3 AUGUST 2015 **ASX/MEDIA RELEASE**

STRAITS RESOURCES LIMITED
(ASX: SRQ)

RESTRUCTURING AGREEMENT SECURES STRAITS' FUTURE

Highlights:

- Binding agreements signed for breakthrough restructuring deal that reduces Standard Chartered Bank (**SCB**) debt by 55% to US$50 million
- The SCB debt reduction is in exchange for "at risk" capital through Redeemable Convertible Preference Shares and Price Participation Structure
- Transaction removes significant uncertainty and creates an opportunity to grow into a leading Australian copper producer
- Three year US$25 million Revolving Priority Debt Facility established with Special Portfolio Opportunity V Limited (**PAG SPV**), (a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group)) as a new strategic partner to underpin growth projects and exploration at Tritton Copper Operations
- PAG SPV to also have equity position through issue of Non-Redeemable Convertible Preference Shares
- Restructuring remains subject to Straits shareholder approval and is unanimously recommended by the Board of Straits
- Tritton achieved record annual copper production for FY2015 of 30,245 tonnes

Straits Resources Limited (**Straits** or **Company**) is pleased to advise it has signed binding agreements with its lender, Standard Chartered Bank (**SCB**), and PAG SPV, a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group), being one of Asia's largest alternative investment management firms, which, subject to the satisfaction of conditions precedent and Straits shareholder approval, will result in a substantial reduction in the Company's total debt and provide financial capacity to fund growth and build shareholder value (together the **Restructuring**).

Under the terms of the Restructuring, Straits' outstanding debt with SCB of ca. US$111 million will be reduced by 55% to US$50 million through a new Senior Debt Facility with SCB. The terms of the new seven-year SCB facility include a two-year up-front cash interest holiday, providing important financial headroom during this period.

As part of the Restructuring, SCB will be issued with redeemable convertible preference shares (**RCPS**) equivalent to 60% of Straits' post-restructuring fully diluted equity. These RCPS have a notional valuation of US$40 million and may be transferred by SCB to related parties and also to external parties (subject to certain limitations)[1]. The RCPS may be redeemed by Straits in the first four years after issue or within 33 business days of the holder of the RCPS providing notification that it intends to transfer the RCPS to a non-related party. The RCPS may be converted into ordinary shares by SCB or subsequent holders at any time within five years from issue or will otherwise be mandatorily converted on the fifth anniversary of issue.

SCB and Straits have also agreed a Price Participation structure whereby SCB will receive a small percentage of incremental revenue above a copper price of A$8,000 per tonne.

The Restructuring will effectively see SCB transfer the majority of its current US$111 million secured debt position into higher risk equity-linked and price participation structures, which Straits view as a strong vote of confidence and alignment in the future potential of the Company.

As part of the Restructuring, PAG SPV will provide US$25 million in a three year revolving priority debt facility for working capital and growth projects at Straits' Tritton Copper Operations.

Table 1 – Pre and Immediately Post Restructuring Debt Structure

Facilities	Pre-Restructuring	Immediately Post Restructuring
SCB Senior Debt (US$M)	111.1	50.0
SCB Contingent Instrument Facility (A$M) – non-cash performance guarantees against Environmental Bond commitments	10.3	10.3
PAG SPV Revolving Priority Debt Facility (US$M)	-	25.0 (Undrawn)

[1] The RCPS may be transferred to external parties but only where the number of RCPS transferred to that external party, if converted on completion of the transfer, would result in that party holding less than a 20% shareholding in Straits.

PAG SPV will also be issued with convertible preference shares (**CPS**) with a five year term, convertible to ordinary shares in Straits equivalent to 15% of the Company's post-Restructuring fully diluted equity. The terms of the CPS mirror the terms of the RCPS in so far as possible save that the CPS are redeemable only in limited circumstances.

As part of the Restructuring, SCB and PAG SPV required the senior management team of Straits to commit to the business for the next five years in order to deliver on the operating plans which underpin the Restructuring. Therefore four members of the management team have been offered, subject to shareholder approval, options, which if all vesting conditions are met over the next five years, allow them to earn up to 10% of the post-Restructuring equity of Straits. The existing equity incentive plan for senior management will be bought out by Straits and the shares cancelled. Full details of the options are available in Appendix C.

Current shareholders and Convertible Note Holders (Credit Suisse), assuming the Convertible Notes are converted prior to completion of the Restructuring, will hold a combined 15% of the post-Restructuring equity structure of Straits.

Table 2 – Fully Diluted Equity Structure Pre and Post Restructuring*

Shareholder	**Equity Holding before Restructuring[1]**	**Equity Holding post Restructuring[1]**
Ordinary Shareholders (excluding Management & SCB Private Equity)	62.6%	9.7%
Straits Management	3.5%	10.0[2]
SCB Private Equity	14.1%	2.2%
Convertible Note Holders (Credit Suisse)	19.8%	3.1%
SCB	-	60.0%
PAG SPV	-	15.0%
Total	**100.0%**	**100.0%**

*Assumes all equity instruments converted

1 – Assumes all Convertible Notes converted to ordinary equity at AUD/USD 0.775

2 – Assumes all vesting conditions achieved and options exercised

More details on the terms of the Restructuring can be found in Annexures A, B and C to this announcement.

The Restructuring remains subject to all government or regulatory consents and shareholder approvals required to implement the Restructuring. The Straits Board unanimously considers the Restructuring to be in the best interests of Straits' shareholders and recommends that Straits shareholders approve the required resolutions (to be detailed (together with the findings of an Independent Expert) in an Explanatory Memorandum to be provided to Straits shareholders ahead of a shareholder vote expected in October 2015), in the absence of a superior proposal and subject to the Independent Expert concluding that each of the prescribed matters (as considered and detailed in the Independent Expert's Report) is reasonable to Straits Shareholders. Each Straits Director who holds or has control over voting rights in Straits shares, intends to vote in favour of the required resolutions or seek to procure that the Straits shares over which they have control, are voted in favour of the required resolutions, in the absence of a superior proposal and subject to the Independent Expert concluding that each of the prescribed matters is reasonable to Straits Shareholders.

Commenting on the Restructuring, Straits Executive Chairman Andre Labuschagne said: "In the past two and a half years Straits has worked very hard to turn the business around for shareholders and in many ways today's Restructuring is the culmination of all of our efforts.

"We have divested non-core assets, exited our loss making Mt Muro mine in Indonesia, reduced corporate overheads and most importantly, returned the Tritton Operations to a cash flow positive position and where it is now breaking production records.

"Having achieved so much, the debt burden remained a noose around the Company's neck, creating uncertainty about future opportunities to restore shareholder value. Added to this was the need to provide working capital to underpin future growth in the business. This combination of factors made finding a solution which had the potential to rebuild value for all stakeholders, a very complex process. The Restructuring reduces debt levels; provides working capital; and establishes a platform from which to grow shareholder value.

"The Restructuring now removes the significant uncertainty hanging over the Company and will allow the true value of our assets to be reflected in the equity price. Additionally, unlike other recent corporate restructures/refinancings, the ability to redeem the SCB convertible preference shares may provide opportunities in the future to minimise dilution on current shareholders.

"Our stated aim has always been to grow Straits into a mid-sized, multi-mine company delivering shareholder value through an unwavering focus on operational excellence. Over the last two and a half years we have achieved significant improvements in operational performance and we are now in a position to begin building shareholder value by:

- Continuing to perform strongly at the Tritton Operations;
- Fund some of our advanced Tritton Operations' growth projects;
- Resume near-mine exploration throughout our prospective land position in the Tritton region; and
- Seek value enhancing acquisition opportunities.

"I would like to thank all employees for the support and exceptional performance over the last two years which allowed Straits and SCB enough time to restructure a very difficult situation for the company and its shareholders.

"I would also like to thank Standard Chartered Bank for its faith in the Company and welcome PAG as our new strategic partner. We look forward to working with both groups to ensure Straits fulfils its full potential for the benefit of all stakeholders."

A condition precedent for the Restructuring is the restructure of the US$7 million Credit Suisse Convertible Notes and discussions in this regard are underway.

Investor & Media Conference Call

An investor and media conference call to discuss the proposed transaction and future plans for the company will be held today at 3pm AEST (1pm AWST) and hosted by Straits Executive Chairman Andre Labuschagne.

Participant dial in details:

Toll free – 1800 123 296
International - +61 2 8038 5221
Conference ID – 2324 973

ENDS

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Appendix A – Standard Chartered Bank – Key Terms of Debt Restructure

Item	**Key Terms**
A Restructuring Deed entered into between Straits, SCB and PAG SPV to provide for the restructure of the SCB Bridging Loan facility and provision of new funding from PAG SPV.	
General Terms	• Satisfaction of conditions precedent (as set out below) on or before 15 December 2015 (**End Date**). • Completion to occur within 2 Business Days of satisfaction of the conditions precedent. • Straits to enter into specified finance restructure and additional security documentation with SCB and specified new finance and security documentation with PAG SPV prior to completion as detailed below. • An exclusivity period granted for SCB and PAG SPV until the End Date (or earlier on completion or termination) with a matching right in the event that a superior competing proposal is presented to Straits. • SCB and PAG SPV will each have a separate entitlement to appoint one director to the Board of Straits, which entitlement will cease for SCB or PAG SPV if it ceases to hold convertible preference shares and/or ordinary shares in Straits which represent at least 10% of ordinary shares on issue (on an as-converted and fully diluted basis) for a consecutive period of more than one month. • Any party can terminate the agreement if the conditions precedent are not satisfied before the End Date (or become incapable of being satisfied prior to that date) or if there is a material breach. • SCB or PAG SPV can terminate the agreement if a majority of directors of Straits publicly change (including by attaching qualifications to) or withdraw their statement that they consider the Refinancing to be in the best interests of Straits shareholders or their recommendation that Straits shareholders approve the Refinancing, or publicly recommend, promote or otherwise endorse a competing proposal.
Conditions Precedent	The conditions precedent to completion of the Refinancing include: • FIRB approvals. • ASIC, ASX or other regulatory approvals, waivers or consents. • Shareholder approval to specified matters required by the Corporations Act or the Listing Rules. • An independent expert providing a report stating that in its opinion the grant and conversion of convertible preference shares is reasonable to Straits shareholders. • Execution of all documentation necessary to give effect to the restructure, new funding and grant of new security. • Execution of an agreement with Credit Suisse under which all of the existing convertible notes issued to Credit Suisse will be extinguished on or before completion of the Refinancing. • Straits enter into arrangements with senior management and other relevant parties to restructure current share entitlements and on-going incentive arrangements.

<table>
<tr><td></td><td>There being no restraint by a court or government agency being in place at the time of completion of the Refinancing.
No specified regulated events occurring within or affecting Straits Group before or as a consequence of completion of the Refinancing.
No material adverse change to Straits before completion of the Refinancing.
No breach of representations or warranties occurring before completion of the Refinancing.</td></tr>
<tr><td colspan="2">The restructure of the current Bridge Loan (approximately US$111 million) to provide for:
a US$50 million Senior Debt Facility
the issue of convertible preference shares with face value of US$40 million equating to a 60% shareholding in Straits Resources Limited on a fully diluted basis; and
entry into a Price Participation Agreement, capped at US$19.23 million unless all of the CPS are redeemed at a time where SCB is the holder,
the details of which are set out below.</td></tr>
<tr><td>Standard Chartered US$50m Senior Debt facility</td><td>Seven year term with bullet payment at maturity.
Security – general security held by Standard Chartered Bank (Hong Kong) Limited as security trustee over all present and after-acquired property of Straits, Straits Mining Limited and Tritton Resources Pty Ltd, subject to priority ranking as agreed with PAG SPV.
Cash interest 5% p.a. after the first two years payable in accordance with the agreed cash waterfall structure.
PIK interest of 10% p.a. in first year, 12.5% p.a. for second year and 7.5% p.a. for remainder of term.
Cash flows (including principal and interest repayments) are subject to the agreed cash waterfall structure until PAG priority debt is repaid.
Other covenants and undertakings expected for a facility of this nature.</td></tr>
<tr><td>SCB Convertible Preference Shares (Share Subscription Deed)</td><td>Convertible Redeemable Preference Shares (CRPS) to be issued to SCB, with the number of CRPS to represent the equivalent of 60% of Straits' post-Refinancing fully diluted equity, with a notional valuation of $US40m.
A 5 year term.
The CRPS to convert into fully paid ordinary shares in Straits:
at the election of the holder at any time during the term; or
mandatory conversion at the expiration of the term.
CRPS are redeemable by Straits within the first 4 years of the term.
A cumulative dividend to accrue at 5% per annum on the basis that:
The accrued dividend is written off if the CRPS are converted
The accrued dividend is paid in cash on redemption.
The CRPS will be transferable by SCB provided that the assignee will not hold more than 20% in Straits if the transferred CRPS are immediately converted.
The CRPS holder will be allowed sufficient notice of proposed rights issue or entitlement offer to enable exercise of conversion rights to participate in the rights issue or entitlement offer.</td></tr>
</table>

	• Other usual terms and conditions for preference shares, including priority over ordinary equity in the event of a winding up. The issue of the CRPS and issue of ordinary shares on conversion is subject to Straits' shareholder approval.
Price Participation Agreement	• Straits to make a Quarterly price participation payment to SCB as follows: – (A) 5% of quarterly copper sales volumes x incremental Cu price between A$8,000/t and A$8,749/t; – (B) 10% of quarterly copper sales volumes x incremental Cu price between A$8,750/t and A$9,499/t + (A); and – 15% of quarterly copper sales volumes x Cu price A$9,500/t or higher + (A) + (B). • Total payments are capped at US$19.23m, with cap being lifted in the event that Straits redeem all CPRS and SCB is the holder of all CPRS at the time of redemption.
SCB Guarantee Facility	• A guarantee facility in the amount of A$10.328 million (currently in place for environmental bonds). • Term – 7 years. • Issue fee of 3%p.a. on the face value of all outstanding instruments • Renewal fee of 1.25% p.a. on the face value of all outstanding instruments

Appendix B – PAG SPV – Key Terms of Priority Debt and Convertible Preference Shares

PAG SPV US$25m revolving priority loan note facility – Tranche 1: US$15m – Tranche 2: US$10m	• Three year term. • Security - general security held by Standard Chartered Bank (Hong Kong) Limited as security trustee over all present and after-acquired property of Straits, Straits Mining Limited and Tritton Resources Pty Ltd, subject to priority arrangements as agreed with SCB and documented in an intercreditor deed with SCB (pursuant to which the amounts advanced under this facility rank in preference to those advanced under the SCB Facility). • Tranche 1 (US$15m) is available for general working capital purposes, subject to the satisfaction of various conditions precedent. • Tranche 2 (US$10m) is available for general working capital purposes, subject to receipt of successful results of resource drilling on "Tritton Deeps" as well as other conditions precedent. • Cash interest of 5% p.a. • PIK interest of 6% p.a. • Establishment fee of 2% calculated by reference to the total commitments under the facilities. • Line fee of 1.5% p.a. calculated by reference to the total undrawn commitments under each facility. • The facilities can be prepaid provided that PAG SPV receives a minimum return of US$4m (including all fees and interest received). • Cash flows (including principal and interest repayments) are subject to the agreed cash waterfall structure set out in the intercreditor deed with SCB until the facility is repaid in full. • Other covenants and undertakings substantially similar to those contained in the SCB facility agreement.

PAG Convertible Preference Shares
(Share Subscription Deed)
	• Convertible Preference Shares (**CPS**) to be issued to PAG SPV, with the number of CPS to represent the equivalent of 15% of Straits' post-Refinancing fully diluted equity, issued at a nominal value.
	• A 5 year term.
	• The CPS to convert into fully paid ordinary shares in Straits:
	  o at any time at the election of the holder; or
	  o mandatorily at the end of the 5 year term.
	• The CPS are non-redeemable by Straits except in limited circumstances in the event that shareholder approval is required for conversion of the CPS and is not obtained.
	• A cumulative dividend to accrue at 5% per annum (on the nominal face value) on the basis that:
	  o the accrued dividend will be written off when the CPS are converted; or
	  o the accrued dividend is paid in cash on redemption.
	• The CPS will be transferable by PAG SPV provided that the transferee will not hold more than 20% in Straits if the transferred CPS are immediately converted.
	• CPS holder will be allowed sufficient notice of proposed rights issue or entitlement offer to enable exercise of conversion rights to participate in the rights issue or entitlement offer.

	• Other usual terms and conditions for preference shares, including priority over ordinary equity in the event of a winding up. • The issue of the CPS and issue of ordinary shares on conversion is subject to Straits' shareholder approval.

Appendix C – Key Management Incentive Scheme

• Option Deeds with senior management	• Options are to be granted to the following members of senior management for shares representing (in total) 10% of the fully-diluted post-restructure share capital of Straits:
	  o Executive Chairman - Andre Labuschagne (4%);
	  o Chief Operating Officer - Ian Sheppard (2.4%);
	  o Chief Financial Officer - Rob Brainsbury (2.4%); and
	  o General Manager (Tritton Operations) - John Miller (1.2%).
	• Once vested, the Options are exercisable into fully paid ordinary shares with a zero exercise price.
	• Subject to certain conditions, these Options will vest and become exercisable in accordance with the following schedule:
	  – 30% of the Options on the first anniversary of completion of the restructure;
	  – 17.5% of the Options on the second anniversary of completion of the restructure;
	  – 17.5% of the Options on the third anniversary of completion of the restructure;
	  – 17.5% of the Options on the fourth anniversary of completion of the restructure;
	  – 17.5% of the Options on the fifth anniversary of completion of the restructure.
	• The issue of these Options is subject to Straits' shareholder approval.
	• Each holder will also be required to enter into a voluntary restriction agreement with Straits restricting, subject to certain exceptions, for a specified period of time, the manner in which that holder can deal with each ordinary share in the capital of the Company issued to the holder upon the exercise of a vested Option.

As part of the restructure of the management incentive arrangements, the existing shares issued to participants under the Employee Share Acquisition Plan (**ESAP**) will be the subject of a buy-back by the Company at a price determined by independent valuation. The sale proceeds will be applied first towards the repayment of non-recourse loans made to each participant in the ESAP with any surplus funds then paid to the participant.