

**STRAITS RESOURCES LIMITED**  
**(ASX: SRQ)**

**UPDATE ON BANKRUPTCY PROCEEDINGS FOR STRAITS' INDONESIAN SUBSIDIARY**

On 31<sup>st</sup> January 2014 Straits Resources Limited (**Straits**) announced that its wholly owned Indonesian subsidiary, PT Indo Muro Kencana (**PT IMK**), the owner of the Mt Muro gold operation, had lodged a petition with the Indonesian Commercial Court for voluntary bankruptcy.

Subsequent to PT IMK lodging the voluntary bankruptcy petition and prior to the scheduled court hearing of the voluntary bankruptcy petition on 12 February 2014, a creditor of PT IMK, PT Multi Nitrotama Kimia (**PT MNK**) filed an application for Suspension of Payment (**SOP**) in respect of PT IMK.

A SOP process is effectively a “stay” of the bankruptcy process with the aim of seeking to put forward some commercial settlement plan with creditors to avoid bankruptcy.

As a result of the SOP application, at the 12 February hearing the Panel of Judges decided to postpone the hearing of the PT IMK petition for voluntary bankruptcy until a decision was made with respect to the SOP application.

The application for the SOP was heard by the court on 25<sup>th</sup> February with the rulings of the court provided on 3<sup>rd</sup> March. The key rulings were as follows:

- The SOP application filed by MNK was approved;
- PT IMK was made subject to a Temporary Suspension of Payment for 45 days from 3<sup>rd</sup> March 2014 and, until the SOP ceases, PT IMK cannot be declared bankrupt and most recovery actions by creditors are on hold;
- Appointment of the Supervising Judge and of a sole Administrator (as nominated by the Applicant (PT MNK)). Although the existing Board of Directors nominally continues to manage PT IMK during the SOP period, the Board of Directors must consult with and effectively obtain the prior approval of the Administrator before taking any material actions with regard to the assets and liabilities of PT IMK; and
- On 17<sup>th</sup> April 2014, the Presiding Judges will hold a deliberation Hearing at the Indonesian Commercial Court.

Straits Executive Chairman, Andre Labuschagne said “It is important to note that the SOP process has been initiated by one of the creditors of PT IMK and that the process is designed to lead to an outcome where bankruptcy is avoided. Whilst Straits had actively, but unsuccessfully, sought a buyer for PT IMK prior to PT IMK’s bankruptcy petition, the SOP process may provide an opportunity for the newly appointed Administrator to re-visit a potential sale of the assets of PT IMK.”

“If the SOP process does result in a settlement plan being put to and approved by creditors within the Temporary SOP period, the SOP will become a Permanent SOP which lasts for an additional 270 days. If, however, no settlement plan is put to and approved by creditors within the Temporary SOP period, PT IMK should then automatically be declared bankrupt although some short extension of the Temporary SOP period

may, in practice, be possible if the Commercial Court is convinced that a settlement plan, likely to be acceptable to creditors, is imminent.”

“Straits understands that, in its voluntary bankruptcy petition, PT IMK indicated that, due to its previous, unsuccessful attempts to find buyers or new investors for PT IMK or its assets, PT IMK was not able to propose any commercially reasonable settlement plan that could be put to creditors. In this regard, it is important to note that only PT IMK can put a settlement plan to creditors.”

“The next major step in the SOP process is for the Commercial Court to review the outcome of the Temporary SOP on 17 April 2014.”

As previously noted, neither PT IMK being placed in the SOP process nor being subsequently declared bankrupt impacts on the legal status or solvency of Straits’ Tritton operations.



**Andre Labuschagne**  
**Executive Chairman**

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