

Notice of Extraordinary General Meeting and Explanatory Memorandum

Straits Resources Limited ABN 30 147 131 977

Date of Meeting: 5 January 2015

Time of Meeting: 3pm (Brisbane time)

Place of Meeting: HopgoodGanim
Level 7, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary 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, Qld 4000, on 5 January 2015 at 3pm (Brisbane time).

Agenda

Ordinary business

1. **Resolution 1 – Adjustment of terms of Class A Notes previously issued to Credit Suisse International**

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

“That, pursuant to and in accordance with ASX Listing Rule 7.1, and for all other purposes, approval is given to adjust the terms of the Class A Notes (issued to Credit Suisse International on 5 November 2013), on the terms and conditions as summarised in the Explanatory Memorandum.”

Voting exclusion statement

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

- (a) Credit Suisse International and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed (**Excluded Person**); and
- (b) an Associate of an Excluded 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.

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
28 November 2014

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of Straits Resources Limited ABN 30 147 131 977 (**Company**) to explain the Resolution to be put to Shareholders at the Extraordinary General Meeting to be held at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street Brisbane, Qld 4000, on 5 January 2015 at 3pm (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 Resolution.

Terms used in this Explanatory Memorandum are defined in Section 4 of this Explanatory Memorandum.

2. Resolution 1 – Adjustment of terms of Class A Notes previously issued to Credit Suisse International

2.1 Background to the Convertible Notes

Shareholders approved the issue of the Convertible Notes to Credit Suisse International at an Extraordinary General Meeting held on 21 October 2013 (**2013 EGM**). As set out in the meeting materials of the 2013 EGM, the Convertible Notes were issued to Credit Suisse International as part consideration for Credit Suisse International agreeing to the restructure of a silver prepayment facility (**Silver Prepayment Facility**) made available by Credit Suisse to PT Indo Muro Kencana (the Company's wholly owned subsidiary) (**Restructure**).

The original Conditions of the Class A Notes are set out in Schedule 1 of the notice of meeting for the 2013 EGM (released to the ASX on 20 September 2013).

2.2 Restructure and Standstill Agreement

The Company and Credit Suisse International have entered into a Restructure and Standstill Agreement, to (amongst other matters) adjust certain terms of the Class A Notes. There are two adjustments being made to the Class A Notes, being:

- (a) the Maturity Date of the Class A Notes; and
- (b) the terms of payment of the November Class A PIK Amount (of US\$95,918.11) owed to Credit Suisse International in respect of the Class A Notes.

In addition to the adjustments of the Class A Notes, the Company and Credit Suisse International have also agreed to amend the payment terms of the cash interest of \$US362,299.62 payable in respect of the Class A Notes and Class B Notes (**November Cash Interest Amount**). Accordingly, pursuant to the Restructure and Standstill Agreement, in respect of the November Cash Interest Amount, due on 5 November 2014 (**November Interest Payment Date**), the Company must:

- (a) make a cash payment to Credit Suisse International on the November Interest Payment Date in the amount of US\$175,000; and
- (b) pay the balance of the November Cash Interest Amount (being US\$187,299.62) by way of instalments by no later than 27 February 2015.

2.3 Adjusted terms of the Class A Notes

The original Conditions of the Convertible Notes were set out in Schedule 1 of the notice of meeting for the 2013 EGM. A summary of the Conditions of the Class A Notes which have been agreed to be amended are set out below. Other than those specifically referred to below, all other Conditions remain the same.

- (a) **Adjustment to Maturity Date of Class A Notes**

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The Class A Notes were issued on the Issue Date and as such, pursuant to the original Conditions, would have matured on the Maturity Date (5 November 2014, being 1 year from the Issue Date). On the Maturity Date, all outstanding Class A Notes must be redeemed by the Company at the redemption amount (being the Outstanding Amount owing on those Class A Notes, constituting the Aggregate Face Value of US\$3.75 million plus capitalised PIK Interest, **Redemption Amount**).

However, pursuant to the Restructure and Standstill Agreement (but subject to Shareholder Approval), the Company and Credit Suisse International have agreed to extend the Maturity Date of the Class A Notes until 5 November 2015 (**Adjusted Maturity Date**). On the Adjusted Maturity Date, all outstanding Class A Notes must be redeemed by the Company for the Redemption Amount.

(b) **Adjustment to November Class A PIK Amount**

The original Conditions of the Class A Notes required the Company to pay to Credit Suisse International 12.5% interest per annum (payable semi-annually) on the Outstanding Amount of each Class A Note as follows:

- (1) 10% per annum interest payable in cash; and
- (2) 2.5% per annum interest, which would be capitalised on the applicable interest payment date by increasing the Outstanding Amount of each Note (**PIK Interest**).

Pursuant to the Restructure and Standstill Agreement, the Company and Credit Suisse International have agreed to amend the Conditions in respect of the US\$95,918.11 PIK Interest payable on the Class A Notes due on the November Interest Payment Date (**November Class A PIK Amount**), so that:

- (1) the November Class A PIK Amount will be deemed to be cash interest and will not be capitalised;
- (2) the Company will pay at the end of each calendar month commencing November 2014 after the November Cash Interest Amount is paid to Credit Suisse, up to and including January 2015, instalments of the November Class A PIK Amount; and
- (3) the Company shall pay the outstanding balance, if any, of the November Class A PIK Amount not paid to Credit Suisse, on 27 February 2015.

2.4 **Regulatory Requirements**

The Company obtained Shareholder Approval for the issue of the Convertible Notes to Credit Suisse International at the 2013 EGM, pursuant to ASX Listing Rule 7.1. Under ASX Listing Rule 7.1, the Company must not, without the approval of Shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as the Convertible Notes), if the number of those securities exceeds 15% of the number of securities in the same class that the Company had on issue at the commencement of that 12 month period (**15% Capacity**).

Although the Convertible Notes were issued on the Issue Date with Shareholder Approval, it is arguable that any adjustment to their terms requires fresh Shareholder Approval for both the Convertible Notes themselves (being those Class A Notes as adjusted) and for any Shares issued upon conversion.

Accordingly, as the Company is adjusting the Conditions of the Class A Notes (which may be considered a material change to the Conditions of the Class A Notes requiring fresh Shareholder Approval), out of an abundance of caution, the Company is seeking Shareholder Approval for the adjustment to the Conditions of the Class A Notes in order for:

- (a) the Class A Notes themselves (as adjusted) to not reduce or otherwise exceed (as the case may be) the Company's 15% Capacity; and

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- (b) upon the conversion of the Class A Notes (if applicable), so as to allow the Company to rely upon Exception 4 of ASX Listing Rule 7.2 (which provides that ASX Listing Rules 7.1 and 7.1A do not apply to an issue on the conversion of convertible securities).

2.5 Information requirements – ASX Listing Rule 7.3

In compliance with the information requirements of ASX Listing Rule 7.3, Shareholders are advised of the following particulars in relation to the Class A Notes:

(a) The maximum number of securities the Company is to issue

The Company issued the Class A Notes on the Issue Date. Resolution 1 seeks Shareholder Approval for the adjustment of the Conditions of the Class A Notes (so as to allow for both the Class A Notes and any Shares issued upon conversion to fall within an exception to ASX Listing Rules 7.1 and 7.1A). The number of Class A Notes will not change as a result of the adjustment to the Class A Notes for which Shareholder Approval is sought.

The number of Shares which the Class A Notes may convert into, are subject to and influenced by a number of factors, including but not limited to:

- (1) the number of Class A Notes actually converted (as opposed to redeemed) into Shares by Credit Suisse International;
- (2) the timing of any conversion (as should a portion of the Class A Notes be converted, the PIK Interest capitalised will only be in respect of the outstanding Class A Notes, not those converted Class A Notes); and
- (3) the rate of exchange between the US\$ and AU\$ (as the Class A Notes have a Face Value in US\$ and a Conversion Price in AU\$).

The table below sets out an example of the number of Shares that may be issued on conversion of the Class A Notes:

Conversion of Face Value from US\$ to AU\$	$(US\$3,750,000 / 0.8583) = AU\$4,369,101.71$
Number of Shares that may be acquired by Credit Suisse	$(AU\$4,369,101.71 / 0.03) = 145,636,724$ Shares
Total number of Shares on issue following conversion of Class A Notes	$(145,636,724 + 1,217,730,293) = 1,363,367,017$ Shares
Percentage of Company that may be held by Credit Suisse International	$(145,636,724 / 1,363,367,017) \times 100 = 10.68\%$

Assumptions used in the above table:

- No Class B Notes being converted;
- The number of Shares on issue in the Company remaining at 1,217,730,293 Shares;
- A Conversion Price of AU\$0.03 per Share;
- An AU\$/US\$ conversion rate of US\$0.8583 per AU\$1.00;
- Credit Suisse International not holding any other Shares; and
- No PIK Interest being included.

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(b) **The date by which the Company will issue the securities**

The Company issued the Class A Notes (in addition to the Class B Notes) on the Issue Date in accordance with the Shareholder Approval obtained at the 2013 EGM. Credit Suisse International may, at any point up to the maturity of the Class A Notes, elect to convert any number of the Class A Notes, upon which the Company will issue them with such number of Shares equal to reflect the converted amount of Class A Notes.

(c) **The issue price of the securities**

The Class A Notes were issued with a Face Value of US\$1.00 per Class A Note.

(d) **The name of the allottees**

The allottee of the Class A Notes was Credit Suisse International.

(e) **The terms of the securities**

The Conditions of the Class A Notes are as were set out in Schedule 1 of the notice of meeting of the 2013 EGM (and should Resolution 1 be approved, with the adjustments noted above included). Shares issued on conversion of the Class A Notes will rank pari passu with all other Shares.

(f) **The intended use of the funds raised**

No actual funds were raised as a result of the issue of the Class A Notes. As set out above, the Class A Notes were issued to Credit Suisse International as part consideration for Credit Suisse International agreeing to the Restructure.

The Restructure resulted in:

- (1) the complete close out of the Silver Prepayment Facility; and
- (2) on the Restructure becoming effective, the Company's position as a guarantor of the Silver Prepayment Facility being removed.

2.6 **Directors' recommendation**

The Directors unanimously recommend that you vote in favour of Resolution 1.

3. 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 (Sydney time) on 3 January 2015. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

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4. Interpretation

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

2013 EGM has the meaning given to that term in section 2.1 of the Explanatory Memorandum;

Associate has the meaning given to that term in the ASX Listing Rules;

ASX means the ASX Limited;

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

Board means the board of Directors of the Company;

Chair, Chairman or **Chairperson** means the chairperson of the Meeting;

Class A Notes means 3,750,000 Class A Notes (each with a Face Value of US\$1.00 and with an Aggregate Face Value of US\$3.75 million) and as further described in the Conditions attached to the 2013 EGM as Schedule 1;

Class B Notes means 3,250,000 Class B Notes (each with a Face Value of US\$1.00 and with an Aggregate Face Value of US\$3.25 million) and as further described in the Conditions attached to the 2013 EGM as Schedule 1;

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

Conditions means the original Conditions of the Notes as set out in Schedule 1 of the notice of meeting for the 2013 EGM;

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

Convertible Notes or **Notes** means the Class A Notes and the Class B Notes;

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

Credit Suisse International means Credit Suisse International of One Cabot Square, London E14 4QJ, England;

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

Explanatory Memorandum means the explanatory statement accompanying this Notice;

Issue Date means 5 November 2013;

Interest Payment Date has the meaning given to that term in the Conditions;

Maturity Date in respect of the Class A Notes, means 5 November 2014, being 1 year from the Issue Date;

Meeting or **EGM** means the Extraordinary General Meeting to be held on 5 January 2015 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;

November Class A PIK Amount has the meaning given to that term in section 2.3(b) of the Explanatory Memorandum;

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November Interest Payment Date means 5 November 2014;

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;

PIK Interest has the meaning given to that term in section 2.3(b) of the Explanatory Memorandum;

Resolution means the resolution set out in the Notice of Meeting;

Restructure has the meaning given to that term in section 2.1 of the Explanatory Memorandum.

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);

Silver Prepayment Facility has the meaning given to that term in section 2.1 of the Explanatory Memorandum.

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

Office: Suite 1, Level 2, HQ South Tower, 520 Wickham Street, Fortitude Valley QLD Australia 4006

Phone: (07) 3034 6200


By mail:
 Straits Resources Limited
 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia

By fax: +61 2 9287 0309

All enquiries to: Telephone: +61 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of Straits Resources Limited and entitled to attend and vote hereby appoint:

STEP 1
APPOINT A PROXY

**the Chairman
of the Meeting
(mark box)**
OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

 or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **3:00pm on Monday, 5 January 2015 at HopgoodGanim, Level 7, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

 Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an **X**
STEP 2
VOTING DIRECTIONS
Resolution 1

Adjustment of terms of Class A Notes previously issued to Credit Suisse International

For Against Abstain*

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

STEP 3
SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

 This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

SRQ PRX501A


HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this 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 shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney 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 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 indicate the office held by signing in the appropriate place.

Corporate Representatives

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 in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm on Saturday, 3 January 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:

Straits Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.**