



## Quarterly Activities Report For the period ended June 2014

### JUNE QUARTER HIGHLIGHTS

#### About Straits Resources

**Straits Resources Limited** (ASX: SRQ) is an established copper producer and developer with multiple mines and a 1.6 Mtpa copper concentrator at its Tritton Copper Operations in New South Wales, Australia.

In FY2014 Straits' Tritton Operations achieved record production of 26,422 tonnes of copper metal and exceeded the previously upgraded guidance for FY2014 of 26,000 tonnes. This is forecast to increase to 27,000 tonnes in FY2015.

The Company also has an exciting portfolio of highly prospective exploration projects creating a pipeline for future growth, including advanced projects at Tritton and its Temora project in NSW.

Straits' Board and Management team is experienced in all aspects of mining and corporate development.

Straits has a clear vision to become a mid-tier, multi-operation company – delivering shareholder value through an unwavering focus on operational excellence.

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#### Operations:

##### • Tritton Operations:

- Record annual copper production 26,422t – exceeds upgraded guidance of 26,000t
- June quarter 4 copper production of 6,559t
- Increased Ore Reserve estimate for Murrawombie deposit from 23.3kt to 51.5kt of contained copper
- More than 50kt of contained copper added to Ore Reserve inventory in FY2014
- FY2015 copper production targeted at 27,000t

#### Corporate:

- Close-out of Tritton Copper Swap Facility:
  - Debt value certainty achieved – will not exceed US\$114.5 million
  - Debt Restructure process has commenced
- Indonesian subsidiary voluntary bankruptcy petition continuing:
  - No funding from Straits since August 2013
  - Indonesian subsidiary developing settlement plan with creditors



## Safety, Environment and Community

There were no lost time injuries or any significant safety incidents at Tritton Operations during the quarter.

There were no reportable environmental incidents during the quarter.

## Tritton Copper Mine (NSW)

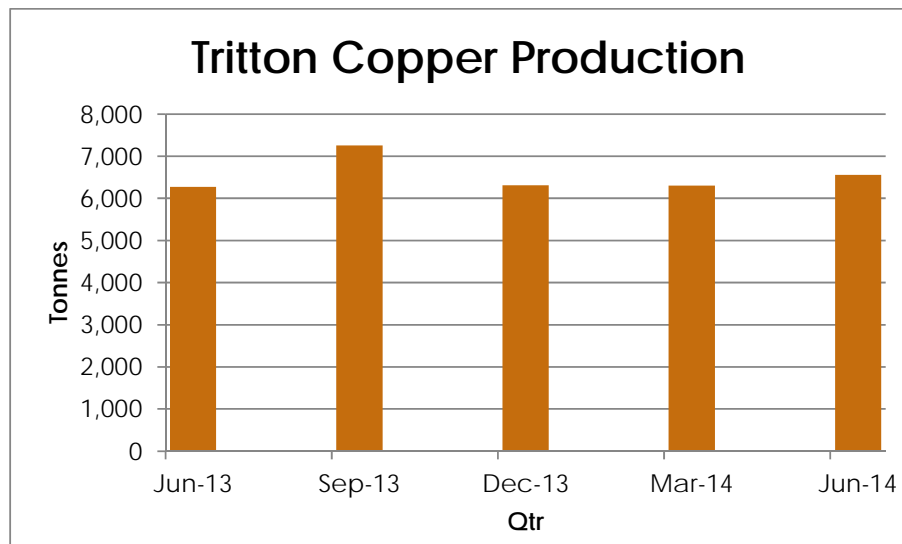
### PRODUCTION

The Tritton Operations set a new record in FY2014 for annual copper production with output of 26,422 tonnes, exceeding the previously upgraded guidance of 26,000 tonnes.

Copper production for the June quarter was 6,559 tonnes, an improvement on the previous two quarters.

Copper grade in the ore improved compared to the March quarter, a response to the Tritton mine stope sequence moving as planned into higher grade areas of the orebody and the North East mine producing its highest grade ore for the financial year.

In response to recent grade control drilling, which has identified higher grade resources at the North East mine, stope designs have been revised and mine grades have improved significantly as a result. Higher grades at the North East mine are expected to continue into the 2014/15 financial year.



Strong production levels at both the Tritton and North East mines ensured that the strategy of being mill not mine constrained continued. Record tonnes were milled for the financial year and tonnes milled in the June quarter were equivalent to an annualised throughput rate of 1.6mtpa.



The consistency in mill throughput reflects efforts made earlier in the financial year to improve plant maintenance and throughput rates. Design work on the next round of plant de-bottlenecking to achieve a targeted throughput rate of 1.8mtpa has commenced. Copper recoveries in the June quarter were impacted by higher iron to copper ratios in the ore feed as the mining sequence at Tritton mined through higher iron content areas. Iron to copper ratios at Tritton are expected to revert to life of mine levels in the September quarter.

#### Tritton Production Statistics

		SEPT 2013 QTR	DEC 2013 QTR	MAR 2014 QTR	JUNE 2014 QTR
MINED	TONNES	384,091	374,626	375,705	438,306
GRADE	Cu (%)	1.93%	1.82%	1.65%	1.70%
ORE MILLED	TONNES	395,527	369,283	395,229	408,716
GRADE MILLED	Cu (%)	1.91%	1.79%	1.68%	1.70%
RECOVERY	Cu (%)	94.98%	94.60%	93.99%	93.64%
COPPER CONCENTRATE PRODUCED	TONNES	29,567	25,996	26,497	27,171
COPPER CONCENTRATE GRADE	Cu (%)	24.30%	24.00%	23.61%	23.92%
CONTAINED COPPER IN CONCENTRATE	TONNES	7,183	6,248	6,255	6,506
COPPER CEMENT PRODUCED	TONNES	72	58	47	53
TOTAL COPPER PRODUCED	TONNES	7,255	6,306	6,302	6,559

At the Tritton mine the extraction sequence is transitioning from transverse stopes to a longitudinal retreat method. The change in mining method is in response to the orebody decreasing in dip and an increasing in width. First stope production from this changed sequence commenced during the quarter. The new mining extraction method will realise cost savings from reducing the percentage of cement required in paste backfill and less footwall waste development. Conversion of the mine to fully longitudinal retreat stoping will be progressive until the middle of the 2014/15 financial year.

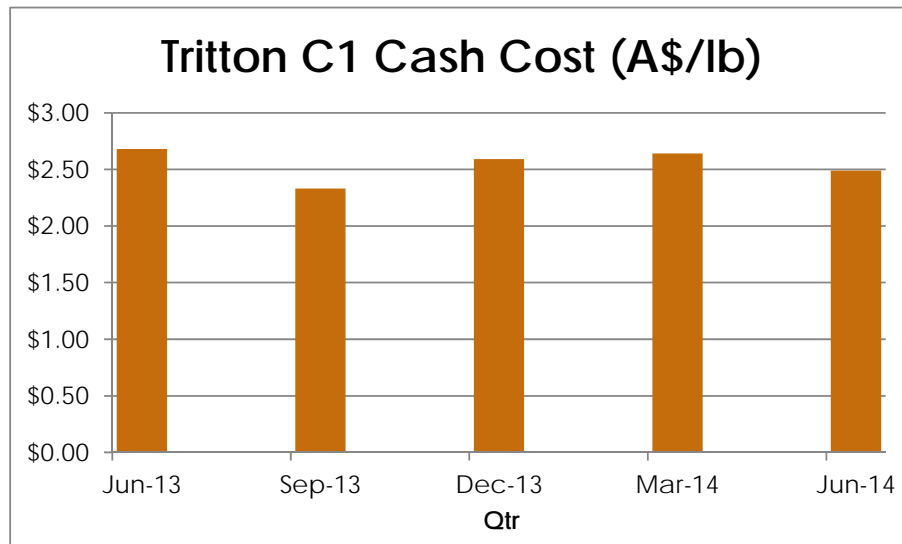
Mine equipment availability improved compared to the previous quarter. Record monthly mine production of 166kt in May correlated with a period of good fleet availability. Improving and then sustaining high availability levels for the mining equipment fleet remains a focus for the operation. The operation has demonstrated that given sufficient equipment hours, the mines can deliver at a sustained rate that fills the processing plant to capacity.



Workforce commitment to improving productivity has contributed to the record performance in the last financial year. Haul truck utilisation has increased with focus on time on the job, shift start organisation and use of casual labour to “hot seat” trucks through meal breaks. As the mines have delivered more ore during the year the ore processing and maintenance teams have risen to the challenge, improving throughput and operating times in the plant.

### COSTS

C1 unit cash costs were lower than the previous quarter as slightly higher total costs were offset by the resulting increase in copper production.



Expenditure on maintenance of the mine mobile equipment fleet continued to be above plan. Refreshing the fleet with rebuilt or new equipment is planned and will stabilise and then reduce operating costs in this area.

Tritton mine operating costs were higher than plan as a result of increased mine development rates and larger volumes of paste backfill placed (driven by normal stope sequencing). Increasing the mine development rate is a tactical decision to open up additional mining faces at depth in the Tritton mine and to expose higher grade ore at the North East mine.

As part of the ongoing optimisation of the site operations eight positions were removed from the organisational structure during the quarter, predominantly supervisory and support roles. Redundancy costs associated with this restructure were included in the June quarter.

Work continues on negotiating improved contracts with our suppliers of goods and services with positive results already being realised.

**Tritton Unit Cost Statistics (A\$/lb)**

	SEPT 2013 QTR	DEC 2013 QTR	MAR 2014 QTR	JUNE 2014 QTR
TOTAL MINING COSTS	1.24	1.44	1.37	1.40
TOTAL SITE PROCESSING COSTS	0.48	0.50	0.41	0.37
TC/RC'S & PRODUCT HANDLING	0.38	0.37	0.61	0.52
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.07)	(0.06)	(0.08)	(0.10)
OTHER DIRECT CASH COSTS	0.30	0.34	0.32	0.30
<b>TOTAL C1 COSTS</b>	<b>2.33</b>	<b>2.59</b>	<b>2.64</b>	<b>2.49</b>
ROYALTIES	0.14	0.09	0.10	0.08
CONCENTRATE INVENTORY MOVEMENT	0.07	(0.73)	0.61	0.13
TOTAL CASH COSTS	2.54	1.95	3.35	2.70
DEPRECIATION & AMORTISATION	0.47	0.57	0.79	0.51
<b>TOTAL PRODUCTION COSTS</b>	<b>3.01</b>	<b>2.53</b>	<b>4.15</b>	<b>3.21</b>

Capital expenditure at Tritton in the quarter was \$6.9 million.

**OUTLOOK**

Copper production guidance for FY2015 is 27,000 tonnes.



## Mt Muro Gold Mine (Indonesia)

The Mt Muro operations were placed on care and maintenance on 2nd August 2013. No production has occurred since that date and only essential maintenance, security and administration staff remain at the mine, (employed on rolling short term contracts).

Since Mt Muro was placed on care and maintenance on 2nd August 2013 Straits has not provided any funding to its Indonesian subsidiary, PT Indo Muro Kencana (PT IMK). PT IMK has been receiving periodic VAT refunds during the period since 2nd August 2013 and at the end of the June quarter held funds of approximately US\$1.7 million.

On 30th January 2014 Straits' wholly owned Indonesian subsidiary, PT IMK (being the owner of the Mt Muro gold operation), lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings.

Subsequent to PT IMK lodging the voluntary bankruptcy petition and prior to the scheduled court hearing of the voluntary bankruptcy petition on 12th 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. An SOP 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 12th 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 25th February with the rulings of the court provided on 3rd March. The key rulings were as follows:

- The SOP application filed by PT MNK was approved;
- PT IMK was made subject to a Temporary Suspension of Payment (TSOP) for 45 days (to 17th April 2014) and until the SOP ceases, PT IMK cannot be declared bankrupt and most recovery actions by creditors are on hold; and
- Appointment of the Supervising Judge and a sole Administrator (as nominated by the Applicant (PT MNK));and

At a Court hearing on 17th April 2014, the Presiding Judges decided to extend the TSOP until 13th June 2014 so as to give further time to develop a settlement plan that can be put to PT IMK's creditors with some prospect of being approved by the required percentages of creditors (**Settlement Plan**).

A draft Settlement Plan was subsequently prepared and presented by the court appointed Administrator to the PT IMK creditors (Creditors) at a series of meetings (Creditor Meetings) in early June 2014. At these Creditor Meetings, more than 2/3 of the acknowledged Creditors and more than 1/2 of the Creditors who attended the Creditors Meetings voted in favour of extending the TSOP in order to provide a further opportunity for the draft Settlement Plan to be finalised.

On 13 June 2014, after taking into account the preference of the Creditors as reflected in the votes cast at the Creditor Meetings, the Presiding Judges agreed to an extension of the TSOP for a further 120 days until 10th October 2014.

As at the end of the quarter, work continues on finalising the Settlement Plan.



A SOP, inclusive of the initial TSOP and its extensions, should not last for more than 270 days in total. While so long as the SOP continues, PT IMK cannot be declared bankrupt and all recovery actions by PT IMK creditors are on hold.

## Exploration and Project Development

### TRITTON MINES AND SURROUNDING TENEMENTS

Straits currently hold 184,600 hectares in the prospective Tritton VMS district. This is made up of four granted exploration and three mining leases. Six major mafic complexes have been identified within a sequence of sedimentary rocks with a combined strike length of greater than 100km. Numerous anomalies have been identified and remain untested in the Tritton region (see Map 1).

An exploration strategy has been steadily evolving for the region and has been extremely effective in both identifying and testing for VMS sulphide systems as demonstrated by Straits' exploration success at Avoca Tank, Kurrajong, Carters and Budgery.

The quality of the remaining targets in the Tritton region and the potential for further discoveries in this large VMS copper district remains excellent. Straits previous success and the knowledge that Besshi VMS systems like Tritton are characterised by repeats along strike, multiple horizons and lenses and significant depth potential gives the company great confidence for the discovery of additional deposits along the multiple prospective horizons within the Tritton region.

#### *Kurrajong:*

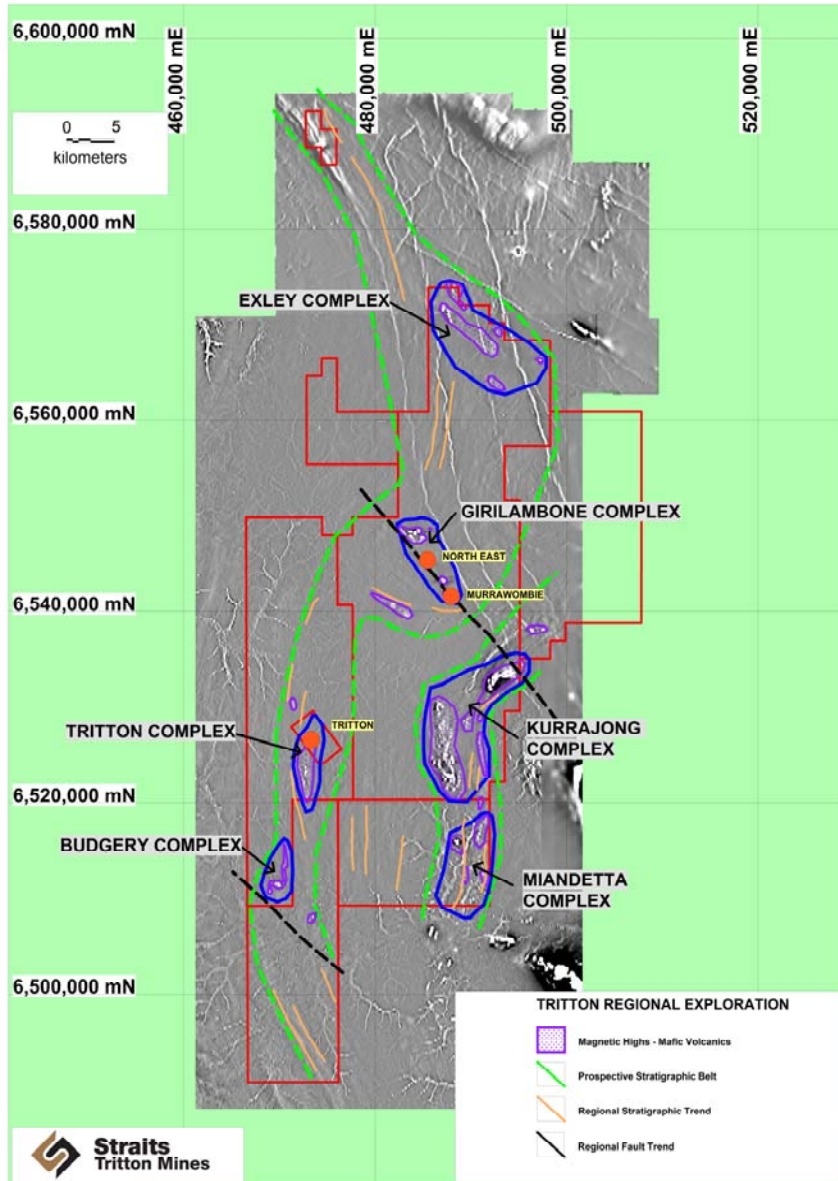
No further work conducted during the quarter.

Drilling to date has confirmed the presence of a large mineralised system at Kurrajong and additional drilling has been planned to test the significant downhole EM anomalies identified in drill holes TKJD010 and TKJD011, which remain untested at depth.

#### *Avoca Tank:*

A pre-feasibility study of mining the Avoca Tank deposit has been completed and an initial JORC compliant Ore Reserve estimate reported for Avoca Tank of 17.2kt of contained copper metal, as discussed in the prior quarterly report.

A program of air core drilling for collection of geochemical samples was completed over the broader Avoca Tank area during the quarter. Samples have been prepared for dispatch to the assay laboratory and there are no results available at this time. The program aims to find a repeat of the Avoca Tank deposit on the same magnetic high complex.



Map 1 - Tritton Region showing copper deposit distribution and relative size





**Murrawombie:**

The oxide and transitional chalcocite rich ore in the near surface section of the Murrawombie deposit was previously mined by open pit and processed by heap leach with the copper solution treated in a SX-EW plant to produce a copper cathode. Operations ceased in 1999.

The fresh sulphide (chalcopyrite copper mineral) portion of the deposit was not suited to leaching and it remains in place below the open pit as the largest known resource outside the Tritton deposit. A pre-feasibility study has been completed to investigate how this resource can be mined and treated. The concept is for a shallow extension of the pit and underground mining of the best grade portion of the deeper resource. The ore from both open pit and underground contain sulphide chalcopyrite mineralisation that would be treated through the Tritton processing plant.

The pre-feasibility study concluded that underground mining of a portion of the deposit is viable using open stoping under introduced backfill method. Previous studies were also reviewed and confirmed that open pit mining can recover a modest quantity of ore from a small pit expansion. As a result, the JORC compliant Ore Reserve for Murrawombie has been upgraded from 23.3kt on contained copper metal to 51.5kt. The new JORC complaint Ore Reserve and supporting Mineral Resource estimate for Murrawombie is reproduced in the following tables.

**Murrawombie Mineral Resource Estimate, as at Jun 2014**

Estimate	Classification	Cut Off Cu (%)	Tonne (kt)	Cu %	Cu (kt)
<b>30 June 14</b>	Measured	0.6	-	-	-
	Indicated	0.6	6,530	1.4	91.5
	Inferred	0.6	1,510	1.2	18.5
	<b>Total</b>	<b>0.6</b>	<b>8,040</b>	<b>1.4</b>	<b>110</b>

**Murrawombie Ore Reserve Estimate, as at June 2014**

Estimate	Classification	Cut Off Cu%	Tonnes (kt)	Cu %	Cu (kt)
<b>Underground</b>	Proved	-	-	-	-
	Probable	1.0	3,340	1.3	43.1
	<b>Total</b>	<b>-</b>	<b>3,340</b>	<b>1.3</b>	<b>43.1</b>
<b>Open Pit</b>	Proved	-	-	-	-
	Probable	0.6	701	1.2	8.4
	<b>Total</b>	<b>-</b>	<b>701</b>	<b>1.2</b>	<b>8.4</b>
<b>Combined</b>	Proved	-	-	-	-
	Probable	-	4,041	1.3	51.5
	<b>Total</b>	<b>-</b>	<b>4,041</b>	<b>1.3</b>	<b>51.5</b>



***Budgery:***

The Budgery deposit is the subject of a feasibility study to establish an open pit JORC compliant Ore Reserve Estimate. Conceptual mining studies completed in the previous quarter indicate the project would be commercially viable. Oxide and transitional ore would be treated on the Murrawombie heap leach to produce copper cement and the sulphide ore treated at the Tritton processing plant to produce copper concentrate.

Additional resource drilling will be required for geology, metallurgical test samples and geotechnical data collection. Aboriginal and European heritage surveys have been completed over the project area in preparation for an application for ground disturbance by drilling.

Two small areas of Crown land that are subject to a broader native title application have been found to exist on the Budgery tenement. One area is directly over the proposed open pit, where a lapsed historical mining lease once existed, surrounded by otherwise freehold land. Land access agreements will be required from the native title claimants before drilling can commence. Initial discussions have started with the NSW Native Title Service Corporation (NTSCORP) Limited regarding gaining the required land access from the claimant group.

***Tritton Region:***

An air core drilling program to collect geochemical samples was completed in the period. There are no results to report as at the end of the quarter.

**OTHER AUSTRALIAN EXPLORATION ASSETS**

***Torrens:***

Straits Resources owns a 70% interest in one South Australian exploration tenement (EL4296), held in Joint Venture (Torrens Joint Venture) with Argonaut Resources NL (ASX:ARE).

The Torrens Joint Venture is exploring for iron oxide-copper-gold (IOCG) systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located near the eastern margin of South Australia's Gawler Craton (Stuart Shelf), within 50 kilometres of Oz Minerals' Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam mine.

No activity has been possible on the Torrens project while proceedings in the South Australian Supreme Court have been in progress. During the previous quarter, the Full Court ruled that parties to the Full Court appeal will bear their own costs. This was the final legal process prior to the commencement of a retrial in the ERD Court. A date for the retrial has not been set. It is important to note that in overturning the original decision, the Full Court provided considerable guidance for the purpose of an ERD Court retrial including disallowing the original ERD Court Judge from re-hearing the matter.

Overlapping native title claims affect the tenement and are the subject of separate Federal Court proceedings. This makes the situation complex with regards to gaining access to the tenement for exploration activity. We have been in discussion with our JV partners regards options to proceed and are active in working on a plan to restart exploration.



***Temora:***

The Temora copper-gold project in NSW is Straits Resources most significant remaining exploration project not under joint venture. It is a high quality project targeting copper porphyry deposits in the proven and highly prospective Lachlan Fold belt of NSW. Several parties have expressed interest in an acquisition or farm-in joint venture on the project and have been active in reviewing the geological data. Straits is active in assessing the various options for maximising value from this project.

***Blayney and Cheesmans Creek:***

The Blayney and Cheesmans Creek projects located in NSW near Orange were under separate exploration farm in joint ventures with Gold Fields Australasia Pty Ltd. During the previous quarter Gold Fields elected to withdraw from the Joint Ventures. Subsequently Straits Resources has received an offer from another party to take over exploration on the Blayney project under an earn-in Joint Venture. Discussions on forming a new farm-in joint venture on the Blayney project are progressing.

The Cheesmans Creek project is a smaller area. It is prospective for both porphyry copper and epithermal deposits. Options for this project are currently being considered.

***Tick Hill:***

The Tick Hill prospect, comprising the Burke River (EPM 9083) and Monastery (EPM 11013) leases is located in North West Queensland, south of Mount Isa. Chinova Resources (previously Inova) had two exploration Joint Venture agreements covering these leases where Chinova was the operator and had the right to earn up to 70% ownership. Chinova has withdrawn from the joint ventures and the tenements are now held 100% through a Straits subsidiary with no encumbrances.

The Tick Hill project is considered prospective for both Cloncurry style IOCG and Tick Hill style gold mineralization. It has excellent exposure in the world class mineralized Mid Proterozoic Mount Isa Inlier, in an area with well-established regional infrastructure.

Options for this project are currently being considered.



## Corporate

### CASH

At the end of the June 2014 quarter, Straits (excluding Mt Muro) had total cash and copper concentrate sales receivables of \$19.9 million, a decrease of \$1.2 million on the previous quarter, with the decrease due to timing of copper concentrate sales.

\$million	June 2014 Quarter	March 2014 Quarter
Useable Cash - Straits Corporate and Tritton	12.7	15.8
Tritton - Copper concentrate receivables	7.2	5.3
<b>Straits/Tritton - Useable Cash and Receivables</b>	<b>19.9</b>	<b>21.1</b>
Investments	5.4	5.4
Restricted Cash	14.3	14.3
Mt Muro operations (quarantined by PT IMK Administrator)	1.8	1.6

Investments and Restricted cash are similar with that reported in previous quarter

Corporate capital expenditure for the quarter was nil.

### TRITTON COPPER SWAP AND WORKING CAPITAL FACILITIES

On 16 June 2014 Straits announced that formal documentation had been executed for a restructuring of pre-existing debt facilities (Copper Swap Facility and Working Capital Facility) held by Straits' wholly owned subsidiary (Tritton Resources Pty Ltd) with Standard Chartered Bank (SCB).

The debt restructuring has closed out the Copper Swap Facility for US\$99.9 million, to be funded by a Bridge Loan provided by SCB, and capped the Working Capital Facility at US\$14.6 million.

Straits and SCB have now commenced discussions with respect to a longer term debt restructure (Refinancing Plan). The Refinancing Plan is to be agreed with SCB within two months of the Agreement Date (13 June 2014) and all necessary documentation and approvals are to be finalised within five months of the Agreement Date.

Interest and Fees payable on the Bridge Loan and Working Capital Facility from the Agreement Date until the Refinancing Plan is completed will be capitalised.



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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.

#### **Competent Person’s Statement:**

The information in this report relating to Murrawombie Mineral Resources is based on information compiled by Mr Byron Dumpleton, Member of the Australian Institute of Geoscientist (Member No 1598). Mr Dumpleton is engaged as a consultant to Straits Resources Ltd through his company BKD Resources Pty Ltd. Mr Dumpleton has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Dumpleton owns 61,349 shares in Straits Resources Ltd which were issued as part of the company share plan in 2010 when Mr Dumpleton was a staff member of Straits Resources Limited. Mr Dumpleton consents to the inclusion in the report of the Murrawombie Mineral Resource estimate in the form and context in which it appears.

The information in this report relating to Ore Reserves is based on estimates approved by Mr Ian Sheppard, Member of the Australasian Institute of Mining and Metallurgy. Mr Sheppard is a full time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralization and method of mining to qualify as a Competent Person as defined by the 2012 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Sheppard has rights to 14,612,764 shares in Straits Resources. Title to 4,870,921 shares has vested with the remainder to vest when a range of conditions have been satisfied as defined in an Employee Share Acquisition Plan - these conditions have not been met at this time. These conditions have not been met at this time. Mr Sheppard consents to the inclusion in the report of the Murrawombie Ore Reserve estimates in the form and context in which it appears.

Full details of the Murrawombie Mineral Resource and Ore Reserve estimate, including JORC code Table 1 have been published in previous reports and can be found on the Straits Resources web site.