be no assurance that exploration of the Company's permits will identify any additional mineral resources, or that the Company's identified mineral resources will result in economic mineral reserves.

**(f) Budget estimation risk**

The Company estimates its future costs of production based on various assumptions, including input costs and volume and productivity rates. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. No assurance can be given that the cost estimates and the underlying assumptions, including targeted production rates, will be realised in practice, which may materially and adversely affect the Company's earnings and therefore viability.

**(g) Production risk**

Potential investors should understand that mining projects are high-risk undertakings. Actual future production may vary materially from targets and projections of future production for a variety of reasons. There is greater risk that actual production will vary from estimates where production levels are intended to be expanded.

**(h) Operating risks**

Development and operation of the Company's mines is dependent upon a number of factors including mining, infrastructure, mine planning, mine management, processing facility management and reliability and regulatory requirements. Operations may be negatively impacted by mechanical difficulties, human error, incorrect technical assumptions, unanticipated mine or ground conditions, labour disputes, shortages or delays in the delivery of equipment or supplies, weather conditions, civil unrest, wars and natural disasters, blowouts, blockages, cratering, explosions, pollution, seepage or leaks, fire and earthquake and unexpected shortages or increases in the costs of fuel, other consumables, spare parts, plant or equipment.

**(i) Commodity price risk**

Metal prices received will depend on the availability of markets for these commodities. The profitability of Straits is highly dependent on the prices it receives for its commodities. Metal prices received are based upon or affected by global commodity prices, which tend to be cyclical and subject to significant volatility.

Extended or substantial decline in the prices of metals could materially and adversely affect the business, financial condition, results of operations and prospects of Straits.

**(j) Repatriation risk**

Certain assets of Straits are located outside of Australia. As such repatriation risk exists in the form of currency restrictions stemming from potentially adverse geopolitical events.

**(k) Funding risk**

Straits may require additional capital to execute its growth plans. There is a risk that Straits will not be able to obtain funding on favourable terms which will have an adverse effect on financial and operational performance.

**(l) Contractor risk**

Straits utilises various specialist contractors in the conduct of its mining operations. Any significant failure by any of these contractors to comply with its obligations under the operating agreement (whether as a result of financial or operational difficulties or otherwise), any termination or significant breach of agreements by a contractor or any failure by Straits or any of its contractors to renew the operating agreement when the agreement expires (and Straits is unable to find a satisfactory replacement contractor) could materially and adversely affect its business, financial condition, results of operations and prospects.

The activities of contractors have a material impact on the ability of Straits to comply with the requirements of the applicable mining licences. If Straits is unable to comply with its requirements and obligations under the applicable mining licences due to the actions or failures of contractors, and if Straits does

not have any recourse against its contractors whose action or failure caused loss, their business, financial condition, results of operations and prospects would be materially and adversely affected.

**(m) Counterparty risk**

Straits can suffer financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the receivables from customers and entry into financial instruments such as hedging contracts with financial institutions. Exposure to formulating counterparty risk is influenced mainly by the individual characteristics of each counterparty and their financial standing. This risk increases in times when there is significant movement in prices of commodities that Straits produces and supplies, which may in turn result in an adverse financial impact to its counterparties.

**(n) Environmental risk**

Metals mining can be hazardous to the environment if not appropriately managed and unforeseen environmental liabilities may arise that are costly to remedy. Also, acceptable levels of pollution and the potential costs and obligations relating to abandonment may be impossible to assess. If it is responsible for environmental damage, Straits may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

**(o) Changes to government policy, taxation laws and regulatory conditions**

Governmental action, including delay, inaction, policy change or the introduction of new, or amendment of or changes in interpretation of existing, legislation or regulations, particularly in relation to foreign ownership, access to infrastructure, environmental regulation (including in respect of carbon emissions and management), land access arrangements, water rights, royalties and production and exploration licensing may adversely affect Straits' future operations and financial performance. Similarly, changes to tax and royalty legislation imposed by Federal, State, Territorial and foreign governments, and the interpretation of those laws may affect the future earnings or asset values of, or increase the amount of tax paid by Straits or affect the treatment of tax losses that may have been, or may be, accumulated. These changes may influence both profit and loss for accounting purposes and the total tax payable. Straits is subject to relevant environmental laws and regulations in connection with its operations. There is a risk that such laws and regulations may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for Straits and its directors and employees and more stringent enforcement of existing laws and regulations.

**(p) Litigation risk**

Exposure to litigation brought by third parties such as contractors, regulators, or employees could negatively impact on the Company and its operations and

licences. Legal claims, if successful, could adversely impact the profits or financial position of the Company.

**(q) Insurance risk**

In accordance with industry practice, Straits maintains insurance against some, but not all, of the risks described in this Offer Document and its insurance may not be adequate to cover all losses or liabilities that may arise. Also, it cannot predict the continued availability of insurance at premium levels that are commercially acceptable. To the extent Straits is not insured for any loss, it could incur significant costs that would have a material adverse effect on its financial position.

**(r) Title risk**

Interests in permits and contracts of work are governed by the granting and renewal of rights by the appropriate government authorities in Australia and Indonesia. The conduct of operations and the steps involved in acquiring all licences and permits involve compliance with numerous procedures and formalities. It is not always possible to correctly interpret, or comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly completed, or that it is possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the titles or rights. All permits and contracts entered into by the Company are subject to interpretation. There is no guarantee that the Company will be able to enforce all its presumed rights under its permits and contracts. The introduction of new legislation or amendments to existing legislation or changes in regulation or administrative practices or policies by governments, developments in existing common law or civil law, or the interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and therefore on the financial performance and share price of the Company.

The Mt Muro contract of work requires that each year the Company offers 51% ownership for sale to Indonesian nationals at a market related price, which can be set by agreement or arbitration. To date no Indonesian nationals have sought to initiate this process, but this could occur in the future.

**(s) Political risk**

In Australia and Indonesia where the Company operates government policies are subject to review and change from time to time and the Company relies upon government agencies promptly and favourably dealing with applications and consents. Such matters are likely to be beyond the control of the Company. Changes in community attitudes on matters such as taxation, environment and landholder issues may bring about reviews and possible changes in government policies and regulations. Any such government action or inaction may limit or prohibit operations or require increased capital or operating expenditure and could adversely impact the Company's business.



**(t) Share market risks**

The price of shares quoted for trading by ASX is impacted by various international and domestic factors. As the Company is listed on ASX, its share price is subject to these numerous influences that may reflect both the trends in the share market and the share prices of individual companies.

**(u) Effect of any increase in operating costs**

The cost of diesel, power and water are significant components in the overall operating cost of Straits' business. The changing regulatory environment on carbon emissions and the unpredictability of future pricing of these power and water input costs, both of which are beyond Straits' control, can materially affect feasibility and present risks to the operating cost profile and therefore profitability of Straits' operations.

**(v) Mineral Resource Rent Tax**

The Company is subject to various forms of taxation in Australia and Indonesia. There is an ongoing risk that changes to taxation legislation or the interpretation or enforcement of taxation laws or regulations may adversely impact revenues, and therefore the financial performance of the Company.

The Federal Government of Australia has recently introduced a new tax on profits from mining operations in Australia, the Mineral Resource Rent Tax (**MRRT**). Currently, MRRT only applies to iron ore and coal projects in Australia and Straits' mining and exploration activities are currently not affected by the MRRT. There is a risk that the MRRT will be expanded to other commodities, which if it occurs, may have an adverse effect on the business, results of operations, financial condition and prospects of Straits.

**(w) Native title, Aboriginal Heritage and indigenous claim risks**

The *Native Title Act 1993* (Cth) recognises native title and establishes processes relating to the grant of certain interests in land (including mining tenements). Indigenous Australians have registered native title claims and native title determinations which overlap with mining tenements in which Straits has an interest. Registered native title claimants may be entitled to participate in the *Native Title Act 1993* (Cth) procedures in respect of the grant of any pending tenement applications or any future mining tenements should they be required. This process may cause delays in the grant of the current tenement applications or any future tenements, or tenements may be granted subject to conditions that are unfavourable to Straits. Additionally, Straits' ability to gain access to those tenements may be adversely affected.

In addition, there may be registered Aboriginal heritage sites on the areas of land covered by some of the tenements in which Straits has an interest, and further Aboriginal sites may be discovered in areas material to Straits' development and operation. The presence of sites of indigenous heritage significance on tenements in which Straits has an interest may limit or preclude mining or construction activity within the sphere of influence of those sites, and delays and expenses may be experienced in obtaining clearances and

approvals. Failure to resolve issues associated with sites of indigenous heritage significance could result in delays in the development of Straits' projects and could have a material adverse effect on the business, results of operations, financial position and prospects of Straits.

In early July 2010 an application under s23 of the *Aboriginal Heritage Act 1988* in South Australia in respect of the Torrens Project (EL4296) was approved by the Minister for Aboriginal Affairs and Reconciliation. Late 2011 this decision was upheld by a single judge of the Supreme Court of South Australia. This decision was subsequently overturned by the Full Supreme Court. The Torrens Joint Venture is now committed to finalising the necessary agreement under the South Australian Mining Act, which would allow drilling activities to commence on site, however there can be no guarantee that this agreement will be obtained, or obtained in a timely manner and accordingly the Torrens Joint Venture's ability to exploit its exploration licences may be adversely affected.

As at the date of this Offer Document, Straits is not aware of any other native title rights or Aboriginal heritage rights which it expects to materially adversely affect its operations or performance. Whilst Straits holds this view, no guarantee can be given that these native title rights or Aboriginal heritage rights (nor any native title rights or Aboriginal heritage rights over areas in which Straits may in future acquire an interest) will not affect Straits.

The Company's operations at Mt Muro are in a remote location of Central Kalimantan where various indigenous groups are present. Although Straits owns and has compensated for the land on which its current mining activities take place, from time to time requests for additional compensation emerge and threats to disrupt mining operations are made. Recently a group asserted an interest in an area located at the very eastern end of the Serujin Pit (which has previously been compensated). Straits does not believe the group asserting the claim has any legal right to do so. However, the Company is sensitive to local concerns and always seeks to amicably resolve all such issues. The Company believes this recent issue is capable of amicable resolution. However, should this or another similar issue escalate, there is the potential for mine operations to be impeded, which may have a material adverse effect on mine production and revenues.

**(x) Foreign exchange and hedging**

A majority of the Company's revenue will be denominated in US dollars whilst a majority of expenditure is in Australian dollars and Indonesian Rupiah, which exposes potential income of the Company to the risk of fluctuations in foreign currency. The Company may from time to time enter into commodity and currency hedges and forward sales. If the market prices of underlying commodities are higher than the price at which the hedges have been entered into, the Company will not realise the higher prices they would have received had they not entered into such hedging arrangements. Also, hedging programs are undertaken on an assumed production profile. If production underperforms its hedging profile, the Company may be exposed to significant costs for not delivering the volumes required by such hedging or forward sale contracts.

## 6 Additional information

### 6.1 Effect on control

The effect of the issue of New Shares on control of Straits is as follows:

- (a) if all Shareholders take up their Entitlements, each Shareholder's percentage interest in the total issued share capital of the Company will remain the same and will not be diluted, with the Entitlement Offer having no effect on the control of the Company;
- (b) other than as a result of:
  - (i) Shareholders taking advantage of the shortfall facility under the Entitlement Offer to apply for Additional New Shares beyond their Entitlement; or
  - (ii) Shareholders purchasing additional Rights and applying for New Shares conferred by those Rights,

no existing holder of Shares will increase their Shareholding in the Company above 20% as a result of the Entitlement Offer;

- (c) if there is a shortfall of subscriptions under the Entitlement Offer, the shortfall facility will be applied on a proportional basis to prevent any person increasing their Shareholding to 20% or more;
- (d) Glencore has agreed to sub-underwrite up to \$40 million of the Entitlement Offer. If no Shareholders take up their Entitlements under the Entitlement Offer (or if the only Shareholders that take up their Entitlements are those that have pre-committed under sub-underwriting arrangements), the maximum shareholding that Glencore could acquire as a result of sub-underwriting the Entitlement Offer is approximately 40.4%.

In these circumstances Glencore is likely to be in a position to control or at least significantly influence the composition of the Board and therefore the strategic direction of the Company. This may have an impact on the trading price of Shares; and

- (e) if half of the Entitlements under the Entitlement Offer are taken up (including the full take up of the approximately 11.7% of Entitlements that sub-underwriting Shareholders have pre-committed to accept) before any underwriting commitments are triggered (whether by Shareholders or persons who acquire Rights on-market), the maximum shareholding that Glencore could acquire as a result of sub-underwriting the Entitlement Offer is approximately 22.9%. In these circumstances, Glencore would not be in a position to control the composition of the Board and therefore would not be in a position to control the strategic direction of the Company.

## 6.2 Underwriting and Sub-underwriting Agreements

Straits and the Lead Manager and Underwriter have entered into the Underwriting Agreement. The following is a summary of the material terms of the Underwriting Agreement.

### *Underwriting*

The Company has appointed the Lead Manager and Underwriter to manage and underwrite the Entitlement Offer.

The Lead Manager and Underwriter may appoint co-managers and sub-underwriters to sub-underwrite all or any of the underwritten New Shares.

Glencore will sub-underwrite the Entitlement Offer for up to \$40 million and the balance will be sub-underwritten by a number of key existing shareholders.

### *Termination*

The Lead Manager and Underwriter may terminate its obligations under the Underwriting Agreement at any time if one of a number of events occurs, including the following events:

- the S&P/ASX All Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and remains at or below that level for three consecutive Business Days or on the Business Day prior to payment of the amount underwritten;
- at any time the closing selling price per ounce of gold quoted on the spot market for gold conducted by the New York Mercantile Exchange falls to a level that is 80% or less of the level as at the close of trading on the date prior to the date of the Underwriting Agreement and is at or below that level at the close of trading for three consecutive Business Days or on the Business Day prior to the payment of the amount underwritten;
- at any time the closing selling price per tonne of copper quoted on the spot market for copper conducted by the London Metals Exchange falls to a level that is 80% or less of the level as at the close of trading on the date prior to the date of the Underwriting Agreement and is at or below that level at the close of trading for three consecutive Business Days or on the Business Day prior to the payment of the amount underwritten;
- any material adverse change occurs which materially affects the business, condition, financial position or performance of Straits or the Straits Group;
- information provided to the Lead Manager and Underwriter in relation to Straits or the Entitlement Offer is or becomes false or misleading;
- any event of default or acceleration event having occurred in respect of the Glencore Facility;
- Straits withdraws the Entitlement Offer;

- Straits is unable or is likely to be unable to issue the New Shares;
- Straits alters its capital structure without the prior consent of the Lead Manager and Underwriter;
- an event of insolvency occurs in relation to Straits or a member of the Straits Group;
- proceedings or an inquiry or investigation are commenced or threatened by ASIC in relation to the Entitlement Offer;
- ASX advises that official quotation of the New Shares will not be granted (on the usual conditions);
- trading in Shares is suspended by ASX, except in accordance with a trading halt requested by Straits with the consent of the Lead Manager and Underwriter to facilitate the Entitlement Offer;
- Straits ceases or threatens to cease to carry on business or agrees to dispose of a substantial part of its business;
- a charge over all or any of the assets of Straits or any related body corporate is created other than to Glencore as disclosed to the Lead Manager and Underwriter before the date of the Underwriting Agreement;
- Glencore terminates its obligations under the sub-underwriting agreement;
- any information in this Offer Document or in the section 708AA cleansing notice or announcements lodged with ASX on the same day as this Offer Document is or becomes false or misleading; or
- various events which could reasonably be expected to have a material adverse effect on the success of the Entitlement Offer or the liability of the Lead Manager and Underwriter, including:
  - an outbreak of hostilities or major escalation in existing hostilities involving any of Australia, New Zealand, Japan, the United Kingdom or other member of the European Union or the US;
  - a material breach by Straits of the Underwriting Agreement;
  - disruption in trading in all securities on ASX, the London Stock Exchange or the New York Stock Exchange;
  - a Director being charged with an indictable offence relating to a financial or corporate matter or being disqualified from managing corporations under the Corporations Act;
  - the Company failing to comply with its Constitution, the Corporations Act, the Listing Rules or any applicable law or requirement;
  - the introduction or proposed introduction of new legislation or regulations or policy;

- a change in the senior management or the Board other than those already notified in writing to the Lead Manager and Underwriter or in respect of which the Lead Manager and Underwriter consents; or
- an amendment of the Constitution without the prior written consent of the Lead Manager and Underwriter.

#### *Representations and warranties in the Underwriting Agreement*

Straits has provided certain customary representations and warranties to the Lead Manager and Underwriter in relation to Straits and the Entitlement Offer.

#### *Indemnity*

Straits has indemnified the Lead Manager and Underwriter, its officers, employees, advisers and related bodies corporate and the officers, employees and advisers of the related bodies corporate against any loss arising directly or indirectly as a result of or in connection with the Entitlement Offer, Straits failing to perform its obligations under the Underwriting Agreement, and in certain other related circumstances.

The indemnity does not extend to and is not taken to be an indemnity against any losses that result from any fraud, wilful misconduct, recklessness or gross negligence of the indemnified party.

#### *Underwriting and sub-underwriting fees*

The Lead Manager and Underwriter will be paid an underwriting fee in respect of its role as lead manager and underwriter of the Entitlement Offer. The amount of that fee will be between \$2.688 million (if the Company's two largest Shareholders take up all their Rights under the Entitlement Offer) and \$3.209 million (if the two largest Shareholders take up no Rights).

The sub-underwriters (other than Glencore) will be paid a sub-underwriting fee by the Lead Manager and Underwriter of 1% of their pre-committed and sub-underwritten amount (approximately \$0.201 million in total). Glencore is not being paid a sub-underwriting fee as its agreement to sub-underwrite is part of a package of transactions comprising the Glencore Facility and the Glencore Offtake Agreement which will be entered into at the same time as the sub-underwriting agreement.

#### *Sub-underwriting*

Glencore has entered into sub-underwriting arrangements with the Lead Manager and Underwriter under which it has agreed to sub-underwrite up to \$40 million. Its payment obligations under the sub-underwriting arrangements are guaranteed by a parent company.

It has the right to terminate the sub-underwriting agreement (which will then give the Lead Manager and Underwriter the right to terminate the Underwriting Agreement) in the following circumstances:

- any event occurs that would entitle the Lead Manager and Underwriter to terminate the Underwriting Agreement (see summary above); or
- without the consent of Glencore, the Underwriter:
  - waives any condition to or termination right under the Underwriting Agreement;
  - defers the timetable for the Entitlement Offer by more than five business days;
  - waives any obligation of the Company or otherwise fails to exercise a right under the Underwriting Agreement;
  - varies or agrees to vary the Underwriting Agreement or any other aspect of the Offer.

If Glencore terminates its sub-underwriting agreement in reliance on certain termination events, Straits will have a right to terminate the Glencore Offtake Agreement. Those termination events include the events relating to ASX, copper price and gold price falls, adverse changes to political or economic conditions, outbreaks of hostilities, disruptions to international markets and changes in law (see above).

### **6.3 Glencore Facility**

The Company has entered into the Glencore Facility, a short term finance facility with Glencore. The facility may be terminated on the occurrence of certain events, including:

- non-payment by Straits of any amount due for payment under the facility;
- distress is levied or a judgement, order or encumbrance is enforced or becomes enforceable against any property of Straits or its related bodies corporate for amounts totalling more than \$100,000;
- an incorrect representation or warranty is made by Straits or a person providing security to Glencore;
- Straits or any guarantor of Straits' obligations under the Glencore Facility, including Tritton Resources Pty Ltd:
  - becomes insolvent;
  - ceases to carry on its business or a material part of it; or
  - the Glencore Facility and any of its related documents are voidable
- there is a change of control of Straits;
- an event occurs which has a material adverse effect on:

- Straits' ability to comply with its obligations under the Glencore Facility or a related document;
- Glencore's rights under the Glencore Facility;
- the business or financial condition of Straits;
- the effectiveness or priority of any security or the value of the property secured by a security; or
- the validity or enforceability of the Glencore Facility documents;
- an undertaking given to Glencore under the Glencore Facility documents is breached or not wholly performed with seven days after the date of the undertaking; or
- Straits does not comply with any obligation under any Glencore Facility document and that is not remedied within seven days (if rectifiable).



## 7 Definitions

Additional New Shares	News Shares that may be issued to Shareholders who apply for New Shares in excess of their Entitlement
Application Money	Money payable for New Shares and Additional New Shares
ASIC	The Australian Securities and Investments Commission
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as applicable
Board	The board of Directors of Straits
Closing Date	4 October 2012
Constitution	The constitution of Straits
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	A director of Straits
Eligible Shareholder	A Shareholder as at 7.00pm (Melbourne time) on the Record Date and who is not an Ineligible Shareholder
Entitlement	The entitlement to 1.55 New Shares for every Share held at 7.00pm (Melbourne time) on the Record Date. The entitlement of each Eligible Shareholder is shown on the Entitlement and Acceptance Form.
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Offer Document
Entitlement Offer	The renounceable offer of 1.55 New Shares for every Share held at 7.00pm (Melbourne time) on the Record Date at the Issue Price
Ex Date	11 September 2012
Glencore	Glencore International AG or Glencore Finance (Bermuda) Ltd
Glencore Facility	A facility agreement between Straits and Glencore dated on or about 6 September 2012, announced by Straits to ASX on 6 September 2012
Glencore Offtake Agreement	A life of mine off-take agreement between Straits and Glencore dated on or about 6 September 2012, announced by Straits to ASX on 6 September 2012

Ineligible Shareholder	A Shareholder with an address in the Register outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and Germany, unless Straits is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board, in its sole discretion, regards as acceptable and not unduly onerous
Issue Price	\$0.085 per New Share
Lead Manager and Underwriter	Investec Bank (Australia) Limited
Listing Rules	The official listing rules of ASX, as amended or waived by ASX from time to time
Mt Muro	The Mt Muro Gold Mine located in Central Kalimantan, Indonesia owned by PT Indo Muro Kencana
New Shares	Shares offered under Entitlement Offer
Offer Document	This offer document
Qualified Institutional Buyer	A 'qualified institutional buyer' as that term is defined in Rule 144A under the US Securities Act
Record Date	17 September 2012
Register	The register of Shareholders required to be kept under the Corporations Act
Right	The right to subscribe for a New Share under this Offer Document
Share	A fully paid ordinary share in Straits
Share Registry	Computershare Investor Services Pty Ltd
Shareholder	A holder of Shares
Straits or Company	Straits Resources Limited ACN 147 131 977
Straits Group	Straits and its subsidiaries
Theoretical Ex-Rights Price	The theoretical price at which Shares should trade immediately after the Ex Date
Underwriting Agreement	The underwriting agreement between Straits and the Lead Manager and Underwriter dated on or about 6 September 2012, a summary of which is contained in <b>section 6.2</b>
US or United States	United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
US Securities Act	The <i>United States Securities Act of 1933</i>
VWAP	Volume weighted average price

# Corporate Directory

## **Directors**

Alan Good, Non-Executive Chairman

Milan Jerkovic, Chief Executive Officer and Executive Director

Alastair Morrison, Non-Executive Director

Susan Vearncombe, Non-Executive Director

## **Registered Office**

Level 1

35 Ventnor Avenue

West Perth WA 6005

## **Lead Manager and Underwriter**

Investec Bank (Australia) Limited

Level 23, Chifley Tower

2 Chifley Square

Sydney NSW 2000

## **Legal Adviser**

Corrs Chambers Westgarth

Level 35, Waterfront Place

1 Eagle Street

Brisbane QLD 4000

## **Share Registry**

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

Perth WA 6000

## **Website**

[www.straits.com.au](http://www.straits.com.au)