

Notice of Annual General Meeting and Explanatory Memorandum

Straits Resources Limited ABN 30 147 131 977

Date of Meeting: 27 November 2013

Time of Meeting: 2.00pm (Brisbane time)

Place of Meeting: HopgoodGanim
Level 7, Waterfront Place
1 Eagle Street,
Brisbane, Queensland

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of Straits Resources Limited ABN 30 147 131 977 (**Company**) will be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street Brisbane, Queensland, on 27 November 2013 at 2.00pm (Brisbane time).

Agenda

Ordinary business

Financial Report

To receive and consider the Company's Financial Report comprising the Directors' Report and Independent Audit Report, Directors' Declaration, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the Company for the period ended 30 June 2013.

1. Resolution 1 - Re-election of Mr William Edward Alastair Morrison as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Mr William Edward Alastair Morrison, who retires by rotation in accordance with Rule 28.6(a) of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

2. Resolution 2 – Election of Mr Michele Muscillo as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That, in accordance with Rule 28.3 of the Constitution, Mr Michele Muscillo, a Director appointed by the Board on 2 May 2013, who offers himself for election, be elected as a Director."

3. Resolution 3 – Election of Mr Andre Labuschagne as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That, in accordance with Rule 28.3 of the Constitution, Mr Andre Labuschagne, a Director appointed by the Board on 21 December 2012, who offers himself for election, be elected as a Director."

4. Resolution 4 - Remuneration report

To consider and, if thought fit, pass the following Advisory Resolution:

"That the Remuneration Report for the period ended 30 June 2013 (as set out on pages 29 to 38 in the Directors' Report Section of the Annual Report) is adopted."

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Terms used in this Notice of Meeting are defined in the “Interpretation” section of the accompanying Explanatory Memorandum.

The vote on this Resolution 4 is advisory only and does not bind the Directors of the Company.

Voting Restriction pursuant to Section 250R(4) of the Corporations Act

The Company will disregard any votes cast on Resolution 4 (in any capacity) by or on behalf of:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; and
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 4 if:

- (a) the person does so as a proxy; and
- (b) the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and
- (c) either:
 - (1) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
 - (2) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (A) does not specify the way the proxy is to vote on the resolution; and
 - (B) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

Voting Intention of Chair

Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 4, subject to compliance with the Corporations Act.

5. Resolution 5 – Approval of Employee Loan Funded Share Scheme

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company, with or without amendment:

“That, for the purposes of section 259B(2) of the Corporations Act and section 260C(4) of the Corporations Act and in accordance with the provisions of ASX Listing Rule 7.2 (Exception 9) and for all other purposes:

- (a) *the Company approve the terms of the employee loan funded share scheme (**Employee Share Scheme**) on the terms described in the Explanatory Memorandum; and*

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- (b) *the Company be authorised to issue securities under the Employee Share Scheme as an exception to ASX Listing Rule 7.1 and 7.1A.*

A detailed summary of the Employee Share Scheme is set out in Schedule 1.

Voting exclusion statement

The Company will disregard any votes cast on this Ordinary Resolution by:

- (a) Any director of the Company or a subsidiary of the Company (**Relevant Director**); and
- (b) any associate of any Relevant Director.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

6. Resolution 6 – Issue of Shares to Mr Andre Labuschagne

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company, with or without amendment:

*“That, subject to Resolution 5 being passed, in accordance with section 208 of the Corporations Act, the provisions of ASX Listing Rule 10.14 and for all other purposes, the Company be authorised to issue pursuant to the Employee Share Scheme a total of 24,354,606 Shares (**Director Shares**) to Mr Andre Labuschagne, being the Executive Chairman of the Company, or his nominee (**Mr Labuschagne**) and otherwise on the terms set out in the Explanatory Memorandum.*

A detailed summary of the terms of issue of the Shares is contained within the Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Ordinary Resolution by:

- (a) Mr Labuschagne; and
- (b) any associate of Mr Labuschagne.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, the Company will also disregard any votes cast on resolution 6 by any member of the Key Management Personnel and by any Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote:

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- (a) where the proxy-holder votes in accordance with the directions on the proxy form; or
- (b) where the proxy-holder is the chair of the meeting and the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

7. Resolution 7 – Approval of Performance Rights Plan

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company, with or without amendment:

“That in accordance with the provisions of Listing Rule 7.2 (exception 9) of the ASX Listing Rules, and for all other purposes, the Shareholders approve the issue of securities under the Straits Resources Limited Performance Rights Plan (PRP) approved by the Board on 15 October 2013, as an exception to Listing Rule 7.1 and Listing Rule 7.1A.

A detailed summary of the terms of the PRP is set out in Schedule 2.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution 7 by:

- (a) a Director of the Company; and
- (b) any associate of a Director.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction.

Special business

8. Resolution 8 – Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

To consider and, if thought fit, pass the following as a Special Resolution of the Company, with or without amendment:

“That, pursuant to and in accordance with ASX Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, over a 12 month period from the date of the Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (Placement Securities).”

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Voting exclusion statement

The Company will disregard any votes cast on this Special Resolution by:

- (a) a person who may participate in the issue of the Placement Securities and any associates of that person; and
- (b) a person who might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed and any associates of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Important Note:

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board

Mr Robert Brainsbury
Company Secretary
25 October 2013

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of Straits Resources Limited ABN 30 147 131 977 (**Company**) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street Brisbane, Queensland, on 27 November 2013 at 2.00pm (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 11 of this Explanatory Memorandum.

2. Consider the Company's Financial Report

The Company's Financial Report comprising the Directors' Report and Independent Audit Report, Directors' Declaration, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the Company for the period ended 30 June 2013 were released to the ASX on 27 September 2013 and will be despatched to Shareholders as part of the Company's Annual Report.

The Company's Annual Report for the period ended 30 June 2013 is also available on the Company's website at <http://www.straits.com.au>.

The Company's Financial Report will be placed before the Shareholders for discussion at the Meeting. No voting is required for this item.

3. Resolution 1 – Re-election of Mr William Edward Alastair Morrison as a Director

Mr Morrison retires by rotation in accordance with Rule 28.6(a) of the Constitution and, being eligible, offers himself for re-election as a Director.

Under Rule 28.6 of the Constitution, one-third of Directors are required to retire at each general meeting (excluding Directors seeking election at the meeting for the first time, or the Managing Director).

Mr Morrison is a non-executive Director. Mr Morrison is a highly experienced international banker who is global head of Standard Chartered Private Equity Limited. Mr Morrison has worked in private equity for over 25 years in the UK and Asia and has broad experience in growing companies across a range of industrial sectors. Mr Morrison is both a member of the Audit Committee and the Remuneration Committee.

The Directors (with Mr Morrison abstaining) recommend that you vote in favour of this Ordinary Resolution.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting, including this Resolution 1, subject to compliance with the Corporations Act.

4. Resolution 2 – Election of Mr Michele Muscillo as a Director

Mr Muscillo, a Director appointed by the Board on 2 May 2013, offers himself for election as a Director under Rule 28.3 of the Constitution.

Under Rule 28.3 of the Constitution, if a person is appointed as a Director by the Board, Shareholders must confirm the appointment at the next AGM.

Mr Muscillo was appointed by the Board as a non-executive Director on 2 May 2013. In accordance with Rule 28.3 of the Constitution, Mr Muscillo retires as a Director and offers himself for election.

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Mr Muscillo is a partner specialising in corporate law with HopgoodGanim. He is an admitted Solicitor and has a practice focusing almost exclusively on mergers and acquisitions, and capital raising. He has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal. In his role with HopgoodGanim, Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Michele's experience brings to the Board expertise on corporate regulation, governance and compliance matters. Mr Muscillo is a non-executive director of ASX-Listed Orbis Gold Limited and is also the Chairman of the Audit and Risk Management Committee for that entity.

The Directors (with Mr Muscillo abstaining) recommend that you vote in favour of this Ordinary Resolution.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting, including this Resolution 2, subject to compliance with the Corporations Act.

5. Resolution 3 – Election of Mr Andre Labuschagne as a Director

Mr Labuschagne, a Director appointed by the Board on 21 December 2012, offers himself for election as a Director under Rule 28.3 of the Constitution.

Under Rule 28.3 of the Constitution, if a person is appointed as a Director by the Board, Shareholders must confirm the appointment at the next AGM.

Mr Labuschagne was appointed by the Board as an executive Director on 21 December 2012. In accordance with Rule 28.3 of the Constitution, Mr Labuschagne retires as a Director and offers himself for election.

Mr Labuschagne is an experienced mining executive with a career spanning more than 20 years, primarily in the gold industry. Mr Labuschagne has held various executive roles in South Africa, PNG, Fiji and Australia for a number of leading gold companies, including Emperor Gold Mines, DRD Gold and AngloGold Ashanti.

Mr Labuschagne was previously Managing Director of ASX-listed gold company, Norton Gold Fields Limited. In this role Mr Labuschagne led the company's growth to a significant Australian gold producer, prior to its sale to a major Chinese gold company in 2012.

Mr Labuschagne holds a Bachelor of Commerce degree from Potchefstroom University in South Africa.

The Directors (with Mr Labuschagne abstaining) recommend that you vote in favour of this Ordinary Resolution.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting, including this Resolution 3, subject to compliance with the Corporations Act.

6. Resolution 4 – Remuneration Report

In accordance with section 250R of the Corporations Act, the Remuneration Report for the Company and its Subsidiaries is submitted to the Meeting for adoption by way of an advisory resolution. The Remuneration Report is set out on pages 29 to 38 of the Directors' Report section of the Annual Report.

The vote on the resolution is advisory only and does not bind the Directors of the Company.

The Remuneration Report details:

- the remuneration of the Key Management Personnel of the consolidated entity, including the Directors;

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- any performance hurdles for the exercise of options; and
- the reasons for the granting of any specific short and long-term incentives.

Note: For the purposes of calculating remuneration, salary and bonuses (including options) are included.

The Company will allow a reasonable opportunity for the Shareholders to ask questions about, or make comments on, the Remuneration Report.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

Voting restrictions on Key Management Personnel and their proxies and Closely Related Parties

Members of the Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution (**Voting Restriction**) put to Shareholders that the remuneration report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where:

- (a) the chairperson or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy (Management Proxy) with specific instructions on how to vote on a resolution to adopt the remuneration report of the Company; or
- (b) The chairperson is appointed in writing (by a shareholder who is not a member of the Key Management Personnel or a Closely Related Party of Key Management Personnel) as a proxy with no specific instructions on how to vote on a resolution to adopt the remuneration report of the Company, where the shareholder provides express authorisation for the chairperson to vote on the resolution.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting, including this Resolution 4, subject to compliance with the Corporations Act.

7. Resolution 5 – Approval of Employee Loan Funded Share Scheme

Pursuant to Resolution 5, the Company is seeking shareholder approval to its employee loan funded share scheme, the Employee Share Acquisition Plan, adopted by the Company on 13 January 2011 (**Employee Share Scheme**) for the purposes of the ASX Listing Rules and Corporations Act.

7.1 Background

The Employee Share Scheme seeks to allow the Company to reward and incentivise employees through an arrangement whereby the subscription price payable by the employee for Shares is lent to the employee under a limited recourse loan.

Shareholder Approval of the Scheme is being sought to enable the Company to fall within certain Corporations Act and ASX Listing Rule exemptions.

The Company is also seeking Shareholder Approval under Resolution 7 for the Company Performance Rights Plan.

7.2 Summary of the Employee Share Scheme

A summary of the terms of the Employee Share Scheme is set out in Schedule 1.

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7.3 Regulatory Requirements

Corporations Act

Section 259B(2) of the Corporations Act provides for an exception to the prohibition on a company acquiring an interest in its own shares (under Section 259A) where the interest acquired by the Company arises as a result of taking security over shares under an employee share scheme which has been approved at a general meeting of shareholders.

Similarly, section 260C(4) allows a company to financially assist a person to acquire shares in the company provided the financial assistance is given under an employee share scheme which has been approved at a general meeting of shareholders.

Resolution 5 is being put to Shareholders in order for the Employee Share Scheme to be approved by Shareholders for the purposes of Section 259B(2) and Section 260C(4) of the Corporations Act.

ASX Listing Rules

Under ASX Listing Rule 7.1, a listed company is generally prevented from issuing more “securities” (including shares) than would equate to (when all other issues of securities are aggregated) 15% of its share capital in any 12 month period, without first obtaining shareholder approval.

As a result, any issue of Shares by the Company to employees under the Employee Share Scheme would reduce the Company’s 15% capacity under ASX Listing Rule 7.1.

Under Listing Rule 7.1A, small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting (**Additional 10% Placement**). The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. Pursuant to Resolution 8, the Company is seeking shareholder approval pursuant to Listing Rule 7.1A for the Additional 10% Issue.

As a result, any issue of shares or options by the Company under the Employee Share Scheme would reduce the Company’s 15% capacity under Listing Rule 7.1, or if approved, the Company’s 10% capacity under Listing Rule 7.1A.

Exception 9 of Listing Rule 7.2, however, allows the Company to issue securities without specific shareholder approval and without reducing the 15% capacity under Listing Rule 7.1 or 10% capacity under Listing Rule 7.1A, where shareholders of the Company have approved the issue of securities under an employee share and option plan (like the Employee Share Scheme) as an exception to Listing Rule 7.1 and 7.1A, within three (3) years prior to the issue of the securities.

In accordance with Listing Rule 7.2 exception 9(b):

- (a) a summary of the terms of the Employee Share Scheme is set out in Schedule 1;
- (b) the Company has previously issued 8,312,914 Shares under the Employee Share Scheme to former members of Management; and
- (c) a voting exclusion statement is set out above.

Resolution 5 is being put to shareholders for this purpose and will allow the Company to utilise Exception 9 of Listing Rule 7.2 for three (3) years from the date of the Resolution being passed.

The Directors recommend that you vote in favour of this Ordinary Resolution.

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8. Resolution 6 – Issue of Shares to Mr Andre Labuschagne

8.1 Introduction

The Directors have resolved to refer to members for approval of the proposed issue of a total 24,354,606 Shares to Mr Andre Labuschagne (or his nominee) (**Mr Labuschagne**), the Managing Director of the Company under the terms of the Employee Share Scheme (**Director Shares**). The terms of issue of the Director Shares are set out in more detail below.

Approval for the issue of the Director Shares is sought in accordance with the provisions of ASX Listing Rule 10.14. As approval is being sought under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

Resolution 6 is subject to Resolution 5 (relating to the Employee Share Scheme) being passed.

8.2 Terms of Issue of the Shares

A summary of the material terms of issue of the Director Shares are set out below:

- (a) The Director Shares will be issued under the Employee Share Scheme.
- (b) In total 24,354,606 Director Shares will be issued to Mr Labuschagne.
- (c) The issue price of the Director Shares (**Issue Price**) will be their Market Value.
- (d) As part of the issue of the Director Shares, the amount of the Aggregate Issue Price will be loaned by the Company to Mr Labuschagne under the terms of the Employee Share Scheme as a limited recourse loan (**Loan**).
- (e) The Loan will be interest free and is provided for a maximum of 15 years.
- (f) Provided Mr Labuschagne remains employed by the Company, the Director Shares will vest as follows: (**Vesting Conditions**):
 - (1) 8,118,202 Plan Shares on 20 December 2013;
 - (2) 8,118,202 Plan Shares on 20 December 2014; and
 - (3) 8,118,202 Plan Shares on 20 December 2015;
 - (4) To the extent the Director Shares have not previously vested – immediately upon a Change in Control of the Company occurring.
- (g) It is a forfeiture condition (for the purposes of the Employee Share Scheme Terms) if Mr Labuschagne's employment with the Company is terminated with cause, Mr Labuschagne resigns or the Board determines that an act of fraud or defalcation or gross misconduct has occurred.
- (h) In the event of any increase or proposed increase in the Company's issued share capital while Mr Labuschagne is employed by the Company, the Company will offer to Mr Labuschagne an opportunity to acquire a further interest in the Company, or corresponding benefit, up to 2% of any such increase,:
 - (1) in relation to any invitation to participate in the Employee Share Scheme, at the Market Value of the relevant securities; and
 - (2) for any other purpose, at the market value:
 - (A) as determined by the Company's Remuneration Committee or, if there is no Remuneration Committee, the Board, acting reasonably; or

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- (B) the lowest value at which any third party is, at or about the same time as Mr Labuschagne is offered an opportunity to acquire a further interest in the Company, offered an opportunity to acquire an interest in the Company from the further share capital issued or proposed for issue;

whichever is lowest.

The precise form and terms of any such offer will be at the Company's absolute discretion and may, without limitation, take the form of:

- a further invitation to participate in the Employee Share Scheme;
 - options to acquire shares in the Company;
 - an opportunity to participate in performance rights under a performance rights plan; or
 - any combination of the above.
- (i) The Director Shares will otherwise be issued in accordance with the Employee Share Scheme.

The issue of the Director Shares are at all times subject to any applicable statutory or regulatory requirement, including without limitation, the ASX Listing Rules and the Corporations Act. In particular, the application of the terms under sub-clause (h) above are subject to the Company either obtaining a waiver from ASX with regards to the application of Listing Rule 6.18 to the terms contained in sub-clause (h) above (**Waiver**) or otherwise being satisfied that those terms contained in sub-clause (h) are capable of being implemented without a contravention of Listing Rule 6.18. If this Resolution 6 is approved and the Company has not obtained a Waiver from ASX (or is not otherwise satisfied of being able to implement the terms under sub-clause (h) without a contravention of Listing Rule 6.18), then the Director Shares will be issued on the terms contained in sub-clauses (a) – (g) and sub-clause (i) only.

8.3 ASX Listing Rule Requirements

As approval is being sought under ASX Listing Rule 10.14, approval is not required to be obtained under Listing Rule 7.1 or Listing Rule 7.1A (as a result of ASX Listing Rule 7.2 (exception 9)).

ASX Listing Rule 10.14 prevents the Company from issuing Shares to a director under an employee incentive scheme unless Shareholders have approved the acquisition.

For the purposes of ASX Listing Rule 10.15, the Company advises as follows:

- the Director Shares are being issued to Mr Labuschagne, a Director of the Company;
- the maximum number of Director Shares that will be issued to Mr Labuschagne is 24,354,606;
- the Director Shares are being issued for the Issue Price per Share (as described above);
- the Company has previously issued 2,789,699 shares under the Employee Loan Funded Share Scheme in reliance upon ASX Listing Rule 10.14, with 1,689,914 shares issued to Milan Jerkovic at an issue price of \$0.5592 and 1,099,785 shares issued to Michael Gibson at an issue price of \$0.5592;
- all employees of the Company and its Subsidiaries are entitled (subject to the Board's discretion) to participate in the Employee Share Scheme;
- the terms of the Loan to Mr Labuschagne are described above and in the Employee Share Scheme (summarised in Schedule 1); and
- the Director Shares are intended to be issued as soon as possible following the meeting, but in any event, within one month of the date of the meeting.

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Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to Resolutions 5 and 6.

8.4 Regulatory Requirements – Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of that public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where a company first obtain the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E of the Corporation in relation to the convening of that meeting have been met.

The proposed resolutions, if passed, will confer a financial benefit on Mr Andre Labuschagne (being a related party of the Company), and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(a) **The related parties to whom Resolution 6 would permit the financial benefit to be given**

Mr Andre Labuschagne being the Executive Chairman of the Company.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit is:

- (1) the issue of 24,354,606 Shares to Mr Labuschagne (**Labuschagne Shares**); and
- (2) the Shares will be issued for nil consideration.

(c) **Directors' Recommendation**

With respect to Resolution 6, all directors other than Mr Labuschagne recommend that Shareholders vote in favour of this resolution. As Mr Labuschagne is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of this resolution.

The reasons for the above recommendation include:

- (1) the issue of the shares to Mr Labuschagne provides him with reward and incentive for services provided to the Company in progress the Company;
- (2) the Shares are not intended as a substitution for salary or wages; and
- (3) in the circumstances of the Company as they existed as at the date of this Explanatory Memorandum, the directors (other than Mr Labuschagne) consider that the issue of shares is a cost-effective and effective incentive as opposed to alternative forms of incentives (eg. cash bonuses, increased remuneration), even though there is an opportunity cost to the Company, being the price at which the Company could have issued the shares to a third party.

(d) **Directors' interests and other remuneration**

Mr Labuschagne has a material personal interest in the outcome of Resolution 6, as it is proposed that the Shares be issued to him (or his nominee) as set out in Resolution 6.

Excluding the Labuschagne Shares, Mr Labuschagne (and entities associated with him) holds no current Shares or other securities. Please refer to the table below under the heading "Dilutionary Effect" which indicates the holdings of Mr Labuschagne (and entities associated with him).

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Other than the Labuschagne Shares to be issued to Mr Labuschagne (or his nominee) pursuant to Resolution 6, Mr Labuschagne shall receive director's fees of \$500,000 (inclusive of 10% superannuation) per annum (total cost to the Company) from the Company for his services as Executive Chairman of the Company.

(e) Valuation

The Company's Shares are currently quoted on the ASX and as such have a market value. Based on the closing price of the Company's Shares on 10 October 2013 of \$0.014, the value of the Shares being issued to Mr Labuschagne is \$340,964.

(f) Other material information

(1) Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Shares to Mr Labuschagne (or his nominee) is the dilutionary impact on the issued Share capital of the Company. To the extent that the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors and management on appropriate incentive terms.

It is also considered that the potential increase of value in the Shares is dependent upon a concomitant increase in the value of the Company generally.

(2) Taxation Consequences

No stamp duty will be payable in respect of the issue of the Shares. No GST will be payable by the Company in respect of the issue of the Shares (or if it is then it will be recoverable as an input credit).

AASB 2 "Share Based Payments" requires that reporting entities must recognise services acquired in a share-based payment transaction as the services are received. The issue of Shares is in return for services provided to the Company, therefore these services are to be recognised.

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where fair value of the services provided cannot be estimated reliably. As the issue of the Director Shares is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Director Shares to be issued needs to be used as the reliable measurement of the services provided.

As a guide, as set out in sub-clause (e) under section 8.4 above, based on the closing price of the Company's Shares on 10 October 2013 of \$0.014, the Shares being issued to Mr Labuschagne have a value of \$340,964.

(A) Dilutionary Effect

If the issue of Shares under this Resolution 6 is approved, the following will be the effect on the current issued capital of the Company:

Shareholder	Current Share Holding	% of Total Share Capital	Shares held upon issue under Resolution 6	% of Total Share Capital
Shareholders (other than Mr Labuschagne)	1,164,150,159 *	100%	1,164,150,159*	98%
Mr Labuschagne	Nil	-	24,354,606	2%

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Shareholder	Current Share Holding	% of Total Share Capital	Shares held upon issue under Resolution 6	% of Total Share Capital
Total	1,164,150,159*	100.00%	1,188,504,765*	100.00%

Note: * Excludes the proposed issue of 14,612,764 shares to Robert Brainsbury and 14,612,764 Shares to Ian Sheppard under the terms of the Employee Share Scheme in the event that the Employee Share Scheme is approved under Resolution 5 and assuming that no other Shares are issued.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 6.

9. Resolution 7 – Approval of Performance Rights Plan

9.1 Introduction

The Company is seeking Shareholder approval for the Straits Resources Limited Performance Rights Plan (**PRP**), as an exception under ASX Listing Rule 7.2 exception 9(b), to ASX Listing Rule 7.1 and ASX Listing Rule 7.1A.

9.2 Background and Reasons for the Performance Rights Plan

The Company has conducted a review of its remuneration policy which has resulted in amendments to the Company's long term incentive plan offered to employees. In line with current market practice, the long term Incentive plan has moved away from the use of options and has lead the Company to adopt the PRP, which will allow the Company to grant different types of appropriately structured performance-based awards to eligible employees, depending upon the prevailing circumstances and having regard to market practices generally.

The PRP is designed to provide incentives to the employees of the Company and to recognise their contribution to achievement of the Company's strategic goal. In the Company's current circumstances as a developing mining company with identified long-term performance milestones, the Directors consider that Performance Rights provide an appropriate, cost effective and efficient form of performance incentive for senior employees and talent retention for the Company. The inclusion of Performance Rights means that the Company's remuneration framework is aligned with a pay-for-performance remuneration model, as opposed to relying solely on alternative forms of incentives such as the issue of options, cash bonuses or increased remuneration.

The PRP provides for the issue of Performance Rights which, upon a determination by the Board that performance conditions attached to the Performance Rights have been met, will result in the issue of one ordinary share in the Company for each Performance Right.

9.3 Listing Rules

Under Listing Rule 7.1, a listed company is generally prevented from issuing more securities (including shares and options) than would equate to (when all other issues of securities are aggregated) 15% of its share capital in any twelve (12) month period, without first obtaining shareholder approval.

Under Listing Rule 7.1A, small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting (**Additional 10% Placement**). The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. Pursuant to Resolution 8, the Company is seeking shareholder approval pursuant to Listing Rule 7.1A for the Additional 10% Issue.

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As a result, any issue of shares or options by the Company under the PRP would reduce the Company's 15% capacity under Listing Rule 7.1, or if approved, the Company's 10% capacity under Listing Rule 7.1A.

Exception 9 of Listing Rule 7.2, however, allows the Company to issue securities without specific shareholder approval and without reducing the 15% capacity under Listing Rule 7.1 or 10% capacity under Listing Rule 7.1A, where shareholders of the Company have approved the issue of securities under an employee share and option plan (like the PRP) as an exception to Listing Rule 7.1 and 7.1A, within three (3) years prior to the issue of the securities.

In accordance with Listing Rule 7.2 exception 9(b):

- (a) a summary of the terms of the PRP are set out in Schedule 2;
- (b) no securities have been issued under the PRP prior to the date of this Notice; and
- (c) a voting exclusion statement is set out above.

Resolution 7 is being put to shareholders for this purpose and will allow the Company to utilise Exception 9 of Listing Rule 7.2 for three (3) years from the date of the Resolution being passed.

The Directors recommend that you vote in favour of this Ordinary Resolution.

10. Resolution 8 – Approval for Additional 10% Placement Capacity

10.1 Introduction

Pursuant to Resolution 8, the Company is seeking Shareholder approval to issue an additional 10% of issued capital over a 12 month period pursuant to Listing Rule 7.1A. If passed, this resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with Listing Rule 7.1A.2 (Placement Securities) each at an issue price of at least 75% of the volume weighted average price (VWAP) for the Company's Equity Securities in that class (calculated over the last 15 days on which trades in the Equity Securities are recorded immediately before the date on which the price at which the Placement Securities are to be issued is agreed, or if the Placement Securities are not issued within five trading days of that date, the date on which the Placement Securities are issued) (Issue Price).

This approval is sought pursuant to Listing Rule 7.1A. This Listing Rule enables small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by Special Resolution at the AGM, are obtain approval to issue an additional 10% of issued capital over a 12 month period from the date of the AGM (Additional 10% Placement). The Additional 10% Placement under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and for non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards debt reduction, , towards acquisitions of new assets or investments (including expense associated with such acquisition), funding capital expenditure associated with the development of existing assets and operations, funding performance guarantees required for existing operations, expenses associated with the issue of Placement Securities and for general working capital. .

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 8.

10.2 Listing Rule 7.1A

(a) Eligibility

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An entity is eligible to undertake an Additional 10% Placement if at the time of its AGM it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

For illustrative purposes only, on 11 October 2013, the Company's market capitalisation was \$16,298,102 based on the closing trading price on that date. The calculation of market capitalisation will be based on the closing price of the Shares, on the last trading day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this AGM, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

As at the date of this Notice, the Company is an Eligible Entity and is able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained Shareholders' approval pursuant to this Resolution 8, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities.

(b) Listing Rule 7.1A.1 - 10% Placement Period

Assuming Resolution 8 is passed, shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM; or
- (2) the date of the approval by Shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX.

Therefore, if approval is given for the issue of the Placement Securities then the approval will expire, on 27 November 2014, unless shareholder approval is granted pursuant to Listing Rules 11.1.2 or 11.2 prior to that date.

(c) Listing Rule 7.1A.2 - Calculation for Additional 10% Placement

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of ordinary securities on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (3) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4 (but note that this does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without shareholder approval); and

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(4) less the number of fully paid ordinary securities cancelled in the 12 months.

D is 10 percent.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

(d) **Listing Rule 7.1A.3 – Minimum issue price and class of securities**

(1) **Equity Securities**

Any Equity Securities issued under the Additional 10% Placement must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this Notice of Meeting, the only class of Equity Securities in the Company quoted on the ASX are fully paid ordinary shares (Shares). The Company presently has 1,164,150,159 Shares on issue at the date of this Notice of Meeting.

(2) **Minimum Issue Price**

The issue price for the Placement Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (A) the date on which the price at which the relevant Placement Securities are to be issued is agreed; or
- (B) if the relevant Placement Securities are not issued within five trading days of the date in paragraph (A) above, the date on which the relevant Placement Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

(e) **Listing Rules 7.1A.4- Information to be given to ASX**

If Resolution 8 is passed and the Company issues any Placement Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the Placement Securities and the number of Placement Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, which will be released to the market on the date of issue:
 - (A) details of the dilution to the existing holders of Equity Securities caused by the issue;
 - (B) where the Equity Securities are issued for cash consideration, a statement of the reasons why the Company issued the Equity Securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing shareholders would have been eligible to participate;
 - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
 - (D) any other fees or costs incurred in connection with the issue.

(f) **Listing Rule 7.1 and 7.1A**

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The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 1,164,150,159 Shares. Therefore the Company will have the capacity to issue the following Equity Securities on the date of the Meeting:

- (1) 174,622,523 Equity Securities under Listing Rule 7.1; and
- (2) subject to shareholder approval being obtained under Resolution 8, 116,415,015 Shares under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described above).

10.3 Specific Information required by Listing Rule 7.3A

(a) Minimum Price

The Listing Rules requires that any Placement Securities issued pursuant Resolution 8 must have an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 trading days immediately before:

- (1) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (2) if the Placement Securities are not issued within five trading days of the date in paragraph (1) above, the date on which the Placement Securities are issued.

The minimum price cannot be determined at this stage, however the Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

(1) Economic and voting dilution

As provided by Listing Rule 7.3A.2, if Resolution 8 is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing Shareholders. The Company currently has on issue 1,164,150,159 Shares. The Company could issue 116,415,015 Shares on the date of the meeting (however, it is important to note that the exact number of Equity Securities which may be issued will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 details of which are set out above). Any issue of Placement Securities will have a dilutive effect on existing Shareholders.

There is a specific risk that:

- (A) the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the meeting; and
- (B) the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued share capital has doubled and the Market Price of the shares has halved. Table 1 also shows additional scenarios in which the issued share capital has increased (by both 50% and 100%) and the Market Price of the shares has:

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- decreased by 50%; and

- increased by 100%.

Table 1

ASX Listing Rule 7.1A.2		Dilution		
		AUD\$0.007 50% decrease in Market Price	AUD\$0.014 Market Price	AUD\$0.028 100% increase in Market Price
Current Issued Capital 1,164,150,159 Shares	10% Voting Dilution	116,415,016 Shares	116,415,016 Shares	116,415,016 Shares
	Funds raised	\$814,905	\$1,629,810	\$3,259,620
50% increase in current Issued Capital 1,746,225,239 Shares	10% Voting Dilution	174,622,524 Shares	174,622,524 Shares	174,622,524 Shares
	Funds raised	\$1,222,357	\$2,444,715	\$4,889,430
100% increase in current Issued Capital 2,328,300,318 Shares	10% Voting Dilution	232,830,032 Shares	232,830,032 Shares	232,830,032 Shares
	Funds raised	\$1,629,810	\$3,259,620	\$6,519,240

Assumptions and explanations for Table 1:

- the Market Price is based on the closing price of the Shares on ASX on 10 October 2013;
- The above table only shows the dilutionary effect based on the Additional 10% Issue and not the 15% under Listing Rule 7.1;
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue;
- The Company issues the maximum number of 10% Securities available to it under the Additional 10% Issue;
- The Issued Capital has been calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at 10 October 2013; and
- The issue price of the 10% Securities used in the table does not take into account the discount to the Market Price (if any).

(2) **Final date for issue – Listing Rule 7.3A.3**

See above at 11.2(b).

(3) **Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the Placement Securities may be issued include to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards debt reduction, towards acquisitions of new assets or investments (including expense associated with such acquisition), funding capital expenditure associated with the development of existing assets and

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operations, funding performance guarantees required for existing operations, expenses associated with the issue of Placement Securities and for general working capital.

(4) **Shares Issued for Non-cash consideration – Listing Rule 7.3A.4**

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

(5) **Company's Allocation Policy – Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- (A) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing Shareholders can participate;
- (B) the effect of the issue of the Placement Securities on the control of the Company;
- (C) the financial situation and solvency of the Company; and
- (D) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial shareholders and new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

(6) **Company not previously obtained shareholder approval under Listing Rule 7.1A**

The Company has not previously obtained shareholder approval under Listing Rule 7.1A.

(b) **Voting Exclusion Statement**

A voting exclusion statement is included in the notice of meeting. At the date of the notice of meeting, the proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted. In accordance with Listing Rule 14.11.1, there is no reason to exclude the votes, and the votes will not be excluded, of such Shareholders.

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11. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

Aggregate Issue Price means the Issue Price multiplied by the number of Director Shares;

ASIC means the Australian Securities & Investments Commission;

Associates means has the meaning given to that term in the Corporations Act;

ASX means the ASX Limited;

Board means the board of Directors of the Company;

Business Day means a day on which all banks are open for business generally in Brisbane;

Chairperson means the chairperson of the Meeting;

Change of Control means:

- (a) The Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (b) a Takeover Event happening;
- (c) where a person or group of associated persons acquires a relevant interest in sufficient Shares to give it or them the ability (**Relevant Ability**), in general meeting, to replace all or a majority of the Board in circumstances where the Relevant Ability was not held by that person or group of associated persons as at the date of issue of Plan Shares to the Plan Trustee on Mr Labuschagne's behalf; or
- (d) if at any time after the date of issue of Director Shares, any person or entity acquires fifty (50%) percent or more of the Company Shares.

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of the definition of closely related party;

Company or **Straits** means Straits Resources Limited ABN 30 147 131 977 (ASX: SRQ);

Constitution means the constitution of the Company from time to time;

Corporations Act means the *Corporations Act 2001* (Cth);

Directors means the board of directors of the Company as at the date of the Notice of Meeting;

Eligible Entity has the meaning given to that term in the Listing Rules;

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Equity Securities has the meaning given to that term in the Listing Rules;

Explanatory Memorandum means the explanatory statement accompanying this Notice;

FATA means the *Foreign Acquisition and Takeovers Act 1975* (Cth);

FIRB means the Foreign Investment Review Board;

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Market Price has the meaning given to that term in the Listing Rules;

Market Value means on a particular day the price determined by the Remuneration Committee as being the volume weighted average sale price of Shares traded on ASX over the period of five ASX trading days prior to the particular day or if, in the opinion of the Remuneration Committee, the average sale price referred to above is unrepresentative or otherwise distorted an alternative price fixed by the Remuneration Committee by reference to the sale price of Shares on ASX on such other number of days or such other basis as the Remuneration Committee deems appropriate.

Meeting or AGM means the Annual General Meeting to be held on 27 November 2013 as convened by the accompanying Notice of Meeting;

Notice of Meeting or Notice means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Outstanding Amount means, at any time, the amount outstanding on a Note at that time;

Remuneration Committee means a committee of persons appointed by the Board for the purpose, among other things, of determining and recommending to the Board suitable levels of remuneration for employees of the Company;

Remuneration Report means the section of the Directors' Report in the 2013 Financial Report dealing with the remuneration of the Company's Directors, Company Secretary and Key Management Personnel described as 'Remuneration Report';

Resolutions means the resolutions set out in the Notice of Meeting;

Security Interest means any mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder means a shareholder of the Company;

Shareholder Approval means the approval by the requisite number of Shareholders of either an Ordinary Resolution or a Special Resolution (as the case may be);

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution;

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Subsidiaries has the meaning given to that term in the Corporations Act;

Takeover Event occurs when any person acquires more than fifty (50%) percent of the Company Shares pursuant to a takeover bid conducted in accordance with Chapter 6 of the Corporations Act.

Trading Day has the meaning given to that term in the Listing Rules.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Mr Robert Brainsbury Company Secretary:

Office: Level 1, 168 Adelaide Terrace, East Perth WA 6004

Phone: +61 8 9480 0534

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Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001* (Cth).

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the Share Registry at the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Computershare Investor Services Pty Ltd

GPO Box 242, Melbourne, Victoria, 3001 Australia;

Fax: +1800 783 447 (within Australia) or +61 3 9473 255 (outside Australia)

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7pm on 25 November 2013 (Sydney time). Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, either security holder may sign. |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | Where the company has a Sole Director who is also the Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the <i>Corporations Act 2001</i>) does not have a Company Secretary, a Sole Director can also sign alone. |

Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.

Please indicate the office held by signing in the appropriate place.

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Schedule 1 – Summary of Employee Share Scheme

1. Purpose

The Employee Share Scheme (**Plan**) is to extend to Eligible Participants (being an employee of the Company or a Subsidiary of the Company (including an executive Director) who is declared by the Remuneration Committee to be an eligible participant for the purposes of the Plan. Any Shares issued under the Plan will be issued to a nominee who will hold the Shares on behalf of an Eligible Participant (**Nominee**).

2. Offer Letter

2.1 The Remuneration Committee may issue an offer letter to Eligible Participants. The offer letter may include information such as the number of Shares for which Eligible Participants may apply, the performance hurdles and any restrictions (**Offer Letter**).

2.1 The number of Shares and the period within the Offer Letter must be accepted is to be determined by the Remuneration Committee.

2.2 No person other than the Eligible Participant to whom the Offer Letter is addressed may accept the Offer Letter.

3. Application Forms

3.1 The Eligible Participant may apply for the whole number of Shares specified in the Offer Letter (or part only if specified in the Offer Letter) by submitting a completed application form (**Application Form**) to the Company in the name of the Nominee on behalf of the Eligible Participant before the end of the time set out in the Offer Letter.

3.2 No brokerage, commission, stamp duty or other transaction cost is payable by Participants in respect of any issue of Shares under the Plan.

4. Acceptance of Application

If an Application is accepted by the Company it becomes effective upon the issue or transfer of Plan Shares by the Company to the Nominee on behalf of the Eligible Participant.

5. Share Issue or Transfer

5.1 Upon receipt of a duly signed and completed Application Form, the Company must either:

(a) issue the number of Shares applied for to the Nominee as trustee for the Eligible Participant in accordance with the Trust Deed with effect from a date as determined by the Remuneration Committee; or

(b) engage a stockbroker or other person to purchase the number of Shares applied for in the Application on ASX (or other similar exchange) for the Nominee as trustee for the Participant and pay the purchase price to such person for those Shares.

6. Plan Limit

The total number of Shares issued under the Plan, when aggregated with the number of Shares (or Shares that would be issued upon acceptance or exercise of any outstanding offer or option) issued during the previous five years pursuant to an employee share scheme extended to employees or Directors of the Company and associated bodies corporate of the Company (disregarding options or shares acquired in various circumstances) must not exceed five percent of the total number of issued Shares as at the date of the Offer Letter.

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7. Rights of Participants

If any significant event affects the Company, or is undertaken by the Company, including a capitalisation or rights issue, a takeover, subdivision, consolidation or reduction of share capital, a declaration of special dividend or other special distribution, a demerger or other distribution in-specie (**Significant Event**), then the Remuneration Committee may make any adjustments it considers appropriate to the Plan or the terms of issue of the Plan Shares (subject to the Listing Rules and provided there is no disadvantage to Participants).

8. Loan

8.1 The acquisition of Plan Shares will be exclusively funded by an interest free Loan advanced to the Participant (or its nominee) by the Company.

8.2 The Loan made available to a Participant must be applied by the Company towards payment of the subscription price of the Shares to be transferred or issued to the Nominee on behalf of the Participant.

8.3 The Loan is made to a Participant on a limited recourse basis. The Company is not entitled to require a Participant to repay a Loan other than in accordance with, and to the extent provided in these Rules, and is not entitled to have recourse to any assets of the Participant other than the Plan Shares.

8.4 Until such time as a Loan is repaid in full, the Participant is absolutely entitled to all dividends, however the Company may retain dividends payable to a Participant in respect of Plan Shares acquired by that Participant utilising the proceeds of the Loan, which dividends are to be applied in reduction of the Loan.

8.5 Participants are unable to participate in any dividend reinvestment plan in relation to Plan Shares until the Loan is repaid in full.

9. Restrictions on Plan Shares

9.1 Until such time as a Loan is repaid in full and the Vesting Conditions are satisfied or waived:

- (a) the Company has a lien over all of the Plan Shares held by or for that Participant to which the Loan relates;
- (b) a Holding Lock (as that term is defined in Chapter 19 of the ASX Listing Rules) is to be placed on all Plan Shares to prevent any transfer or dealing in them; and
- (c) the Participant may not, other than as set out in the Plan, encumber, dispose or otherwise deal in the Plan Shares.

10. Loan Repayment

10.1 The Loan will become repayable on the earlier of:

- (a) the 15th anniversary of the Plan Shares being acquired on behalf of a Participant, or for the avoidance of doubt on such earlier date as is elected by the Participant after the Vesting Conditions in respect of Plan Shares have been satisfied, met or waived (**Vesting Event**) has occurred; and
- (b) the Remuneration Committee declaring that a Forfeiture Event (set out below) has occurred (**Loan Repayment Date**).

10.2 Where the Loan Repayment Date occurs as a result of a Vesting Event, the Participant may:

- (a) pay the Loan to the Company in cash or other immediately available funds, whereupon the legal interest in the vested Plan Shares is transferred to the Participant; or

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(b) elect to carry out the Vested Shares Sale Process (set out below).

10.3 Where the Loan Repayment Date occurs pursuant to a Forfeiture Event, the Participant must comply with the Forfeited Share Sale Process.

11. Vested Shares Sale Process

11.1 If the Participant elected to carry out the Vested Shares Sale Process:

- (a) The Company must arrange the removal of the Holding Lock and the Nominee must sell the vested Plan Shares to discharge the Loan and apply the net proceeds of the sale (after deduction of reasonable expenses of the Company and the Nominee) in repayment of the Loan (or that part of the Loan relating to vested Plan Shares).
- (b) The Company has absolute discretion in relation to the sale of the vested Plan Shares.
- (c) The net proceeds of sale of the vested Plan Shares is to be treated as being a full satisfaction of the Loan, and the Participant has no further obligation with respect to the Loan (or that part of the Loan relating to the vested Plan Shares).
- (d) If the net proceeds of sale of vested Plan Shares are more than the outstanding balance of the Loan, the Nominee must within three business days of the realisation of those proceeds, remit the surplus to the Participant.

12. Forfeiture

12.1 Subject to any adjustments made, if prior to the repayment of the Loan:

- (a) the Vesting Conditions are not met or become incapable of being met; or
- (b) a Participant:
 - (1) ceases to be employed by the Company for any reason (other than as a result of a Significant Event), including due to resignation, retirement or redundancy or the termination of employment;
 - (2) dies or is totally or permanently disabled; or
 - (3) becomes bankrupt,

the Remuneration Committee may determine that a forfeiture event has occurred (**Forfeiture Event**).

12.2 The Remuneration Committee has broad discretion under the Plan to determine whether a Forfeiture Event has occurred and must take into account various factors, including any commitments given by the Company to the Participant, in its determination.

13. Forfeited Shares Sale Process

13.1 After the Remuneration Committee has determined that a Forfeiture Event has occurred over all or part of a Participant's Plan Shares:

- (a) The Company must arrange the removal of the Holding Lock and the Nominee must sell the forfeited Plan Shares to discharge the Loan and apply the net proceeds of the sale (after deduction of reasonable expenses of the Company and the Nominee) in repayment of the Loan (or that part of the Loan relating to forfeited Plan Shares).
- (b) The Company has absolute discretion in relation to the sale of the forfeited Plan Shares.

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- (c) The net proceeds of sale of the forfeited Plan Shares is to be treated as being a full satisfaction of the Loan, and the Participant has no further obligation with respect to the Loan (or that part of the Loan relating to the forfeited Plan Shares).
- (d) If the Forfeited Shares Sale Process yields an Excess Amount, the Excess Amount will represent an additional subscription price and an additional loan, with the Excess Amount to be added to the Loan and repaid in accordance with the Forfeited Shares Sale Process.

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Schedule 2 – Summary of Performance Rights Plan

1. The Performance Rights Plan is a long term incentive aimed at creating a stronger link between the Company's key personnel's performance and reward, whilst increasing Shareholder value in the Company.
2. The Board may from time to time in its absolute discretion issue or cause to be issued invitations on behalf of the Company to eligible employees to participate in the Performance Rights Plan. The invitation will include information such as performance hurdles and performance periods. On vesting, one Performance Right is exercisable into one Share.
3. A participant in the Performance Rights Plan will not pay any consideration for the grant of the Performance Rights. An eligible employee has no right to be granted any Performance Rights unless and until such Performance Rights are granted on meeting any performance conditions. The Performance Rights will not be listed for quotation on the ASX.
4. The Performance Rights may not be transferred, assigned or novated except with the approval of the Board.
5. The performance hurdles applicable to any performance period (including how they will be measured) relating to Performance Rights shall be set out in the invitation to eligible employees to take part in the Performance Rights Plan.
6. As soon as reasonably practicable after the date at which performance hurdles are to be measured to determine whether the Performance Right becomes vested (**Test Date**), the Board shall determine in respect of each Participant as at that Test Date:
 - (a) whether, and to what extent, the performance hurdles applicable up to the Test Date have been satisfied;
 - (b) the number of Performance Rights (if any) that will vest as at the Test date;
 - (c) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of performance hurdles as at the Test Date; and
 - (d) the number of Performance Rights (if any) in respect of the performance period that continue unvested,and shall provide written notification to each Participant as to that determination.
7. Following exercise of a Performance Right, the Company must issue or transfer to the Eligible Person exercising the Performance Right the number of Shares in respect of which the Performance Right has been exercised
8. If a Participant's employment with the Company ceases because of an uncontrollable event such as death or serious injury, all of the Participant's Performance Rights that are capable of becoming exercisable if performance hurdles are met at the next Test Date will become vested and the Performance Rights may be exercised within 3 months.
9. Where there is publicly announced any proposal (whether by takeover bid, scheme of arrangement or otherwise) in relation to the Company which the Board reasonably believes may lead to a change in control event:
 - (a) all of the Participant's unvested Performance Rights, that have not lapsed, will become vested Performance Rights; and
 - (b) the Board shall promptly notify each Participant in writing that he or she may, within the period specified in the notice, exercise vested Performance Rights.
10. The Performance Rights Plan will be administered by the Board. The Board will have power to delegate the exercise of its powers or discretions arising under the Performance Rights Plan to any

Explanatory Memorandum



one or more persons (including, but not restricted to, a committee or sub-committee of the Board) for such period and on such conditions as the Board may determine.

11. If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub-division, consolidation or reduction in share capital, a demerger (in whatever form) or other distribution in specie, the Board may make such adjustments as it considers appropriate under the Performance Rights Plan, in accordance with the provisions of the Listing Rules.
12. Participants who are holding a Performance Right issued pursuant to the Performance Rights Plan have no rights to dividends and no rights to vote at meetings of the Company until that Performance Right is exercised and the Participant is the holder of a valid Share in the Company.
13. The terms and conditions of the Performance Rights Plan must at all times comply with the Listing Rules. If there is any inconsistency between the terms and conditions of the Performance Rights Plan and the Listing Rules then the Listing Rules will prevail.



Straits Resources Limited
ABN 30 147 131 977

Lodge your vote:

  **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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For all enquiries call:
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(outside Australia) +61 3 9415 4000

Proxy Form



Vote and view the annual report online

Go to www.investorvote.com.au or scan the QR Code with your mobile device.
Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 2.00pm (Brisbane time) Monday, 25 November 2013**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Straits Resources Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Straits Resources Limited to be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane, Queensland on Wednesday, 27 November 2013 at 2.00pm (Brisbane time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 4, 5, 6 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 4, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel of the Company or consolidated entity, which includes the Chairman.

Important Note: For Resolutions 5, 6 and 7, this express authority is also subject to you marking the box in the section below.

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 4, 5, 6 and 7 by marking the appropriate box in step 2 below.

Important for Resolutions 5, 6 and 7: If the Chairman of the Meeting is appointed as your proxy or may be appointed by default and you have not directed the Chairman how to vote on Resolutions 5, 6 and 7 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolutions 5, 6 and 7, the Chairman of the Meeting will not cast your votes on Resolutions 5, 6 and 7 and your votes will not be counted in computing the required majority if a poll is called on this Resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 5, 6 and 7.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolutions 5, 6 and 7 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Re-election of Mr William Edward Alastair Morrison as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6	Issue of Shares to Mr Andre Labuschagne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Mr Michele Muscillo as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7	Approval of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Andre Labuschagne as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 5	Approval of Employee Loan Funded Share Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 <input style="width: 250px; height: 25px;" type="text"/>	Securityholder 2 <input style="width: 250px; height: 25px;" type="text"/>	Securityholder 3 <input style="width: 250px; height: 25px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____