



# Quarterly Activities Report

For the period ended  
31 March 2012



## Highlights

### Operational

- Tritton produced 5,871 tonnes of copper in the March 2012 quarter (6,235 in December 2011 quarter). Operations impacted by heavy rain and electrical equipment failure. Cash costs were US\$2.09/lb in line with the previous quarter.
- Mt Muro produced 7,628oz AuEq in the March 2012 quarter (10,952oz AuEq in the December 2011 quarter). Ore production decreased due to higher waste stripping for the expanded reserve at Serujan and lower than forecast grade. Cash costs of US\$1,264/oz (from US\$1,486/oz).
- Joint venture entered into with Ivanhoe on Tick Hill tenements in Qld.
- South Australia – drilling on UXA tenements in progress. Encouraging results with visible copper mineralisation returned at the Glenside prospect.
- Mt Muro – further high grade gold intersection returned at the Selampung Dua prospect located directly north of the current Serujan Pit.

### Corporate

### Exploration

- A further outstanding intersection post quarter end at Avoca Tank (including 57 metres @ 4% Cu, 1.3% Zn, 1g/t Au & 15g/t Ag). This extends the known mineralisation of the high grade lens at Avoca Tank significantly, which now has a down plunge extent of some 400 metres. The mineralisation remains open at depth and along strike.  
  
This latest drill hole confirms that Avoca Tank represents a major new high grade ore zone only 2 kms from Straits' current Tritton mining operation area.
- Substantial resource upgrade announced at Temora during the quarter ie 279 Mt @ 0.5% Cu equivalent.
- Sandfire Resources and Straits resources have finalised an agreement with regards to a Farm-in Joint Venture for the Currumburrama EL5792 in NSW.
- A\$50 million raised through share placement and SPP.
- Straits paid J.P. Morgan US\$19 million (US\$9 million to cancel the Cu offtake agreement and US\$10 million to repay a loan).
- Improved Cu offtake terms have been agreed for FY2013 with two parties.
- At the end of March 2012, Straits had cash and investments of A\$41.7 million and debt of A\$109.8 million.
- Hillgrove antimony/gold mine initial public offering (IPO) through Emu Nickel in progress at date of this report.

### About Straits:

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 focussing on projects in NSW and South Australia.

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Shares on issue: 408,129,474



For the period ended 31 March 2012

## Production Summary

		Mar 12 Qtr (Q3 FY 2012)	Dec 11 Qtr (Q2 FY 2012)	FY 2012 to 31 March	FY 2011 Full year
<b>Tritton Copper Mine, NSW</b>					
Copper produced (100%)	tonnes	5,871	6,235	18,246	23,936
Copper sold (100%)	tonnes	4,374	7,652	17,089	22,594
Cash cost (excludes TC/RC)	US\$/lb	2.09	2.09	2.21	2.13
<b>Mt Muro Gold Mine, Indonesia*</b>					
Production	Au oz	5,030	7,898	19,834	25,022
	Ag oz	131,803	163,198	442,756	77,568
Sales	Au oz	5,690	7,362	20,189	25,911
	Ag oz	122,552	153,521	428,886	189,337
Cash costs	Au Eq oz	1,264	1,486	1,390	1,674
<b>Group Revenue*</b>					
Sales Revenue	A\$'000	42,819	85,595	193,355	128,091

\*FY2011 revenue includes only five months of revenue attributable to Straits Resources Limited as the demerged group.



## Operations

### Tritton Copper Mine, New South Wales

Straits - 100%

#### QUARTERLY PRODUCTION STATISTICS – TRITTON

	Units	Mar12 Qtr	Dec11 Qtr	FY2012 to 31 March	FY 2011 Full year
Mined	tonnes	297,449	324,946	937,054	1,160,476
Grade	% Cu	1.98%	1.96%	1.98%	2.11%
Milled	tonnes	307,638	320,817	944,176	1,163,732
Grade	% Cu	1.97%	2.00%	1.98%	2.11%
Recovery	%	94.03%	96.00%	95.08%	95.09%
<b>Cu Concentrate</b>	<b>tonnes</b>	<b>23,580</b>	<b>23,782</b>	<b>71,263</b>	<b>94,483</b>
<b>Cu Grade</b>	<b>%</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
<b>Cu in concentrate</b>	<b>tonnes</b>	<b>5,732</b>	<b>6,083</b>	<b>17,791</b>	<b>23,354</b>
<b>Cu Cement</b>	<b>tonnes</b>	<b>139</b>	<b>152</b>	<b>454</b>	<b>582</b>
<b>Total Cu Produced</b>	<b>tonnes</b>	<b>5,871</b>	<b>6,235</b>	<b>18,246</b>	<b>23,936</b>

Production from Tritton in the March quarter totalled 5,871 tonnes of copper, below our previous guidance of 6,250 tonnes (25,000 tonnes annualised). The shortfall was principally due to heavy rainfall experienced in NSW during the quarter, and a series of electrical failures.

During late February and early March the region around the mine experienced extremely heavy rainfall, as did much of NSW. This rainfall impacted the operation, particularly ore haulage from the North East mine to the Tritton plant. During this time the Tritton mine experienced some electrical failures, the most significant of which was a failure of the main underground substation, which was replaced. This impacted pumping, ventilation and machine operation within the mine, affecting both development and production. The net effect was a delay of approximately

10 days production, and a delay of three weeks in the shipping schedule for concentrate sales. The site cash costs (excluding TC/RCs) for the quarter were US\$2.09/lb, in line with the previous period.

The Processing Plant performed well, however recoveries of 94% were below the previous quarter of 96%.

In the June quarter of FY2012 Tritton is anticipated to achieve the 25,000 tpa copper in concentrate rate, and the mine is working to regain the production shortfall from the March quarter.

**Mt Muro Gold Mine, Indonesia**

Straits - Contract of Work 100%

## QUARTERLY PRODUCTION STATISTICS - MT MURO

	Units	Mar 12 Qtr	Dec 11 Qtr	FY 2012 to 31 March	FY 2011 Full year
Ore Milled	tonnes	143,471	228,027	544,458	325,035
Grade – Gold	g/t Au	1.20	1.20	1.21	2.5
– Silver	g/t Ag	40.2	29.6	36.5	28.9
Recovery – Gold	% Au	93.7%	93.4%	93.4%	92.6%
– Silver	% Ag	75.8%	70.3%	71.4%	72.9%
<b>Production (Gold)**</b>	<b>oz Au</b>	<b>5,030</b>	<b>7,898</b>	<b>19,834</b>	<b>25,022</b>
<b>(Silver)</b>	<b>oz Ag</b>	<b>131,803</b>	<b>163,198</b>	<b>442,756</b>	<b>228,502</b>
<b>Gold Sold</b>	<b>oz Au</b>	<b>5,690</b>	<b>7,362</b>	<b>20,189</b>	<b>25,911</b>
<b>Silver Sold</b>	<b>Ag oz</b>	<b>122,552</b>	<b>153,521</b>	<b>428,886</b>	<b>189,337</b>

\*\* PRODUCTION reported is gold poured.

Mt Muro continues the major development of the Serujan open pit, and during the quarter produced 5,030 oz Au and 131,803 oz Ag (7,628 oz Aueq) from ore released during the pre-stripping.

As previously advised the mine plan was adjusted in the December 2011 quarter to increase the waste stripping in FY12 with the long term benefit of accessing additional reserves at depth with significant value enhancement. The net effect of this was approximately 1.0 Mbcm additional stripping in the current pre-strip stage, placing larger volume ore release approximately 4 months behind the original design schedules. The updated schedules required a higher waste volume movement in the eastern end of the pit during the quarter to maintain ore production, however fleet congestion in this area resulted in lower than anticipated ore recovery. The rate of waste movement to maintain the overall planning schedule across the entire pit has occurred, with the mining fleet moving 2.9 Mbcm for the quarter, the highest rate achieved to date.

The ore mined has been of a lower grade than expected, particularly the silver grade. This is due to a combination of factors including remnant pit mining and increasing bulk mining practices resulting in some dilution and resource modelling of the higher level oxidised and leached material. Sources and causes of variation are being analysed and addressed by the management team.

As a consequence of the factors outlined above the expected output for the FY2012 year is now approximately 45,000 oz Aueq (previously 60,000 oz Aueq).

Mt Muro continues to require financial investment as it continues the pre-strip in the June 2012 quarter. Mt Muro remains on track to achieve a production of 100 koz Aueq in FY2013, as previously indicated.



## Exploration

### NEW SOUTH WALES

**Tritton:** Straits – 100%

During the quarter drilling resumed at the Avoca Tank prospect in NSW. Drilling was delayed during the earlier part of 2012 due to access issues associated with heavy rain throughout the whole of central NSW.

Since resuming drilling in March 2012, a further four holes (TATD013 to TATD017) have been completed at the Avoca Tank prospect. Due to the access issues noted above lower priority holes TATD013 to TATD015 were drilled into what is believed to be part of an east-west orientated “feeder system” to the main north-north-west orientated massive sulphide lenses. Alteration and lower tenor mineralisation were intercepted in these holes (assays results are awaited).

The first hole TATD017 targeting the main lens at depth below TATD011 (TATD016 was terminated at 115m due to deviation) returned a stunning intersection, +100 metres down plunge of TATD011 (see sections attached). Full assay results are shown in the table below. This extends the known mineralisation of the high grade lens at Avoca Tank significantly, which now has a down plunge extent of some 400 metres. The mineralisation remains open at depth and along strike.

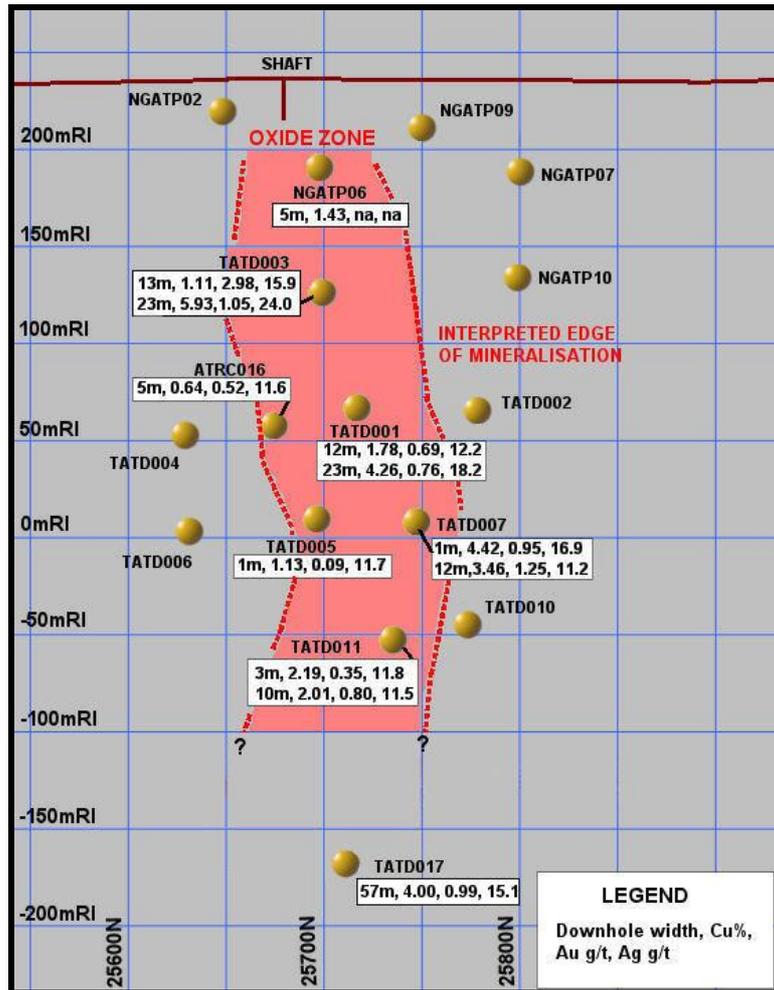
This latest drill hole confirms the major discovery at Avoca Tank made last year and validates the significant potential for a major find. Drilling continues with a further 5 holes planned in the short term to test the mineralisation at depth.

#### Results for Avoca Tank TATD017

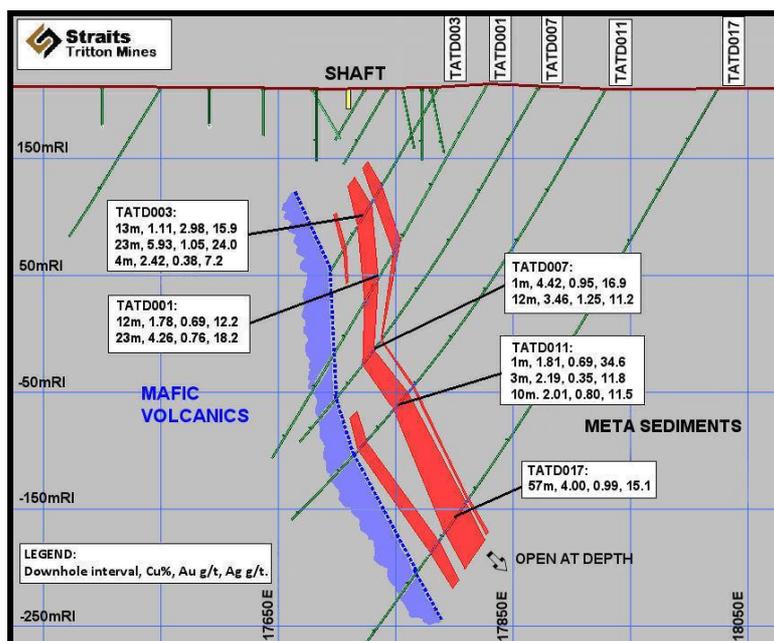
Hole Id	East AMG	North AMG	Dip	Az (mag)	From (m)	Width (m)	Cu %	Zn %	Au g/t	Ag g/t
TATD017	484850	6548590	-60	228	395	84	2.86	0.95	0.88	12
				Includes	411	57	4.00	1.27	0.99	15
				Includes	423	17	5.60	1.26	0.85	19
				And	455	12	6.38	1.09	1.46	20

(0.5% Cut-off grade, max 3m internal dilution) Datum AGD66

note 84: metre intercept has max 6m internal waste



Long-section of the Avoca Tank Prospect drilling



Cross-section Avoca Tank prospect drilling



An aircore drilling programme over the entire mafic complex at Avoca Tank, with emphasis on the mafic / sediment boundary is planned for the current quarter.

**Temora Project, NSW: Straits – 100%**

On 2 March 2012 Straits announced an updated porphyry copper and gold Mineral Resource Inventory at Temora of 279 Mt @ 0.5% copper-equivalent (0.3% copper, 0.2 g/t gold and 30g/t molybdenum).

This represents a significant increase from the June 2008 resource inventory of 142Mt @ 0.3% copper 0.3g/t gold and 31g/t molybdenum. An Increase of 96% in contained tonnage. The Mineral Resource Inventory contains 0.8 million tonnes of copper and 2.1 million ounces of gold.

An additional remnant gold resource beneath the previously mined Gidginbung open pit has been estimated as 24 Mt @ 1 g/t gold containing 0.8 million ounces of gold (to 300m depth below pre-mining surface).

An active exploration programme continues at Temora with current work and drilling focussed on the southern portion of the exploration licenses.

**Blayney Project, NSW: Straits – 100%**

No significant results were obtained on these tenements during the quarter.

**Currumburrama EL5792, NSW : Straits-100%**

Sandfire Resources and Straits Resources have finalised an agreement with regards to a Farm-in Joint Venture for the Currumburrama EL5792. In terms of the agreement Sandfire has the right to earn up to 80% of the project area by sole funding \$8,000,000 over five years with the following terms;

1. Sandfire may earn a 65% interest by sole funding \$4,000,000 on exploration in respect to the tenement within a period of three years.
2. After earning the minimum interest, Sandfire may elect to continue to sole fund (a further \$4,000,000) and gain exclusive control and earn a further 15%

**Hillgrove, NSW: Straits – 100%**

Limited exploration activities were undertaken during the quarter.

**SOUTH AUSTRALIA**

Straits is exploring for iron-oxide copper-gold (“IOCG”) systems at a number of projects in the highly prospective Stuart Shelf region of South Australia,

through joint venture arrangements and also on 100% Straits owned Tenure.

**Torrens EL4296, SA: Straits – earning 70%**

The Torrens Joint Venture (Torrens EL 4296) is between Argonaut Resources NL (ASX:ARE) and Straits Resources Limited. Straits have formally earned a 70% interest in the project and a Joint Venture committee has been established. Straits are awaiting official notification from the South Australian Mines department on the matter.

The Torrens Project is located near the eastern margin of South Australia’s Gawler Craton region (Stuart Shelf), within 50 kilometres of Teck Cominco’s Carrapateena copper - gold discovery and 75 kilometres from BHP Billiton’s Olympic Dam mine.

In early July 2010 the Torrens Joint Venture announced that its application under Section 23 of the Aboriginal Heritage Act 1988 in South Australia in respect of the Torrens Project (EL4296) had been approved by the Minister for Aboriginal Affairs and Reconciliation. A judicial review of this decision was dismissed on 17 March 2011 in the Supreme Court of South Australia, however this decision was then successfully appealed by the appellants in the Supreme-Court in September 2011. On 19<sup>th</sup> January 2012 the Crown has applied for leave to appeal this decision.

The Torrens JV partners are in the process of appealing the ERD Court decision (Justice Tilmouth). The judgment was anticipated by late March 2012. The Court has not given any indication on timing.

**Stuart Shelf Joint Venture, SA: Straits – earning 70%**

The Stuart Shelf Joint Venture is between UXA Resources Limited (ASX:UXA) and Straits Resources Limited (“Straits” earning a 70% interest). The joint venture includes nine tenements for a total of 3,300km<sup>2</sup>.

Vertical diamond drill hole UGSDD001 commenced in March 2012 and was completed to a depth of 1231m in April 2012.

The hole was drilled to intersect a 3D inverted gravity and large NS trending magnetic anomaly modelled at approximately -750m below surface.

The drill hole passed through cover at 1,087m and was drilled to a final depth of 1231.3m, bottoming in variably altered and veined granitoids, mafic/ultramafic and minor gneissic rocks from 1081.7m. The geophysical response appears to have been confirmed by the drilled lithologies and by specific gravity and magnetic data, although deeper than initially modelled.



IOCG-style alteration (magnetite, hematite, Kspar, pyrite, carbonate+/- tourmaline+/- sericite+/-chlorite), veining (magnetite-hematite-pyrite-carbonate+/-quartz) and associated minor copper sulphide mineralisation (in the form of bornite and chalcopyrite) was observed in basement lithologies with brecciation and quartz-kspars veins/sweats also noted in places.

**Straits IOCG Exploration (EL4574 & EL4557), SA:**  
Straits – 100%

Straits is exploring in the Stuart Shelf and Mt Woods domains in its own right with two granted tenements and three further applications pegged. Straits are currently in negotiations with the Arabunna Peoples Native Title Claim Group with respect to entering into a Native Title Mining Agreement for Exploration in accordance with Part 9B of the South Australian Mining Act.

### QUEENSLAND

**Yandan (EPM8257, ML1005 and ML1096), QLD:** Straits – 100%

There is nothing significant to report for the quarter.

**Tickhill Project, QLD:** Straits - 100%

Duchess/Monastery JV (Ivanhoe (Osbourne) Aust PL), Qld: Straits and Ivanhoe Australia have finalised a Joint venture arrangement for the remaining sub-blocks of EPM9083 Monastery and EPM 11013 Burke River.

Ivanhoe will spend \$1 million on exploration over three years (earn in period) to earn a 70% interest in the tenements. Ivanhoe will manage the exploration programmes and sole fund the exploration activities during the earn-in period. Ivanhoe is to ensure that the tenements are kept in good standing during this time.

### WESTERN AUSTRALIA

**Maroochydore Project, WA:** Straits – 50% Clawback Right

The Maroochydore Project is located in the Paterson Province of Western Australia, southeast of the Nifty copper mine. The project is held 100% by Aditya Birla Minerals Ltd. Straits retains a 50% clawback right which is triggered on the acceptance of an economic feasibility study.

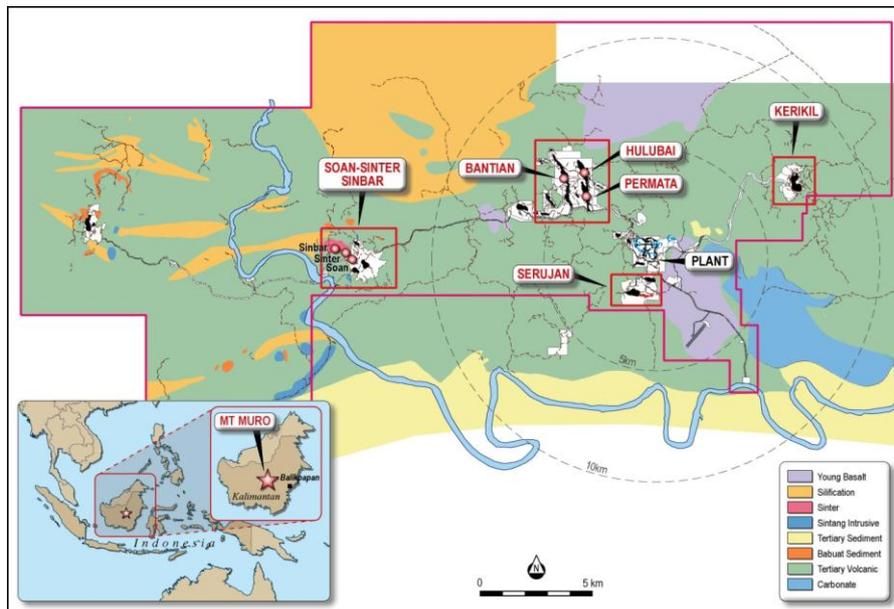
### INDONESIA

**Mt Muro (IMK):** Straits – 100%

As discussed in the previous quarter exploration over the last two years has focused primarily on developing the potential of the Serujan deposit, which is currently being mined. Serujan has now been drilled to a depth of approximately 250m over a strike length of ~ 1.8km with additional incremental gains expected along strike. The exploration focus is now shifting to other projects in the development pipeline.

During the March 2012 quarter exploration activities included further diamond drilling at Selampung Dua, RC drilling at Serujan North and Serujan Baru (West Extension) and deep drilling of the first high-grade shoot at Permata.

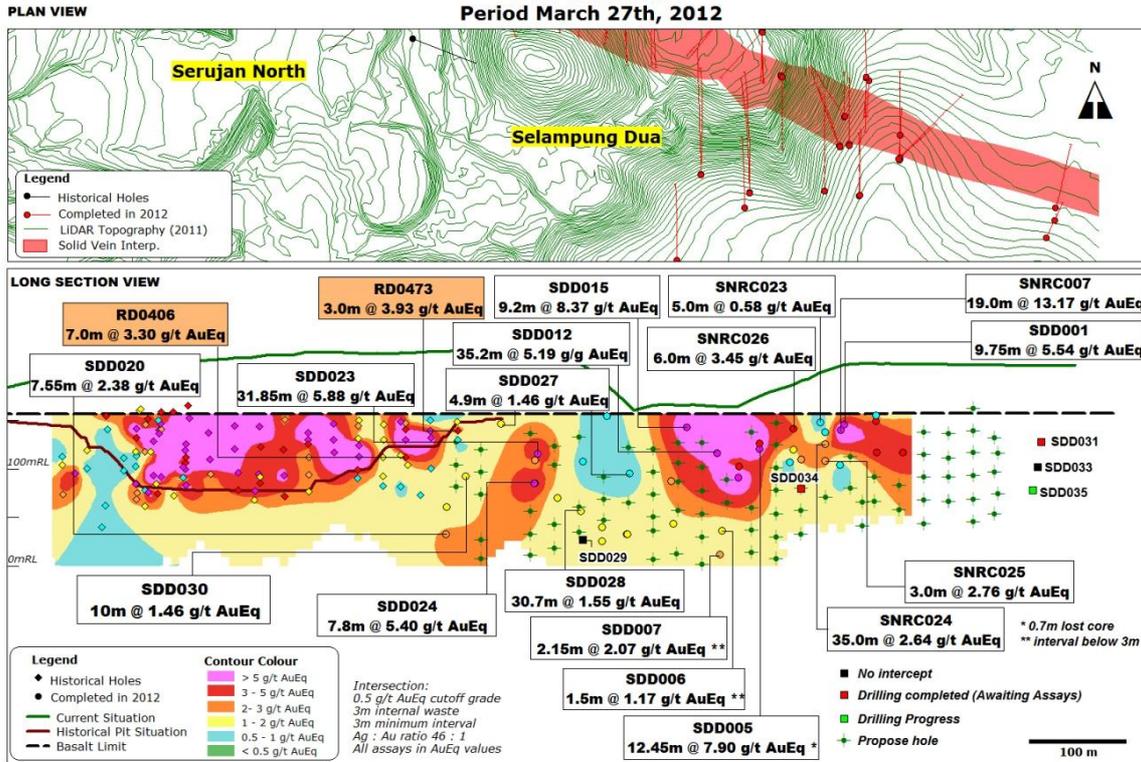
At Selampung Dua (north of the Serujan pit and discovered while undertaking sterilization drilling for Serujan) the current drill programme was completed. Drill hole data is currently being compiled with a view to assessing the significance of this prospect in terms of the current life of mine plan.



Location Map of Mt Muro

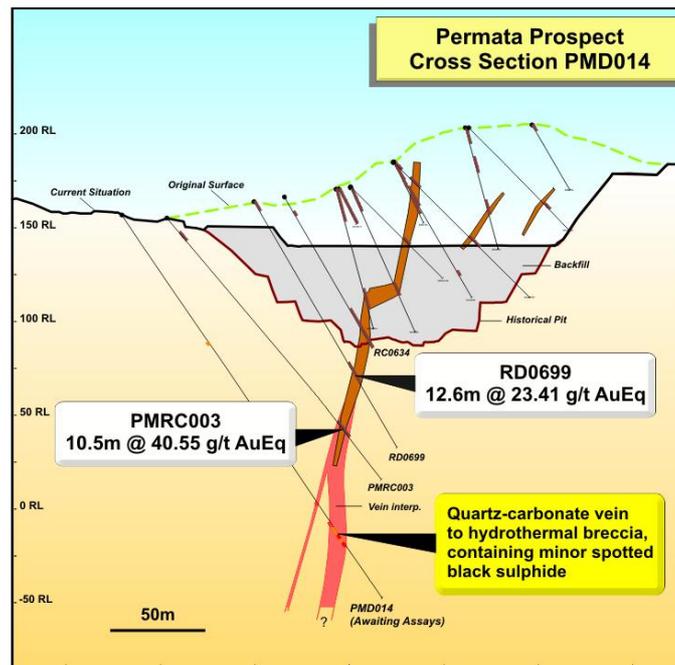


**SELAMPUNG DUA EXPLORATION  
LOOKING NORTH  
Period March 27th, 2012**



At Permata three holes (PMD014, PMD015 & PMD016) were completed targeting deeper shoots below previous high grade intersections.

While the structures were intersected including brecciation, alteration and mineralisation no significant assays were returned.





## Corporate

### Cash & Debt

At the end of March 2012, the Straits Group cash resources totalled A\$20.2 million (includes US\$2.2 million). Of this, approximately A\$11 million is restricted cash.

Straits had investments of approximately A\$21.5 million in listed companies.

At the end of the March 2012 quarter, Straits had debt of A\$109.8 million. This included a Standard Chartered Bank (SCB) loan of A\$80.3 million, SCB working capital facility of A\$14.3 million and A\$15.2 million hire purchase of mining equipment and other loans.

In addition Straits has a silver pre-payment facility to Credit Suisse for A\$45.4 million.

### Share Placement & SPP

In early February 2012 Straits undertook a capital raising for A\$50 million before costs. The capital raising comprised

- an institutional share placement at an issue price of A\$0.60 per share to raise A\$45 million (pre-costs). The Institutional Placement was supported by both existing shareholders and a number of new domestic and overseas institutions; and
- a share purchase plan at the same issue price of A\$0.60 per share to raise A\$5 million ("SPP"),

The issue price of A\$0.60 per share under the Capital Raising represented an 11.1% discount to the 10 day VWAP of shares traded on ASX to 8 February 2012. Euroz Securities Limited (Euroz) acted as Sole Lead Manager of the Capital Raising.

The funds were raised to:

- Repay the J.P. Morgan six month loan facility (US\$10 million);
- Exercise the option to terminate the new offtake agreement with J.P. Morgan for shipments scheduled from 1 July 2012 (US\$9 million);

- Conduct further exploration and feasibility on the prospective Avoca Tank Project and associated targets near the Tritton Copper Mine, and accelerate exploration at Mt Muro;
- Fund the Mt Muro production ramp-up; and
- Provide Straits with working capital.

### Tritton Offtake Contract

As mentioned above Tritton has exercised the option to terminate the new offtake agreement with J.P. Morgan effective from 1 July 2012. Straits paid US\$9 million to J.P. Morgan during the quarter to exercise the option and also repaid a US\$10 million loan facility.

The termination of the contract with J.P. Morgan presents the Tritton Copper Mine as a "clean" asset and has a number of benefits for the Group, including positioning Straits as an independent copper producer, optimising the Group capital structure and allowing an improved exposure to a strong copper market.

Post quarter end Tritton has agreed improved treatment and refining terms with new offtake parties for the delivery of copper concentrate between July 2012 and August 2013 at market related terms.

### Hillgrove

As previously advised, agreement was reached with Emu Nickel NL (to be renamed Ancoa NL) (Ancoa) for the sale of Hillgrove for \$44 million in cash, secured notes and replacement of bonds. The sale is conditional on a successful capital raising by Ancoa.

At the date of this report, the capital raising was in progress.

### Hedging

As a condition of taking out the silver pre-payment facility with Credit Suisse Straits has hedged 68,748 ounces of gold (between April 2012 and December 2014), at a gold price of US\$1,585.81 per ounce.



For the period ended 31 March 2012

### Competent Persons Statement

1. The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled and/or reviewed by Mr Ivan Jerkovic who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Jerkovic is a full time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralisation, type of deposits under consideration and to the activity being undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jerkovic consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

By Order of the Board

**Milan Jerkovic**  
Chief Executive  
27 April 2012

For further information contact:

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or go to our website at [www.straits.com.au](http://www.straits.com.au)

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