



STRAITS RESOURCES LIMITED

(ABN 30 147 131 977)

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

The Annual General Meeting of Shareholders of Straits Resources Limited will be held at the Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia at 10:30am (WST) on Thursday 29 November 2012.

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.

Notice of Annual General Meeting

The Annual General Meeting of Shareholders of Straits Resources Limited (**Company**) will be held at the Park Business Centre, 45 Ventnor Avenue, West Perth on Thursday, 29 November 2012 commencing at 10:30am (WST) to consider the following resolutions.

ORDINARY BUSINESS

Item 1: Financial statements and reports

To receive and consider the annual financial report and the reports of the Directors and auditors for the financial year ending 30 June 2012.

Item 2: Election of Directors

To consider and, if thought fit, pass the following resolutions as **ordinary resolutions**:

- 1 *That, in accordance with Rule 28.6(a) of the Constitution, Mr Alan James Good, a Director retiring by rotation who offers himself for re-election, be re-elected as a Director.*
- 2 *That, in accordance with Rule 28.3 of the Constitution, Mr Adrian Redlich, a Director appointed by the Board on 25 October 2012 who offers himself for election, be elected as a Director.*

Item 3: Approval of Remuneration Report

To consider and, if thought fit, pass the following resolution as an **advisory only resolution**:

That, for all purposes, Shareholders approve the Remuneration Report for the financial year ending 30 June 2012.

SPECIAL BUSINESS

Item 4: Approval of previous Share placement

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

That, for all purposes, Shareholders approve the issue of 48,400,000 Shares to the parties, for the purposes and on the terms set out in the Explanatory Statement.

By Order of the Board of Directors



Matthew Smith

Acting Chief Financial Officer and Company Secretary
25 October 2012

NOTES

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

The Glossary in the Explanatory Statement contains definitions of capitalised terms used in this Notice of Annual General Meeting and the Explanatory Statement.

Eligibility to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to attend and vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders as at 7.00pm Sydney time (4:00pm WST) on 27 November 2012. Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Annual General Meeting.

Voting exclusion statement

The Company will disregard any votes cast on:

- Item 3 by any member of Key Management Personnel of the Group or by any Closely Related Party of such a member; and
- item 4 by any person who participated in the issue of the Placement Shares and any of their associates.

However, the Company need not disregard a vote if 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
- by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

Important information concerning proxy votes on the resolution in Item 3

The Corporations Act places certain restrictions on the ability of Key Management Personnel (including the Chairman of the Meeting) and their Closely Related Parties to vote on the resolution in Item 3, including where they are voting as proxy for another Shareholder.

To ensure that your votes are counted, you are encouraged to direct your proxy as to how to vote on the resolution by indicating your preference by completing any of the 'For', 'Against' or 'Abstain' boxes on the proxy form.

The Chairman intends to vote all undirected proxies in favour of the resolution in Item 3

If you appoint the Chairman of the Meeting as your proxy but you do not direct the Chairman how to vote in respect of the resolution in Item 3, you will be directing the Chairman to **vote in favour** of the resolution and the Chairman will vote in this way, even though the resolution is connected with the remuneration of Key Management Personnel.

Proxies

Please note that:

- a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- a proxy need not be a Shareholder;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy;

- a proxy has the same rights as the Shareholder to speak, vote on a show of hands and vote on a poll except where a Shareholder has appointed two proxies, in which case, neither proxy may vote on a show of hands; and
- a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise but where the proportion is not specified, each proxy may exercise half the votes.

The enclosed proxy form and the notes below provide further details on appointing proxies and lodging proxy forms.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out on the front page of the Notice of Meeting.

Voting by proxy

To vote by proxy, please complete and lodge the proxy form by one of the following methods:

- online, by visiting www.investorvote.com.au;
- mailing the completed enclosed proxy form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001 Australia;
- faxing the completed enclosed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for Intermediary Online Subscribers only (custodians), by visiting www.intermediaryonline.com to submit your voting intentions,

so that your proxy form is received not later than 10:30am (WST) on 27 November 2012. **Proxy forms received after this time will be invalid.**

If proxy holders vote on a poll, they must cast all directed proxies as directed. Any directed proxies (ie you have directed your proxy to vote in a particular way by ticking a box on your proxy form in relation to an item of business) which are not voted on a poll will automatically default to the Chairman of the Meeting, who must vote the proxies as directed.

Corporate Representatives

Any corporate holder of the Company's Shares who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An "Appointment of Corporate Representative" form is available from the Company's share registry Computershare Investor Services Pty Limited (see above for contact details), if required.

Voting by attorney

A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint an attorney to attend and vote at the meeting on the Shareholder's behalf. An attorney need not be a Shareholder.

The instrument appointing the power of attorney must be duly executed and must specify the name of each of the Shareholder, the Company and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one to apply for all future meetings. To be effective, the power of attorney must be lodged in the same manner, and by the same time, as outlined above for mailing completed proxy forms.

Explanatory Statement

1 Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with business to be conducted at the Company's Annual General Meeting to be held on 29 November 2012 commencing at 10:30am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in the Notice of Annual General Meeting and Explanatory Statement are defined in the Glossary.

All Shareholder questions relating to the Annual General Meeting must be received in writing by the Company by 5.00pm (WST) on Thursday, 22 November 2012, being the fifth business day before the meeting to be held on Thursday 29 November 2012 (unless the meeting is adjourned or postponed).

2 Ordinary Business

Item 1: Financial statements and reports

The first item of business of the Annual General Meeting is to receive and consider the annual financial report, together with the Directors' and auditor's reports, for the financial year ended 30 June 2012.

No resolution is required for this item of business. However, as a Shareholder, you may submit a written question for the auditor prior to the Annual General Meeting provided that the question relates to:

- the preparation and content of the auditor's report;
- the conduct of the audit in relation to the annual financial report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; or
- the independence of the auditor in relation to the conduct of the audit.

All questions relating to the audit of the Company's financial statements must be sent to the Company (see above) and may not be sent directly to the auditor. The Company will then forward all questions to the auditor.

The auditor will be attending the Annual General Meeting and will answer written questions relating to the above matters which have been submitted to the Company prior to the meeting.

Item 2: Election of Directors

In accordance with the ASX Listing Rules of the Constitution, one third of the Directors for the time being (other than Directors seeking election at the meeting for the first time, or the Managing Director or Chief Executive Officer) must retire from office each year and are eligible for re-election. The Director/s to retire are those who have been the longest in office since their last election. In the case of equality in this respect, the Directors can agree among themselves who shall retire and in the absence of an agreement, the Chairman will determine the Director/s to retire.

A Director appointed by the Board holds office only until the next annual general meeting, at which Shareholders must confirm the appointment.

Alan James Good

Mr Alan James Good, *B.Com, F.C.A.*, Chairman, retires as a non-executive Director and offers himself for re-election.

Mr Good is a chartered accountant with over 30 years involvement in the mining industry. Mr Good was a partner of PricewaterhouseCoopers (**PwC**) for over 20 years specialising in providing corporate advisory and audit services and was the managing partner of the Perth office for over 6 years. Mr Good retired from PwC in 2003 and now has a number of non-executive board positions.

Mr Good is the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee.

Recommendation

The Board, with Mr Good abstaining, recommends that Shareholders vote in favour of the resolution to re-elect Mr Good.

Adrian Redlich

The ASX Listing Rules and Rule 28.3 of the Constitution requires that if a person is appointed a Director by the Board, Shareholders must confirm the appointment at the next annual general meeting.

Mr Adrian Redlich was appointed by the Board as a non-executive Director on 25 October 2012. In accordance with Rule 28.3 of the Constitution, Mr Redlich retires as a Director and offers himself for election.

From 2005 to 2007 Mr Redlich worked at Citadel Investment Group (Chicago) as the Head of Quantitative Alpha Generation, Global Equities. Between 2000 and 2005, Mr Redlich was a Director at Merrill Lynch (New York & Hong Kong), where he was Head of the Global Valuation and Analytics Group and also held the position as the Head of Pension and Endowment Strategy & Research. Prior to this, Mr Redlich was a Vice President at Merrill Lynch (Melbourne, Australia) where he worked as a commodities and mining analyst from 1993 to 2000.

Mr Redlich holds a Bachelor of Economics from Monash University, Melbourne, Australia (1994) and has also completed the Quantum Financial Services (Australia) Diploma of Financial Services (2007) and the National Association of Securities Dealers (USA) Series 7 Examination (2000).

Mr Redlich is currently the Chief Investment Officer of Merricks Capital. As a nominee of Merricks Capital, the Company's second largest shareholder holding approximately 17.04% of Shares on issue (as at the date of preparing this notice), Mr Redlich is not considered by the Board to be independent. However, as a nominee of Merricks Capital, Mr Redlich is not paid a Director's fee.

Recommendation

The Board, with Mr Redlich abstaining, recommends that Shareholders vote in favour of the resolution to elect Mr Redlich.

The Chairman of the Meeting intends to vote undirected proxies in favour of both resolutions in item 2.

Item 3: Approval of Remuneration Report

The Corporations Act requires the annual Directors' Report to contain a Remuneration Report prepared in accordance with section 300A of the Corporations Act.

By way of summary, the Remuneration Report:

- discusses the Company's policy and the process for determining remuneration of its Key Management Personnel;
- addresses the relationship between the remuneration policy and the performance of the Company; and
- sets out remuneration details for each member of Key Management Personnel for the financial year ended 30 June 2012.

In accordance with section 250R(2) of the Corporations Act, the Company is required to put a resolution to its Shareholders that the Remuneration Report be adopted. The resolution is advisory only and does not bind the Directors or the Company. However, voting on the resolution may have consequences for the Company as described below.

In accordance with the voting exclusion statement contained in the notes above, each member of Key Management Personnel (including the Directors) whose remuneration is included in the Remuneration Report and their Closely Related Parties are excluded from voting their Shares on this resolution.

The voting exclusion statement contained in the notes above and the proxy form contain important information about appointing the Chairman of the Meeting as your proxy for the resolution in item 3. If you wish to appoint the Chairman as your proxy, you should read this information first. On a poll, the Chairman intends to vote all eligible undirected proxies in favour of the resolution in item 3.

The Corporations Act provides that if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a **spill resolution**) that another meeting be held within 90 days at which all of the Directors (other than the Managing Director or Chief Executive Officer) who were in office at the date of the approval of the applicable Directors' report must stand for re-election.

At the Company's annual general meeting in 2011, more than 75% of the votes cast on the resolution to adopt the remuneration report were in favour of its adoption. Therefore it will not be necessary to put a spill resolution to Shareholders at the Annual General Meeting, regardless of the voting result on the resolution in item 3.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

The Board recommends that Shareholders vote in favour of the resolution in item 3.

3 Special business

Item 4 – Approval of previous share placement

On 18 May 2012, the Company issued 48,400,000 Shares at 62 cents each to raise A\$30 million.

The Placement Shares were issued to “professional” and “sophisticated” investors (as defined in the Corporations Act) introduced by Euroz Securities Limited.

Listing Rule 7.1 imposes a limit on the number of equity securities (eg shares or options to subscribe for shares) which a company can issue without shareholder approval. In general terms, the limit is that a company may not without shareholder approval, in any 12 month period, issue equity securities which are more than 15% of:

- the number of fully paid ordinary shares on issue 12 months before the issue; plus
- the number of fully paid ordinary shares issued in that 12 month period under an exception contained in Listing Rule 7.2 or with shareholder approval.

Listing Rule 7.4 states that an issue by a company of equity securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1, if the issue did not breach Listing Rule 7.1 when made and the company's members subsequently approve it.

The Company was not required to obtain Shareholder approval under the Listing Rules (or otherwise) for the issue of the Placement Shares. However, if the Company does not subsequently obtain Shareholder approval of the issue under Listing Rule 7.4 it will reduce the number of additional equity securities the Company can issue in the 12 month period following the issue. This restriction would reduce the Company's ability to raise additional capital by issuing equity securities during that period, if considered appropriate.

Under the resolution in item 4, the Company seeks approval from Shareholders for, and ratification of, the issue of the Placement Shares.

The Placement Shares are fully paid ordinary shares which rank equally in all respects with the Shares.

The funds were raised to fund the Mt Muro production ramp-up and to provide working capital to enable the Company to maintain a prudent liquidity buffer to support the operation of Tritton and Mt Muro and offer expenses.

The Board believes that the ratification of the issue of the Placement Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of the resolution in item 4 as it allows the Company to ratify the issue of the Placement Shares and retain the flexibility to issue the maximum number of equity securities permitted under Listing Rule 7.1 without further Shareholder approval.

Glossary

In this Explanatory Statement, the following terms have the following meanings unless the context otherwise requires:

Annual General Meeting

or **Meeting** the annual general meeting of the Shareholders convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.

ASX ASX Limited or the securities exchange it operates, as the context requires.

ASX Listing Rules Listing Rules of ASX, as amended, replaced or waived by ASX from time to time.

Board the board of Directors.

Closely Related Party of a member of Key Management Personnel

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or of the member's spouse;
- (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 Company;
- (e) a company that the member controls; or
- (f) a person described by the *Corporations Regulations 2001* (Cth).

Company or Straits Straits Resources Limited (ABN 30 147 131 977).

Constitution the Company's constitution.

Corporations Act the *Corporations Act 2001* (Cth) and all regulations made pursuant to such legislation, as amended from time to time.

Director a director of the Company.

Directors' Report the report of the Directors set out in the Company's Annual Report for the year ending 30 June 2012.

Group the Company and subsidiaries of the Company.

Key Management Personnel those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or not).

Notice the notice pursuant to which the Annual General Meeting is convened.

Placement Shares the 48,400,000 Shares issued by the Company and referred to in item 4 of the Notice.

Remuneration Report the remuneration report set out in the Directors' Report.

Share a fully paid ordinary share in the capital of the Company.

Shareholder a person who holds Shares.

WST Western Standard Time.