

10 September 2012

 F 000001 000 SRQ
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Dear Shareholder

Entitlement Offer – notification to shareholders

Straits Resources Limited (**Straits**) is in the process of raising approximately A\$60 million through a pro rata renounceable entitlement offer (**Entitlement Offer**). Details are as announced to the Australian Securities Exchange (**ASX**) on 7 September 2012.

Under the Entitlement Offer, new Straits fully paid ordinary shares (**New Shares**) are being offered at an offer 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 of \$0.111 and a 17.2% discount to the Theoretical Ex-Rights Price of \$0.103.¹

The Entitlement Offer is being made by Straits without a prospectus in accordance with section 708AA of the *Corporations Act 2001* (Cth).

The key information in connection with the Entitlement Offer and important dates are set out below for your reference.

Details of the Offer	The Entitlement Offer is renounceable and is being undertaken on the basis of 1.55 New Shares for every Straits share held, at an issue price of A\$0.085 per New Share.
Who will be eligible to participate?	<p>Shareholders who are eligible to participate in the Entitlement Offer (Eligible Shareholders) are shareholders who:</p> <ul style="list-style-type: none"> • are registered as a Straits shareholder as at 7.00pm (Melbourne time) on 17 September 2012 (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", as defined in Rule 144A under the U.S. Securities Act of 1933, and have been contacted directly by Straits); and • are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.
How will fractional entitlements be calculated?	Fractional entitlements to New Shares will be rounded up to the nearest whole number.

¹ 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.

How many New Shares will be issued?	Straits will allot approximately 707,620,685 New Shares under the Entitlement Offer.
How will the New Shares be treated?	The New Shares issued will rank equally with existing shares in Straits. Straits has applied for quotation of all of the New Shares on ASX.
Can I apply for more than my entitlement of New Shares?	Eligible Shareholders will be entitled to apply for New Shares in excess of their entitlement (Additional New Shares). If the Entitlement Offer is oversubscribed, applications for Additional New Shares may be scaled back in whole or part.
Is there an underwriter to the Entitlement Offer?	The Entitlement Offer is managed and fully underwritten by Investec Bank (Australia) Limited (Investec) and is sub-underwritten by Glencore Finance (Bermuda) Ltd (Glencore Finance) for up to \$40 million and the balance by a number of key existing shareholders. Investec will be paid: <ul style="list-style-type: none"> • an underwriting fee of 2.5% of the gross proceeds received from Merricks Capital and Standard Chartered Private Equity; • an underwriting fee of 5% of the rest of the proceeds of the Entitlement Offer; and • a sub-underwriting and commitment fee of 1% of: <ol style="list-style-type: none"> (a) the gross amounts sub-underwritten and paid to Straits by third parties appointed by Investec, other than Glencore Finance; and (b) the gross amounts paid to the Company in respect of entitlements to New Shares for which Eligible Shareholders have pre-committed to subscribe in agreements with Investec.
Is there a broker to the Entitlement Offer?	Investec has been appointed as sole lead manager of the Entitlement Offer.
Are brokers who lodge acceptances going to get a handling fee?	No handling fee will be payable to brokers for acceptances lodged by them on behalf of Eligible Shareholders.
Is shareholder approval required for the Entitlement Offer?	Shareholder approval is not required for the Entitlement Offer.



Can I trade my rights?	<p>As this is a renounceable offer, you will be entitled to trade your rights.</p> <p>Rights trading will begin on 11 September 2012 and end on 26 September 2012.</p> <p>If you wish to sell all or some of your Entitlements on ASX, provide instructions to your stockbroker as soon as possible. You may also sell part only of your entitlements through a broker and accept the balance. To do this, complete and return the Entitlement and Acceptance Form with the Issue Price for the number of New Shares you wish to accept and contact your broker in relation to those you wish to sell.</p> <p>You will also be able to dispose of your entitlements without a broker by using a standard renunciation and transfer form obtainable from a broker or Straits' share registry, Computershare Investor Services Pty Ltd (if your Shares are on the issuer sponsored subregister). If your Shares are on the CHESS subregister, contact your stockbroker for further instructions.</p>
What will the funds raised be used for?	<p>The funds raised from the Entitlement Offer will be used by Straits to:</p> <ul style="list-style-type: none">• pay existing creditors (including repaying the Glencore Facility announced on 7 September 2012) 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).

The Entitlement Offer provides an equitable way for Straits to raise funds from existing shareholders.

Full details of the Entitlement Offer are set out in an offer document which was released to ASX on 7 September 2012 and is expected to be despatched to shareholders on or about 19 September 2012 (**Offer Document**).

The Offer Document is available on Straits' website (www.straits.com.au) and on ASX's company announcements platform (accessible at www.asx.com.au).

The important dates for the Offer are:

Ex date – 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 Offer Document and Entitlement and Acceptance Forms to Eligible Shareholders	19 September 2012
Offer opens	19 September 2012
New Shares quoted on a deferred settlement basis	27 September 2012
Offer closes (5.00pm Melbourne time) – last date for lodgement of Entitlement and Acceptance Forms and payment in full	4 October 2012

New Shares allotted	12 October 2012
Normal trading of New Shares commences on ASX	15 October 2012

Eligible Shareholders who wish to subscribe for New Shares will need to use the Entitlement and Acceptance Form that accompanies the Offer Document in accordance with the instructions printed on that form. Eligible Shareholders should read the Offer Document carefully before deciding whether to subscribe for New Shares.

Important notice to foreign shareholders

Shareholders with a registered address outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and Germany on the Record Date (**Ineligible Shareholders**) are not eligible to participate in the Offer.

Straits has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in all countries in connection with the Offer.

Straits has determined that it is unreasonable to extend the Offer to Ineligible Shareholders after considering:

- the legal limitations in some countries;
- the cost of complying with legal and regulatory requirements outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and Germany;
- the number of Ineligible Shareholders; and
- the number and value of New Shares which could be offered to Ineligible Shareholders.

In addition, Shareholders in the United States are not eligible to participate in the Entitlement Offer, even if they hold their shares through a nominee or other agent with a registered address in Australia, New Zealand, the United Kingdom, Hong Kong, Singapore or Germany (unless they have been contacted directly by Straits and invited to participate in the Entitlement Offer).

Further information

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 4 October 2012, or consult your stockbroker, accountant or other professional advisor.

Yours faithfully



Matthew Smith

Acting Chief Financial Officer and Company Secretary

This letter 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 letter may not be distributed or released 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 letter 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.