Straits

8 FEBRUARY 2012 **ASX / MEDIA RELEASE**

For personal use only

STRAITS RESOURCES LIMITED
(ASX: SRQ)

HILLGROVE SALE ANNOUNCEMENT

Straits is pleased to announce that it has signed an agreement with Ancoa NL (Ancoa) and Emu Nickel Ltd (ASX: EMU) for the sale of the Hillgrove Antimony/Gold Mine. Details of the transaction are summarized in the EMU announcement attached.

The transaction is based on the terms previously negotiated with Ancoa as announced to the market on 26 August 2011, with the major change being that the agreement with Ancoa has been amended to permit EMU to acquire Ancoa, with the right to purchase Hillgrove, which would achieve a listing of Hillgrove as the asset of EMU (rather than via a separate IPO by Ancoa).

The main variation to the agreement previously made with Ancoa is that the consideration payable remains at $40 million, but is changed to:

- $10 million cash; and
- $30 million convertible note (41% premium exercisable within 5 years, interest payable at 12.5% pa after year 1).

The terms of the sale are subject to EMU shareholders approving its acquisition of Ancoa, as well as EMU raising sufficient funds to make the acquisition, and therefore remains subject to market conditions.

Under the capital raising proposed by EMU, Straits shareholders will have a priority entitlement to shares issued by EMU up to $15 million in aggregate – further details of which entitlement will be provided by EMU in the prospectus to be issued by it and which will be provided to Straits shareholders in due course.

Milan Jerkovic
Chief Executive

For further information, please contact either:
- Mr Milan Jerkovic – Chief Executive Officer
- Mr Dave Greenwood – Corporate Affairs

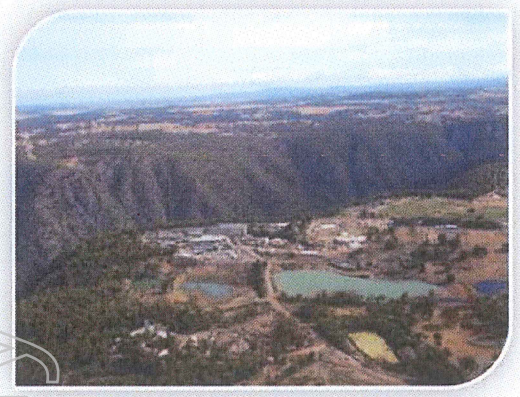
on +61 8 9480-0500, or visit our website at www.straits.com.au.

References in this report to "Straits Resources Limited", "Straits" and "Company" include, where applicable, its subsidiaries.

About Straits Resources

Straits Resources Ltd (ASX Code: SRQ) is a mining and exploration company focused on copper and gold in Australia and Asia. Straits owns and operates the Tritton copper mine in NSW and the Mt Muro gold mine in Indonesia and has an exciting exploration portfolio focusing on projects in NSW and South Australia.

STRAITS RESOURCES LIMITED
ABN 30 147 131 977
Level 1 • 35 Ventnor Avenue • West Perth WA 6005 • Australia | PO Box 1641 • West Perth WA 6872
T: +61 8 9480 0500 • **F:** +61 8 9480 0520 • **E:** info@straits.com.au • www.straits.com.au



emunickel

For personal use only

ASX Code: EMU

Issued Capital:

Ordinary Shares	59.8M
Options	12M

Major Shareholders:

George Sakalidis	7.5%
D Ribton	6.5%
JP Morgan	5.0%
Citicorp Nominees	3.5%
ABN Amro	3.5%
Wit Team Enterprises	3.3%
Image Resources	2.8%
B Mullin	1.7%
R Thomson	1.4%
Paso Holdings	1.3%

Directors:

Peter Thomas
Non-Executive Chairman

George Sakalidis
Managing Director and CEO

Roger Thomson
Executive Technical Director

RIGHT TO ACQUIRE HILLGROVE GOLD AND ANTIMONY MINE

- Reserves for 9 year mine life
- Resources to support another 7 years mine life
- Existing plant and infrastructure
- Granted mining titles
- Production by 2013
- Large & highly prospective tenement package to underpin the resource base and mine life

HIGHLIGHTS

- Globally, the Hillgrove mine is one of the largest Antimony projects ready to go into production at a time when the quality and quantity of the world's major producer, China, is rapidly declining
- Mine recommissioning scheduled for Q2 2013 – projected steady state production by Q4 2013 with $40M projected EBITDA Q4 2014
- Base case annual production 4,500t antimony and 25,000 oz gold in concentrate
- ~50kt of Ore on the ROM pad ready for commissioning
- Immediate access to sufficient underground ore for first +18 months production

Emu Nickel NL ABN 50 127 291 927
Level 2, 16 Ord Street, West Perth Western Australia 6005
Phone: +61 8 485 2410
Email: info@emunickel.com.au Web: www.emunickel.com.au

For personal use only

Overview

Emu is poised to become a leading mid-tier global antimony-gold producer during 2013, having secured rights to the historic Hillgrove mineral field in NSW where mining commenced in the 1870s with gold production then being the main focus.

In the late 1960s, the emphasis shifted to antimony, culminating in the development by Straits Resources of a hydrometallurgical plant commissioned in 2008 for the production of antimony metal.

The mineral field has a rich history having produced 49,000 tonnes of antimony and 720,000oz of gold.

Emu proposes to recommission mining operations at Hillgrove by Q2 2013 driven by a reconstituted board comprising Greg Steemson (MD), Peter Thomas (Chairman) and non-executive Directors George Sakalidis, Peter Secker and Greg McRostie.

The acquisition is subject to: (i) Emu and ANCOA shareholder approvals; and (ii) ASX and regulatory approvals as necessary for Emu and Straits. A timetable is included in this announcement.

An Explanatory Statement (incorporating reports of various experts) will accompany the notice convening the general meeting of Emu shareholders at which they will consider whether to approve the Transaction. The report of Stantons International Securities considers whether the Transaction is fair and reasonable to the non associated shareholders and concludes that it is both fair and reasonable.

THE HILLGROVE ROM PAD VIEWED FROM THE CONCENTRATOR

The Transaction

The meeting of shareholders will consider nine resolutions which, if passed, will allow Emu to pursue this regenerative business opportunity involving the:

- purchase by Emu of ANCOA NL (**ANCOA** – Emu will change its name to ANCOA NL) by the issue of ordinary fully paid shares (**Shares**) in Emu in 2 tranches (the first – Tranche 1 Shares - to be effected upon approval of the Resolutions and the second – Tranche 2 Shares - to be effected subject to the following);
- the raising (**Capital Raising**) of an intended $60M via the issue of securities by Emu;
- purchase by ANCOA of the historic NSW Hillgrove antimony/gold **mine** for $40M (**Purchase Price**) which is to be satisfied as to $10M in cash and as to the remaining $30M in a combination, as Emu elects, of cash, Shares or convertible notes (**Connotes**); and
- sundry consequential matters.

In the opinion of Messrs Sakalidis and Thomson, the Transaction represents a significant opportunity for Emu. Mr Thomas (Emu's Chairman) has a material personal interest in the Transaction.

THE EXISTING CONCENTRATOR AT HILLGROVE

If and from the date the Resolutions are passed, ASX will require trading in Emu Shares on its official list to be suspended until the Transaction is completed and the following has been satisfied.

ASX Listing Rule 11.1.3 applies such that, if shareholders approve the Transaction, Emu will be required to re-comply with Chapters 1 and 2 of the Listing Rules (in essence Emu will have to issue a long form prospectus and meet the initial

For personal use only

listing requirements (as if it was applying for an initial listing) before its Shares will be requoted for trading on the ASX).

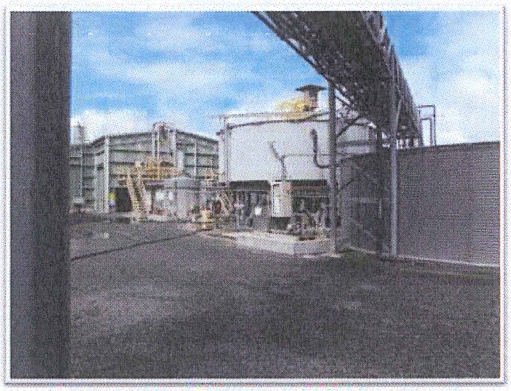
If passed, the Resolutions will enable Emu to:

- change its name;
- consolidate its capital to approximately half the existing number of Shares;
- issue, by way of a non-refundable option fee/deposit to the vendors of ANCOA, the Tranche 1 Shares which will then represent 37.1% of the consolidated capital of Emu as expanded by that issue;
- pursue the Capital Raising for the purpose of: (i) completing the acquisition (**Acquisition**) of Hillgrove Mines Pty Ltd (**HMPL**) – the owner of the mine - which will involve Emu acquiring the entire issued capital of ANCOA and then funding the Purchase Price payable by ANCOA to Straits for HMPL; (ii) funding the on-costs of the Acquisition; (iii) funding the recommissioning of the mine; and (iv) providing working capital;
- the Capital Raising intended to be effected at a price of $0.30 with a stapled contingent entitlement to participate (along with existing shareholders) in a bonus pool of 75M contributing shares (**Contingent Entitlement Shares**);

and, subject to Emu raising sufficient cash,

- complete the purchase of ANCOA (and, via ANCOA, HMPL) which will involve (inter alia): (i) issuing the Tranche 2 Shares to the vendors of ANCOA which will take to 50% their then total interest in the issued capital of Emu (post consolidation but pre Capital Raising); and (ii) payment of the Purchase Price;
- initiate the recommissioning of the mine and thereby significantly change the scale and nature of Emu's business.

Emu shareholders will be offered a priority right to participate in the Capital Raising to the extent of $1M. Straits' shareholders are to be offered a priority right to participate in the Capital Raising to the extent of $15M.



THE EXISTING THICKENER AT HILLGROVE

Impact on Emu's existing activities

Emu presently has a number of exploration interests in Western Australia. No decision will be made with respect to these assets until the Transaction is completed or fails.

THE EXISTING TATRA TRUCKS AT HILLGROVE

Impact on Emu's Capital structure

The effect of the Transaction upon the issued capital of Emu is indicated in a schedule included in this announcement. Details of the Connotes and the Contingent Entitlement Shares follow.

Contingent Entitlement Shares

Upon the Capital Raising closing, 75M Contingent Entitlement Shares will be issued to a Contingent Entitlement Trustee (a corporation to be nominated for the purpose by Emu).

If the Capital Raising is effected at $0.30 per share, the amount of $0.45 will be "due" in respect of each such share when called. If the Capital Raising is effected at a different price, then the amount outstanding will be adjusted pro rata. No call will be made within 4 years. These shares will be issued for nil consideration and there will be no obligation to pay the (or any) call, but failure to do so, will result in them being forfeited.

For personal use only

On the above basis, $33,750,000 will be raised if all the Contingent Entitlement Shares are paid up in due course.

Each Contingent Entitlement Share will participate in dividends as if it was a fully paid share but will only have voting rights in proportion to the amount paid up thereon (initially, nil).

Each shareholder with at least 7,000 Shares as at a date or dates to be nominated by the Board (being around the date of either or between the dates of the prospectus and the date of the closing of the Capital Raising) will be an eligible shareholder (**Eligible Shareholder**).

Each subscriber for shares under the Capital Raising will also be an Eligible Shareholder.

An Eligible Shareholder is entitled to qualify to participate (for no consideration) in the pool of Contingent Entitlement Shares.

The Trustee is to hold the Contingent Entitlement Shares until the date (**Qualifying Date**) the escrow (Restriction) period (imposed by ASX in respect of securities issued to the vendors of ANCOA) expires. The escrow period is expected to be 12-24 months after the completion of the Capital Raising.

An Eligible Shareholder will only qualify to participate (and thereby become a **Qualifying Shareholder**) by holding Shares on the first Business Day (as defined in the ASX Listing Rules) following the Qualifying Date.

The Trustee shall distribute the Contingent Entitlement Shares to Qualifying Shareholders on a pro rata basis in accordance with the following formula:

A divided by B times C = X

Where:

A is the number of Shares held by a Qualifying Shareholder as at the Qualifying Date;

B is the total number of Shares held by all of the Qualifying Shareholders as at the Qualifying Date;

C is the total number of Contingent Entitlement Shares; and

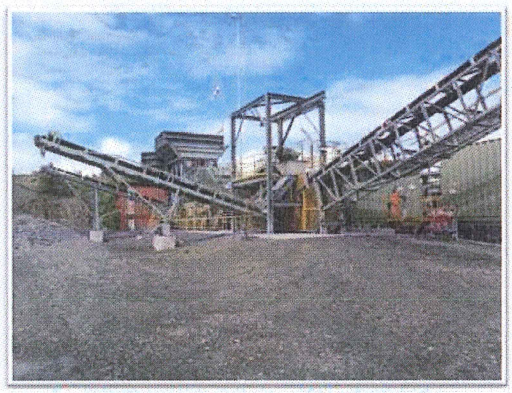
X is the number of Contingent Entitlement Shares to which the Qualifying Shareholder is entitled.

By way of illustration only, assuming (i) $60M is raised under the Capital Raising prospectus at $0.30 per share; (ii) no options are exercised; (iii) Emu does not issue any securities other than to acquire ANCOA; (iv) every shareholder is an Eligible Shareholder and becomes a Qualifying Shareholder, then the participation ratio will be 1 Contingent Entitlement Share for every 3.4 Shares held at the Qualifying Date.

If less than all Eligible Shareholders become Qualifying Shareholders but the other assumptions above remain, the ratio will change. For example, if at the Qualifying Date only 100M shares are held by Qualifying Shareholders, then the ratio will be 1 Contingent Entitlement Share for every 1.33 Shares held by the Qualifying Shareholder.

Connotes

The principal terms of the Connotes are: (i) 5 year term; (ii) interest free for 12 months and thereafter the coupon rate is 12.5% pa payable quarterly in arrears; (iii) convertible (at the rate of $0.425) at the election of the holder into Shares on a 1:1 basis (that ratio is subject to adjustment in accordance with the ASX listing rules as if the Connotes were options); (iv) no right of redemption save on maturity or in the case of certain "events of default"; (v) any not converted or redeemed at the end of the 5 years to be redeemed; and (vi) the obligations of Emu in respect of the Connotes are to be secured by a share pledge over the capital of HMPL.



THE EXISTING CRUSHER AT HILLGROVE

For further information, please contact:
George Sakalidis +89485 2410

Media Inquiries:
Kevin Skinner of Field PR: +61414 822 631
email: Kevin@fieldpr.com.au

For personal use only

Capital Structure

The following table, shows the diluted capital of Emu as it will be on completion of the Capital Raising and the Transaction and the effect of the consolidation of capital but excluding the effect of the Contingent Entitlement Shares because, initially, all the then holders of 7,000 or more Emu Shares will have a contingent entitlement to the Contingent Entitlement Shares in proportion to their then ordinary shareholdings.

The table assumes that the amount raised by the Capital Raising is $60M at $0.30 per share and that the Purchase Price is satisfied as to $10M in cash and as to the balance ($30M) by the issue of 70,588,235 Connotes.

	$60M Raising	**%***
Shares on issue before consolidation	59,828,940	
Consolidation of Shares before acquisition of ANCOA	27,500,000	
Issue of Tranche 1 Shares to ANCOA shareholders (upon shareholder approval)	16,250,000	
SubTotal Issued Shares Post Tranche 1	***43,750,000***	
Issue of Tranche 2 Shares to ANCOA shareholders (upon $60M being subscribed)	11,250,000	
Shares on issue after completion of the acquisition of ANCOA	***55,000,000***	21.6
Shares to be issued pursuant to the Offer	200,000,000	78.4
Total Shares	255,000,000	100.0

* as diluted on completion of the Capital Raising but excluding the Contingent Entitlement Shares

Timetable

Following is the proposed timetable*:

Event	**Business day**
Despatch of Notice of Meeting	Thursday 9 February 2012
Lodgement of Prospectus – Exposure period commences	Monday 20 February 2012
Exposure period ends	Monday 27 February 2012
Reorganisation approved at meeting of Emu shareholders	Friday 9 March 2012
Public offer closed	Monday 19 March 2012
Issue holding statements of reorganised Shares to existing Emu shareholders	Tuesday 20 March 2012
Completion of acquisition of Hillgrove Mines Pty Ltd	Friday 30 March 2012
Re-quotation of Emu securities on ASX	Friday 30 March 2012

*The actual timetable will be announced to the market once known.

The Hillgrove Gold/Antimony Project

The Hillgrove gold/antimony project is located approximately 25km east of Armidale, a major regional town in NSW. The main industries in the region are primary (cattle and sheep) production, mining, education and tourism.

Mining started in the Hillgrove area in the 1870s and has continued with breaks due to war and fluctuations in metal prices to the present day. One of the largest producers was the Bakers Creek mine which produced 870,000t of Ore at a grade of 10g/t [280,000oz] Au.

The mineralisation at Hillgrove is located within narrow sub-vertical structures. The antimony mineralisation is present as stibnite and occurs in narrow veins within a broader zone mineralised with arsenopyrite and stibnite. The gold mineralisation occurs as free gold and as refractory gold with the stibnite and arsenopyrite.

Ore will be accessed by the existing decline from Bakers Creek Gorge and mined by underground methods. The broken ore will be hauled to the processing plant by truck where it will be crushed and ground from which two floatation concentrates – an antimony-gold concentrate and an arsenopyrite-gold concentrate - will be produced. These concentrates will be shipped to processors offshore for recovery of metal. Base case metrics assume an annual Ore production of 250,000t producing 4,500t Sb and 25,000oz Au in concentrate with average metal recoveries of 85% for Sb and 80% for Au.

Upon the completion of final engineering design, the processing plant at Hillgrove will be modified to produce the two concentrate streams. Commissioning is expected to be during Q2 2013.

The Hillgrove Project has the following resources and reserves

Resources: 6.3Mt grading 1.6% Sb and 4.3g/t Au [101,000t Sb and 870,000oz Au] – 8g/t Au equivalent
Reserves: 2.2Mt grading 2.1% Sb and 3.8 g/t Au [46,000t Sb and 270,000oz Au] – 9g/t Au equivalent

Hillgrove Exploration

The tenement package covers 425km^2 and provides a sound basis for further exploration. Recent drilling at Bayley Park and Conningdale has located new areas of mineralisation.

Emu has allocated $4Mpa to undertake near mine and regional exploration which will ensure a continual stream of exploration results.

For personal use only

Recent exploration results Bayley Park

BPK003 from 39.5m to 41.4m – 1.9m grading 7.6% Sb, 1.5g/t Au - 19g/t Au equivalent

Recent exploration results Conningdale

CON001 from 35.8m to 72.8m – 37m grading 0.23g/t Au, 4.2g/t Ag

Hillgrove Mineral Resources			
Category	**Tonnes M**	**Antimony %**	**Gold g/t**
Measured	1.02	1.9	5.1
Indicated	3.54	1.5	4.0
Inferred	1.79	1.6	4.3
Totals	**6.349**	**1.6**	**4.3**
Hillgrove Mineral Reserves			
Category	**Tonnes M**	**Antimony %**	**Gold g/t**
Proven	0.386	2.4	3.6
Probable	1.809	2.1	3.8
Totals	**2.195**	**2.1**	**3.8**

Forward-Looking Statements

Certain statements made during or in connection with this statement contain or comprise certain forward-looking statements regarding Mineral Resources and Reserves, exploration operations, project development operations, production rates, life of mine, projected cash flow, capital expenditure, operating costs and other economic performance and financial condition as well as general market outlook. Although Emu Nickel believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of Emu Nickel, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. Emu Nickel undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.

Exploration and Resource Targets

Any discussion in relation to the potential quantity and grade of Exploration Targets for the Hillgrove Project is only conceptual in nature. While Emu Nickel is confident that it will report additional JORC compliant resources for the Hillgrove Project, there has been insufficient exploration to define mineral resources in addition to the current JORC compliant resource inventory and it is uncertain if further exploration will result in the determination of additional JORC compliant Mineral Resources.

Competent Person Statement

The information that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Byron Dumpleton (as to resources) who is a Member of the Australian Institute of Geoscientists

For personal use only

and Mr Peter Storey (as to reserves) who is a Member of The Australasian Institute of Mining and Metallurgy. Messrs Dumpleton and Storey are full-time employees of Straits Resources Limited and each consents to the inclusion of the matters based on information provided by them respectively in the form and context in which it appears.

Each has sufficient experience relevant to the style of mineralisation and to the type of deposit under consideration and to the activity undertaken by them respectively (to compile said Mineral Resources and Ore Reserves information) to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Cautionary Statement

Au equivalent calculations are based on an Sb price of $12,000/t and Au $1,550/oz.

For personal use only