

# Australian copper producer and turnaround success story

*October 2014*



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# Disclaimer



## **Forward-Looking Information**

Certain statements contained in this press release constitute forward-looking statements or forward-looking information. The words “intend”, “may”, “would”, “could”, “will”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “target” and similar expressions are intended to identify forward-looking statements. These statements are based on certain factors and assumptions and while Straits considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are given only as at the date of this release and Straits disclaims any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **Competent Person Statement for Mineral Resources and Drilling Results:**

The information in this report that relates to Mineral Resources is based on information compiled by Byron Dumpleton, who is a member of the Australian Institute of Geoscientists. Mr Dumpleton is a contractor of Straits Resources Limited and has sufficient experience relevant to the styles of mineralisation, types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserve estimates is based on information compiled by Ian Sheppard, who is a member of the Australasian Institute of Mining and Metallurgy. Ian Sheppard is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the styles of mineralisation, types of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Sheppard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Board of Directors

- Andre Labuschagne Executive Chairman
- Alastair Morrison Non-executive Director
- Michele Muscillo Non-executive Director

## Executive Management

- Rob Brainsbury Chief Financial Officer
- Ian Sheppard Chief Operating Officer
- John Miller General Manager – Tritton Operations

Capital Structure	
ASX Code	SRQ
Ordinary Shares	1.217bn
Share Price (@ 1 Oct '14)	0.6¢
Market Capitalisation	\$7.3M
Cash & Receivables (@ 30 Jun '14)*	\$17M
Borrowings (@ 30 Jun '14)**	\$123M
Enterprise value	\$128.4M

Major Shareholders	
Standard Chartered Private Equity Ltd	17.6%
Glencore Finance Ltd	10.8%
Baker Steel Capital Managers	6.6%
Management	4.8%

\*Excludes Mt Muro

\*\* SCB only

# Significant Achievements Already Made



## Management focus of the last 18 months:

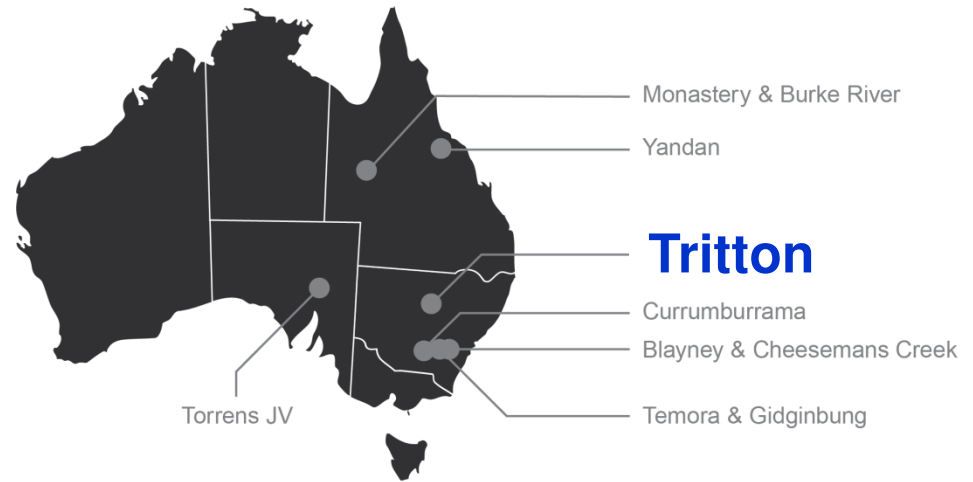
- ✓ Divesting non-core assets
- ✓ Closing Mt Muro Gold Mine and exiting Indonesia
- ✓ Downsizing corporate overhead and re-shaping executive team
- ✓ Driving Tritton harder and developing a long term plan:
  - Focus on improving maintenance and plant availability
  - Record Cu tonnes in FY14
  - +50kt of Cu contained in Ore Reserves added
- ✓ Deleveraging the company:
  - Debt was >A\$150M in July 2012 and now reduced to \$123M
- ✓ Fixing the Balance Sheet – in progress and well advanced

# Improved Financial and Operating Performance



- ✓ Profit – up 124% - Mt Muro deconsolidated and Tritton performance
- ✓ Balance sheet – \$39M turnaround to positive net asset position \$6M
- ✓ Cash flow – from operations negative \$24M to positive \$35M
- ✓ Operations:
  - Tonnes milled up 24%
  - Copper produced up 13%
  - Costs slightly higher (maintenance – process plant and UG equipment)

- An established, Australian copper producer
  - ✓ Targeting a record 27kt Cu production in FY15
  - ✓ Reserves up to ~170kt from 118kt
  - ✓ Highly prospective exploration tenements



- ✓ Drilling planned for Tritton Deeps to extend mine life to 9 years
- Management team with operational and turnaround track record
- Balance Sheet and debt restructure well underway
- Value proposition with clear share price growth potential

# Tritton Operations: 2 underground mines



- Tritton underground mine:  
1.3mtpa @ 1.9% Cu
- North East / Larsens:  
300ktpa @ 1.8% Cu

# Tritton Operations: 1.6 mtpa plant



- Running above capacity
- 94% recovery
- 24% copper concentrate grade





- 2014 focus on truck availability
- Process plant debottlenecking continues – plans to increase throughput to 1.8mtpa
- 2014/15 focus on fleet refresh and loader availability

# Tritton Operations: Good infrastructure

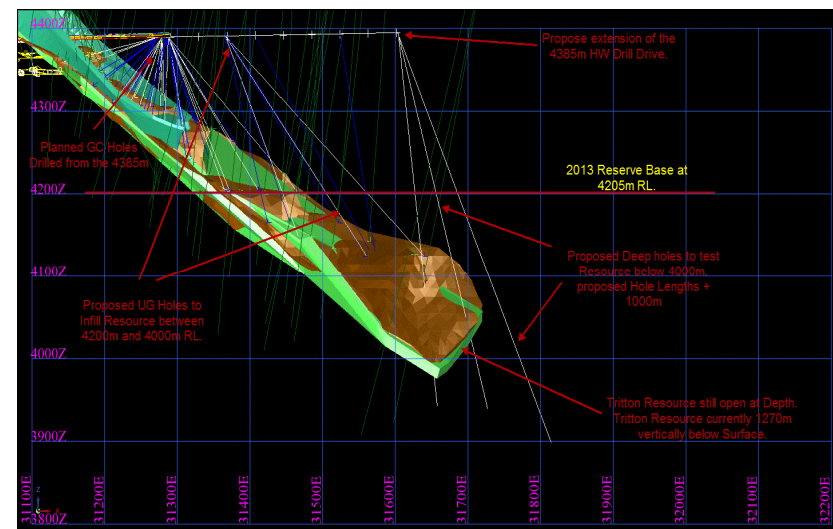
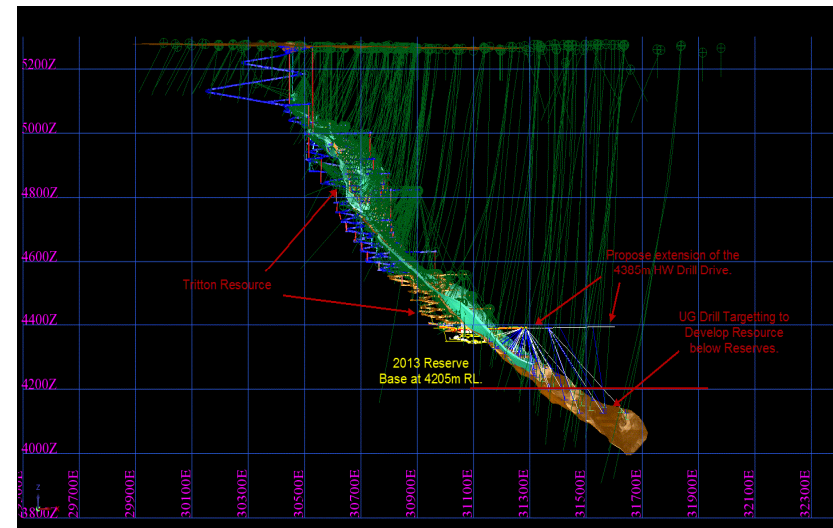


- Mobile fleet workshop
- Paste fill plant for Tritton U/G
- Road Haulage

- Nine year LoM business plan
- Key focus on increase in mill throughput (minimal capital)
- Mine and mill throughput to increase to 1.8mt in FY2016
- Projects:
  - Tritton underground mine – reserve
  - Murrawombie pit – reserve
  - Murrawombie underground – reserve
  - Avoca Tank – reserve
  - Exploration and mining Tritton Deeps – resource to reserve conversion / drill drive underway

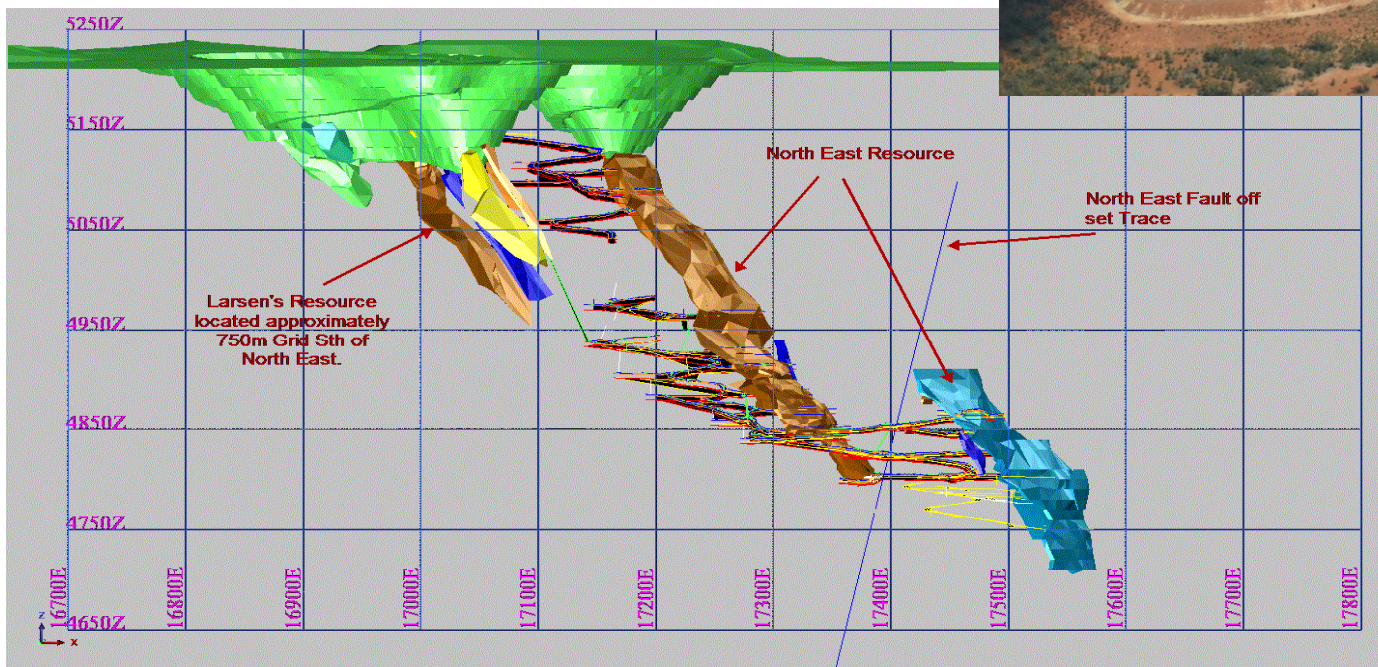
# Business Plan: Tritton Deeps drilling

- Reserve 5Mt @ 1.8% Cu
- Mineral Resource 11Mt @ 1.8% Cu
- Tritton deeps target 50-60kt Cu
- Extends reserve base to 9 years
- Resource open at depth



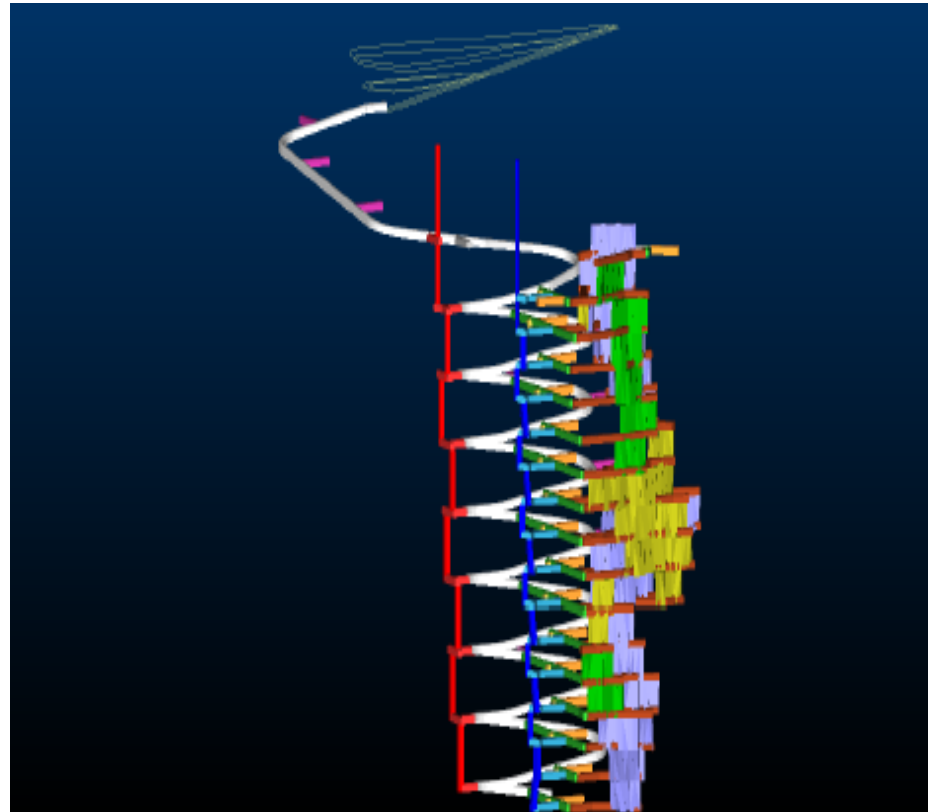
# Business Plan: North East and Larsons

- Reserve 862kt @ 1.55% Cu
- Resource 1.26Mt @ 1.8% Cu
- Better grade than expected
- Expect to extend for another 2-3 years



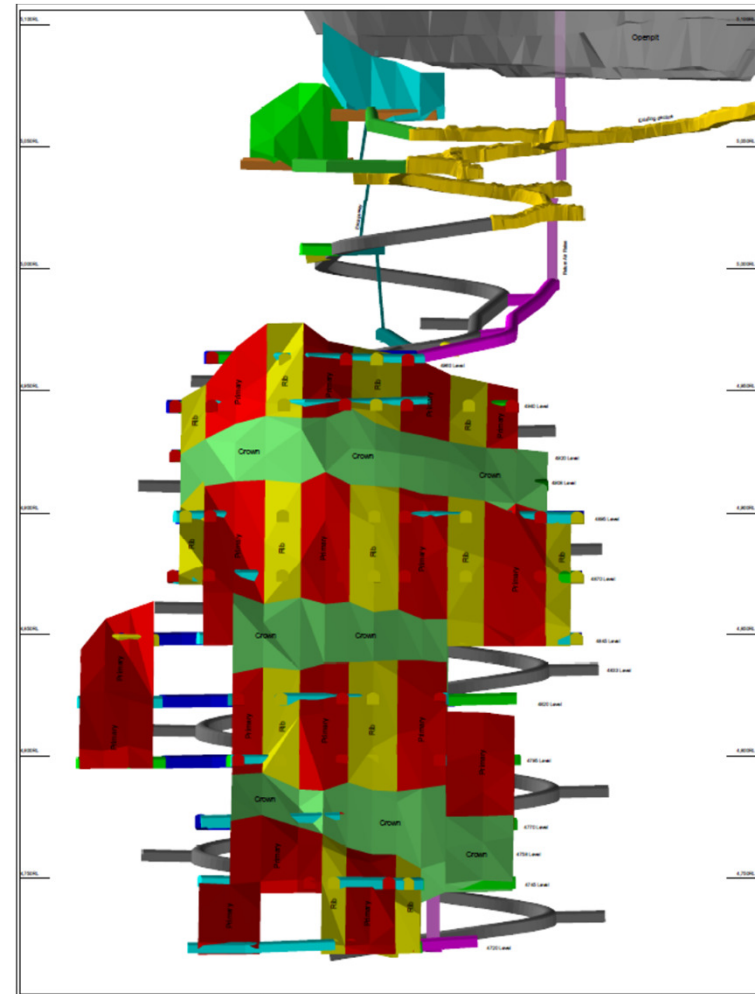
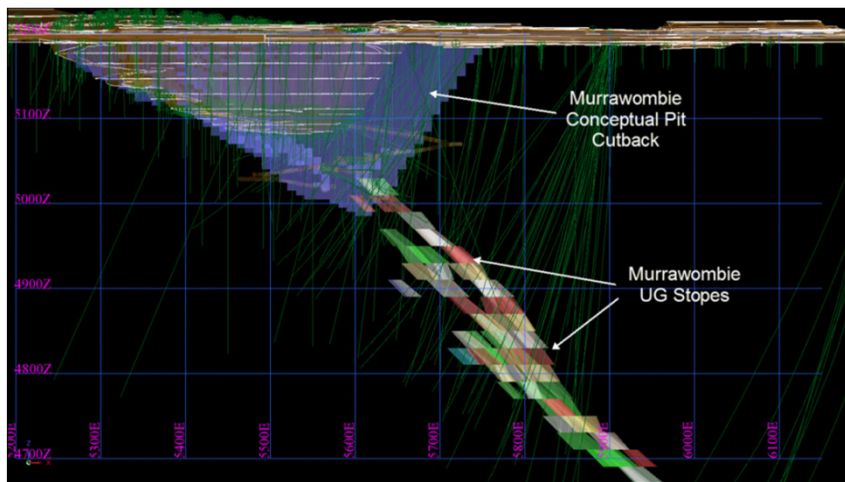
# Business Plan: Avoca Tank

- Mineral Resource: 903kt @ 2.6% Cu
- Ore Reserve: 680kt @ 2.5% Cu
- Bottom up mining for high recovery
- EIS (Environmental Impact Study) completed
- Estimate 12 months following submission of EIS
- Orebody open at depth

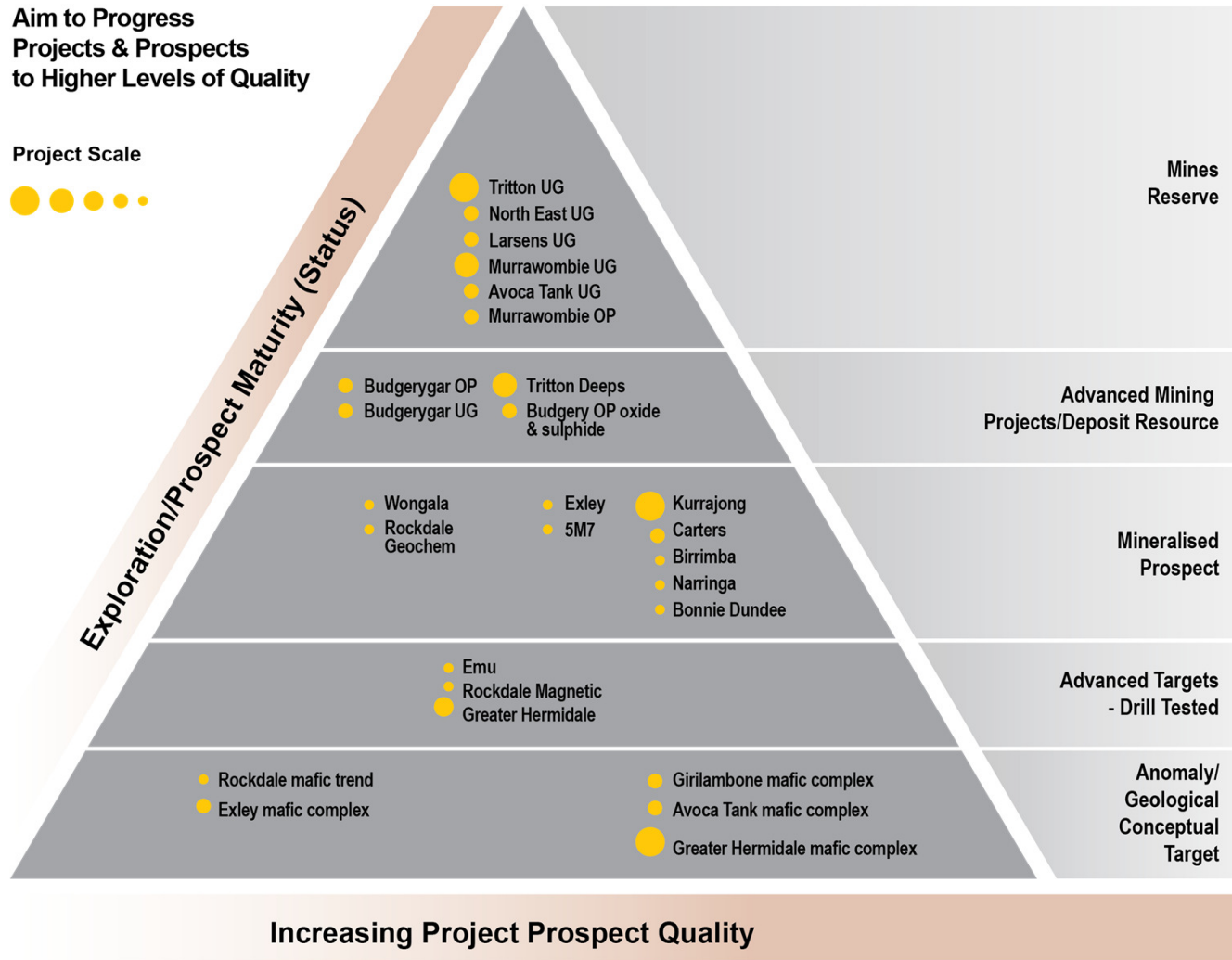


# Business Plan: Murrawombie

- Mineral Resource: 8Mt @ 1.4% Cu
- Ore Reserve: U/G 3.3Mt @ 1.3% Cu  
O/C 701kt @ 1.2% Cu
- Open pit cutback
- Underground – Open stoping under dry fill
  - Decline development advanced ~80m
- Mining lease already in place
- Ready to start at any time

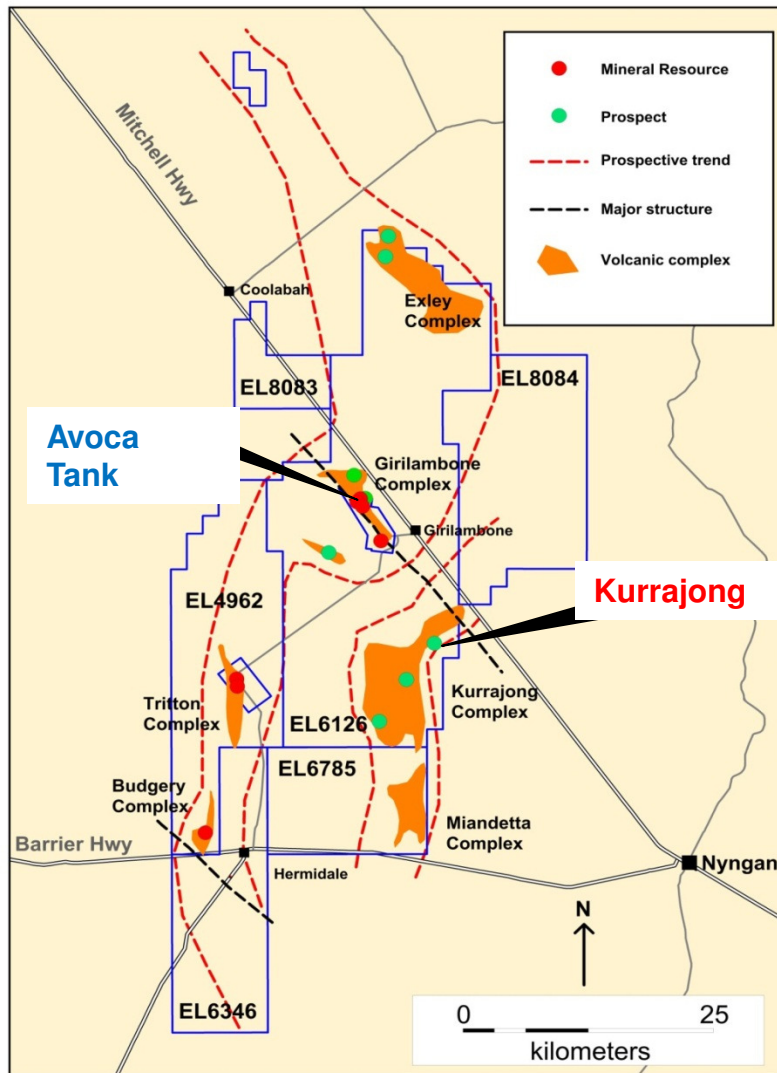


# Tritton: Resource Development Pipeline





# Tritton: Exploration potential



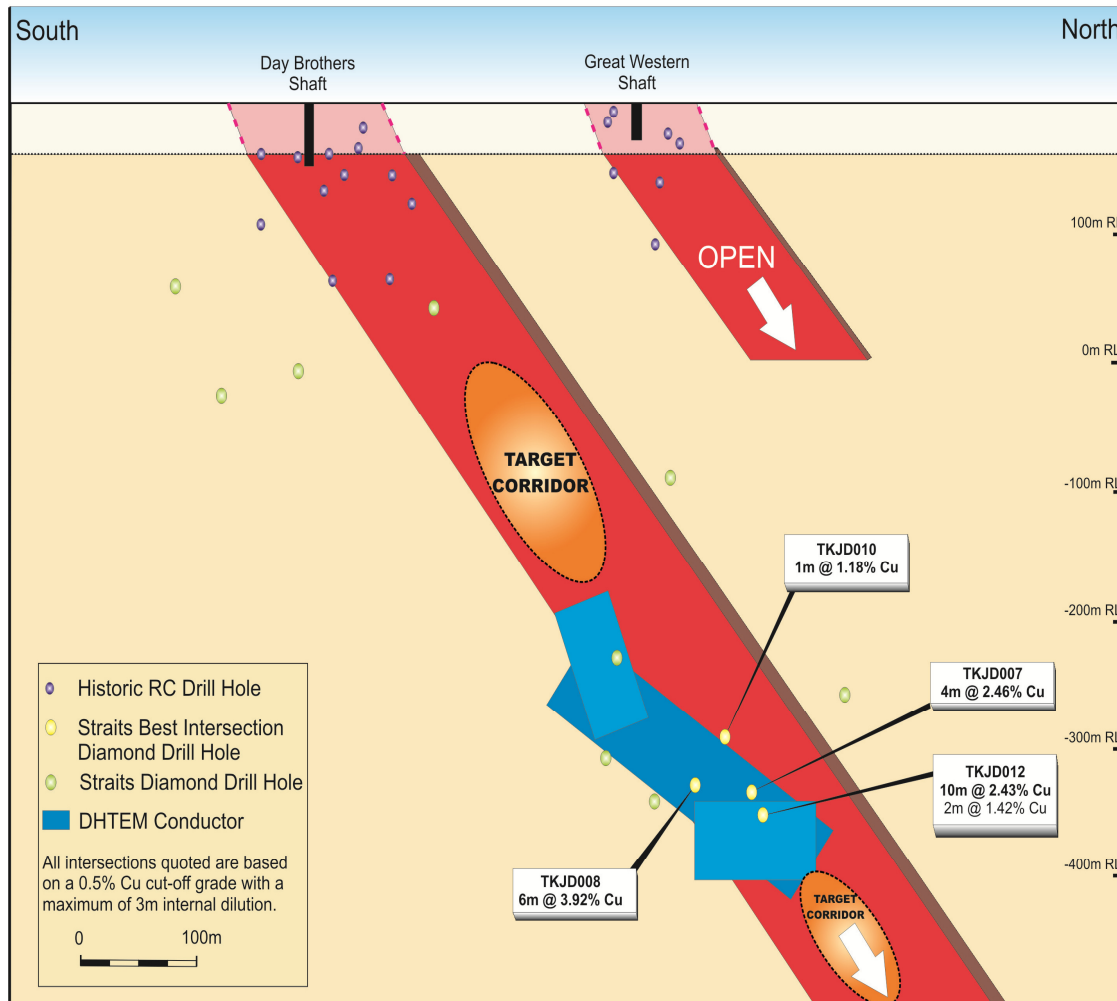
- Large tenement holdings  
~1800km<sup>2</sup>
- In the last 5 years \$34M invested in exploration
  - Brownfields (resource extensions)
  - Greenfields (exploring for new deposit)
- Only 24% (\$8M) spent on greenfield exploration
- Exploration success at Avoca Tank and Kurrajong

**... underexplored asset**

# Exploration: Kurrajong next significant project



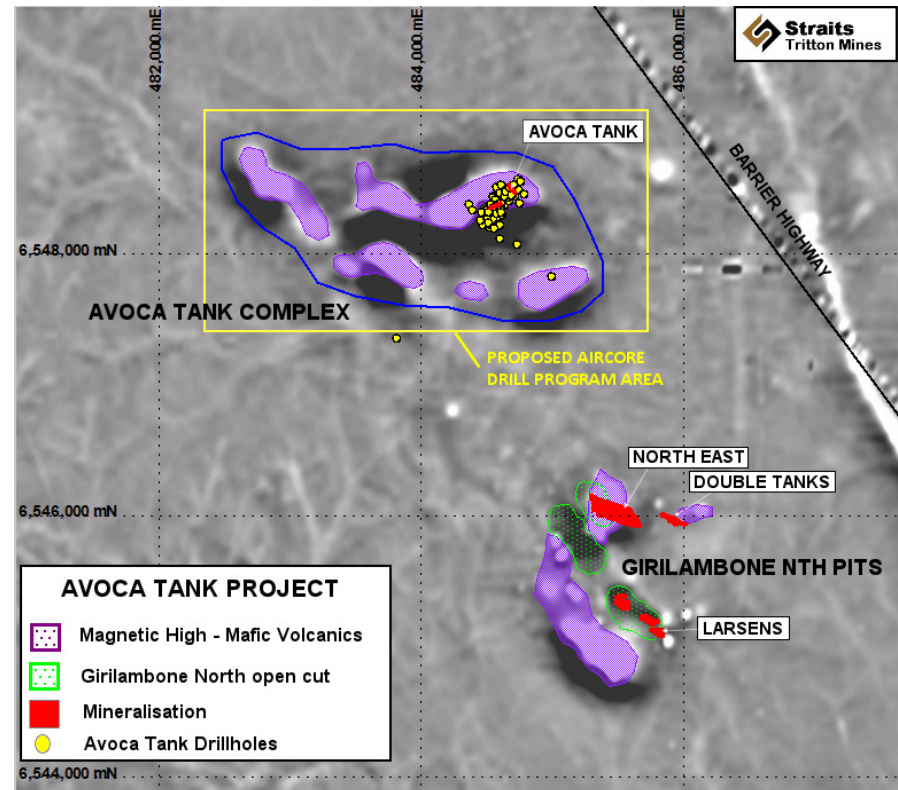
KURRAJONG & KURRAJONG NORTH MINERALISED CORRIDORS



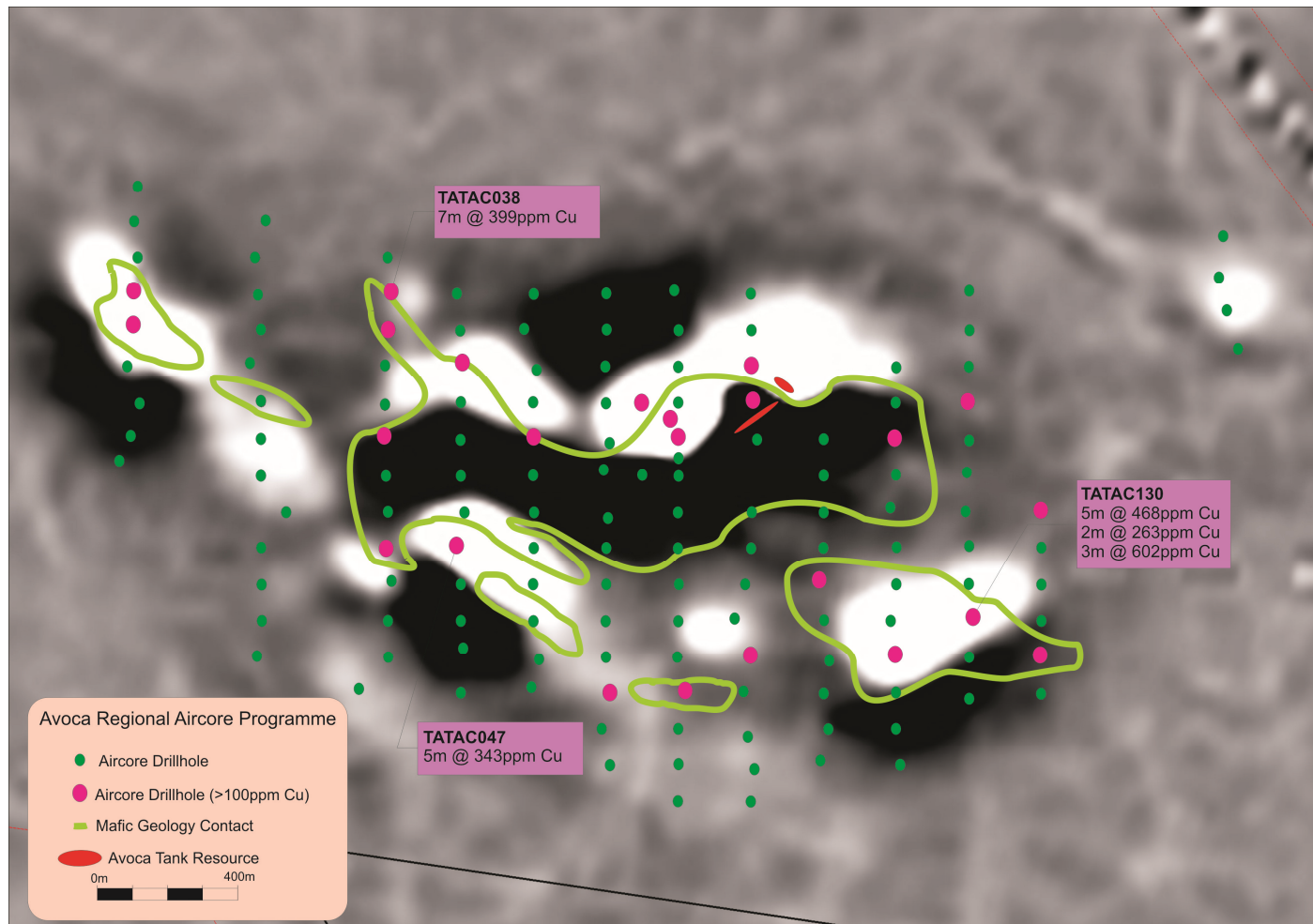
- Twice the size of the Tritton EM signature
- All recent holes intersected mineralisation
- Three holes indicated grades above 2% Cu
- \$1m drilling program required to commit to resource drill-out
- Target 10Mt at >2%

# Exploration: Avoca Tank repeats

- Avoca Tank Ore Reserve (Apr 2014): 680kt @ 2.5% Cu, 0.8g/t Au
- VMS deposits typically occur in clusters
- Remainder of the magnetic high complex is under explored
- Recent aircore drilling delivered exciting results
- RC drilling to start in next three months

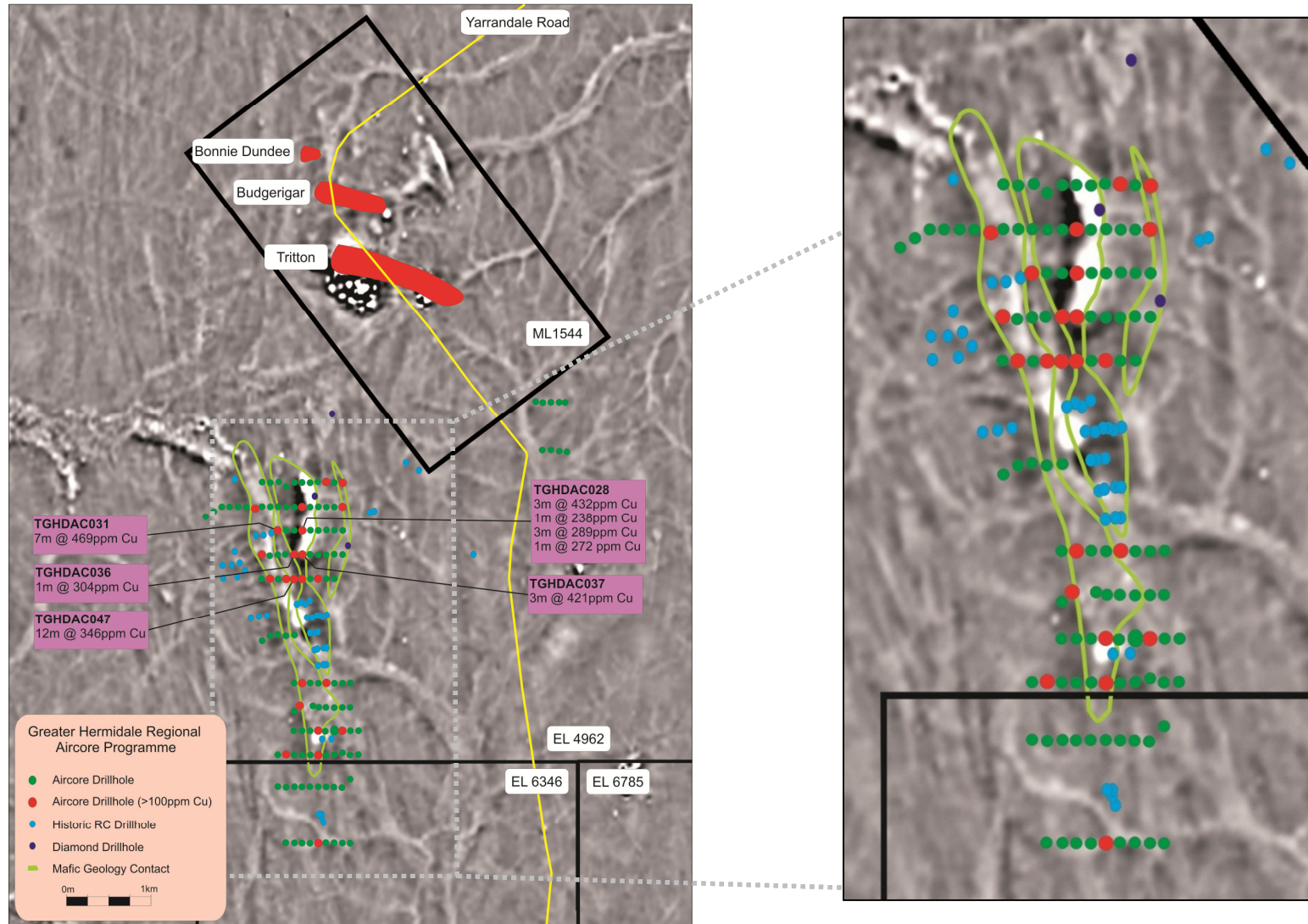


# Exploration: Avoca aircore results



For comparison, best aircore result near Avoca Tank is 5m @ 116ppm Cu

# Exploration: Greater Hermidale aircore results



- Closed out copper swap and replaced with bridge loan to crystallise value (US\$114M) in June 2014
  - Five month term
  - Interest and costs capitalised
- Restructure agreement targeted for November then three months to execute

## **STEP 1 Fix Balance sheet and growth through Tritton exploration**

- Restructure debt
- Tritton to +9 years reserves and operational excellence
- Re-launch exploration drive at Tritton
- Consolidate shares and clean-up unmarketable parcels (80% of shareholders hold less than \$500 worth of shares)
- Rename company and re-launch

## **STEP 2 Growth**

- Look for M&A opportunities focused on operating mines



**Straits**

ASX:SRQ

**Thank you**