



Quarterly Activities Report

For the period ended September 2014

SEPTEMBER 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:**
 - **Copper Production for Quarter of 7,012t**
 - **Processing Plant achieves new monthly record in August - 148,097dmt milled**
 - **C1 Unit Cash Costs continue to improve**
 - **Ore Reserves at Tritton Operations, as at 30 June 2014, increased by 36% to 171kt of contained copper (10.6Mt @ 1.61%)**

Corporate:

- **Restructure of Tritton Copper Swap Facility progresses**
- **Indonesian Courts approve settlement plan between PT IMK and Creditors:**
 - **No ongoing obligations by Straits**
 - **Shares in Indonesian subsidiary to be transferred to Special Purpose Vehicle and held in trust on behalf of PT IMK Creditors**

Exploration:

- **Exciting geochemistry results from air core drilling in the Tritton Regional Exploration Program**



Safety, Environment and Community

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

There were no reportable environmental incidents during the quarter.

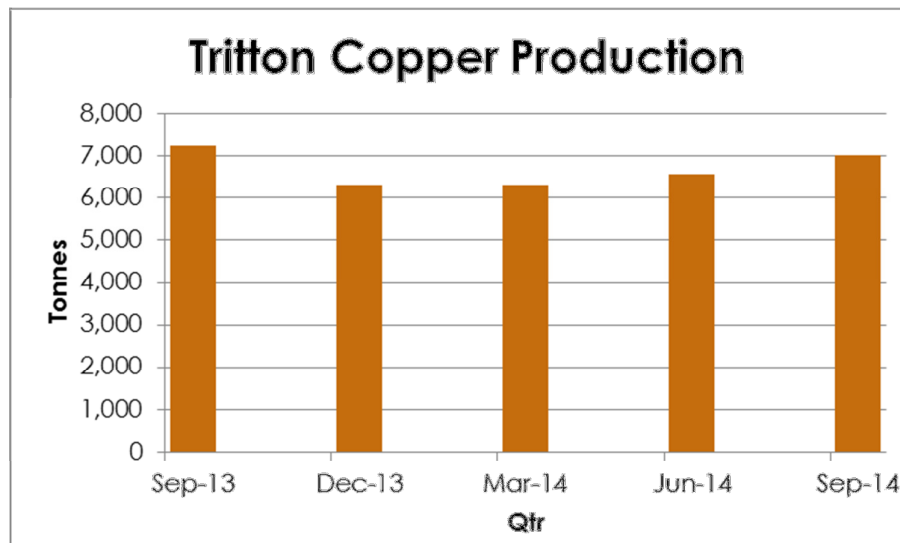
Tritton Copper Mine (NSW)

PRODUCTION

Copper production for the September quarter was 7,012 tonnes, an improvement on the previous three quarters and continuation of the consistent performance of the last 18 months.

Copper grades at the Tritton mine improved compared to the June quarter, as the mine stope sequence moved into higher grade areas of the ore body.

The North East Mine also delivered higher grades compared to the previous year. This resulted from a combination of the mining front progressing into naturally higher grade Mineral Resource and re-design of stopes to remove sub-grade material.



The Mill achieved a new monthly throughput record in August, processing 148,097dmt tonne of ore.

Detailed engineering to improve the transfer of ore to the SAG mill feed conveyor was completed. The modifications to the transfer chute and hopper are planned to be completed during mill shutdowns in the next quarter. At the same time a self-cleaning magnet will be installed above the crusher product conveyor. This will reduce the crusher down time associated with removal of tramp metal from the ore. These projects are the first steps in the next round of de-bottlenecking the ore processing plant that have the aim of improving processing rate capacity to 1.8Mtpa (or 150kt per month).

**Tritton Production Statistics**

		DEC 2013 QTR	MAR 2014 QTR	JUN 2014 QTR	SEP 2014 QTR
MINED	TONNES	374,626	375,705	438,306	381,592
GRADE	Cu (%)	1.82%	1.65%	1.70%	1.73%
ORE MILLED	TONNES	369,283	395,229	408,716	420,932
GRADE MILLED	Cu (%)	1.79%	1.68%	1.70%	1.75%
RECOVERY	Cu (%)	94.60%	93.99%	93.64%	94.52%
COPPER CONCENTRATE PRODUCED	TONNES	25,996	26,497	27,171	28,875
COPPER CONCENTRATE GRADE	Cu (%)	24.00%	23.61%	23.92%	24.10%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,248	6,255	6,506	6,959
COPPER CEMENT PRODUCED	TONNES	58	47	53	53
TOTAL COPPER PRODUCED	TONNES	6,306	6,302	6,559	7,012

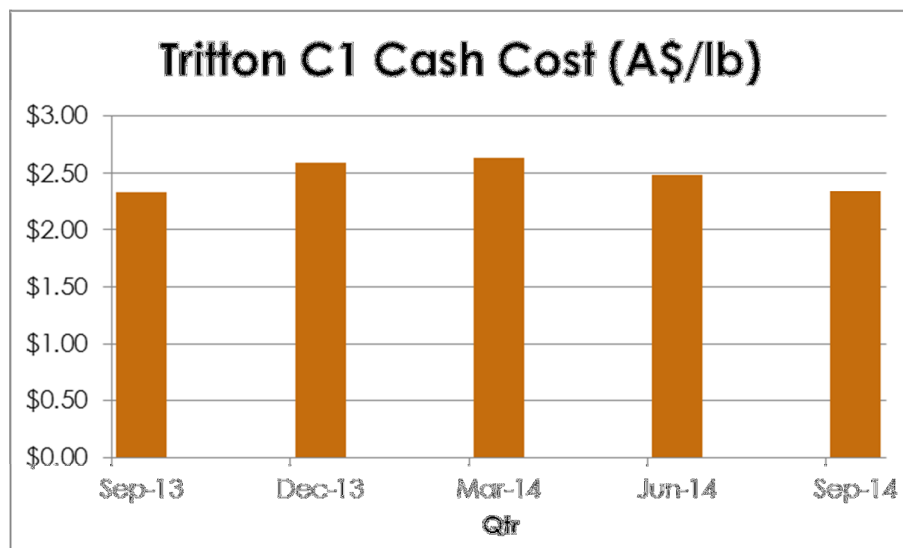
The conversion of the stope extraction sequence at the Tritton mine from transverse stopes to a longitudinal retreat method continues. The change in mining method is in response to the ore body decreasing in dip and increasing in width as we follow it deeper. The longitudinal extraction method is realising cost savings from reduced 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.

Our focus on improving the reliability of the mine equipment fleet continued. Replacement equipment either introduced during the quarter or on order for delivery in the second quarter include; a new loader, a quality second hand loader, a new underground 55t haul truck, a quality second hand integrated tool carrier loader and a new development jumbo. These replaced old equipment or machines rented on short term from contractors.



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.



Tritton Unit Cost Statistics (A\$/lb)

	DEC 2013 QTR	MAR 2014 QTR	JUNE 2014 QTR	SEPT 2014 QTR
TOTAL MINING COSTS	1.44	1.37	1.40	1.14
TOTAL SITE PROCESSING COSTS	0.50	0.41	0.37	0.41
TC/RC'S & PRODUCT HANDLING	0.37	0.61	0.52	0.54
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.06)	(0.08)	(0.10)	(0.04)
OTHER DIRECT CASH COSTS	0.34	0.32	0.30	0.29
TOTAL C1 COSTS	2.59	2.64	2.49	2.34
ROYALTIES	0.09	0.10	0.08	0.04
CONCENTRATE INVENTORY MOVEMENT	(0.73)	0.61	0.13	0.11
TOTAL CASH COSTS	1.95	3.35	2.70	2.49
DEPRECIATION & AMORTISATION	0.57	0.79	0.51	0.38
TOTAL PRODUCTION COSTS	2.53	4.15	3.21	2.87



Total unit costs were significantly lower than the previous quarter. Higher copper metal production combined with good cost management resulted in the lower unit cost per pound of copper.

Mining expenditure including equipment maintenance was within plan, resulting in improved unit costs.

Ore processing expenditure was above plan due to a mill shutdown rescheduled from June into July and this resulted in higher unit costs. This was an expenditure timing effect and trends to lower unit costs for processing should continue in future periods.

The higher unit costs for treatment and refining charges and product handling reflect expenditure timing for the shipment of higher volumes of product.

Review of contracts with the objective of cost management has continued during the period. Cost savings will be realized over time as new contract arrangements commence.

Capital expenditure at Tritton in the quarter was \$6.1 million.

OUTLOOK

Copper production guidance for FY2015 is 27,000 tonnes.

Mt Muro Gold Mine (Indonesia)

On 10th October 2014, the Commercial Court at the Central Jakarta District Court approved a Settlement Plan proposed by Straits' wholly owned subsidiary, PT Indo Muro Kencana (PT IMK), owner of the Mt Muro gold mine, to the Creditors of PT IMK.

Key Points of the Settlement Plan are:

- Settlement Plan proposed by PT IMK accepted by Creditors and approved by Indonesian Commercial Court;
- Ownership of PT IMK will be transferred to the Creditors. The Straits' subsidiaries (Muro Offshore Pty Ltd and Indo Muro Pty Ltd) that hold all the PT IMK shares, will be transferred to a "Special Purpose Vehicle" and held in trust on behalf of the Creditors;
- PT IMK Creditors to provide appropriate releases to Directors and Commissioners of PT IMK and also to Straits;
- Upon implementation of the Settlement Plan, Straits and its subsidiaries have no ongoing obligations to either the Creditors of PT IMK or the entities that hold the shares in PT IMK;
- Settlement Plan to become effective upon confirmation of completion of transfer of Muro Offshore Pty Ltd and Indo Muro Pty Ltd to the Special Purpose Vehicle, something that is expected to be completed within the next 10 days; and
- Finalisation of the Settlement Plan overrides the Voluntary Bankruptcy application submitted by PT IMK in January 2014.



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 Figure 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.

Avoca Magnetic Complex:

Assay results from a regional air core drill program completed in the last quarter have returned. The program, totaling 320 holes (14,740m), was designed to define basement rock geochemical signatures at Avoca, Greater Hermidale, Belmore and Thorndale below overlying sediment cover. A majority of holes were drilled at Avoca and Greater Hermidale, targeting magnetic complexes in the vicinity of known Mineral Resource at Avoca Tank and magnetic and geochemical anomalies immediately south of Tritton (Greater Hermidale).

The results from the aircore program over the Avoca area are shown in Figure 2. A magnetic base map is overlain with the interpreted position of Mafic rock type sequences at surface. The aircore holes are defined by green (no anomalous copper mineralisation) and magenta dots (intersected anomalous copper mineralisation > 100ppm). The small orange oblong shapes show the location of the existing Avoca Tank deposit. The size of the existing Avoca Tank deposit compared to the broader magnetic complex is small leaving considerable room for repeats of mineralisation in the same prospective geology package.

The next stage of exploration at Avoca is being planned to follow up on these very encouraging results. This will involve reverse circulation (RC) drilling followed by down hole transient electromagnetic surveys to detect off hole conductors. Drill holes will target anomalous copper mineralisation overlying strong magnetic features at the margins of Mafic sequences. The high tenor of the recently discovered Avoca Tank deposit (2.6% copper) makes targeting a possible larger and similar grade deposit within the same stratigraphic complex a high priority.

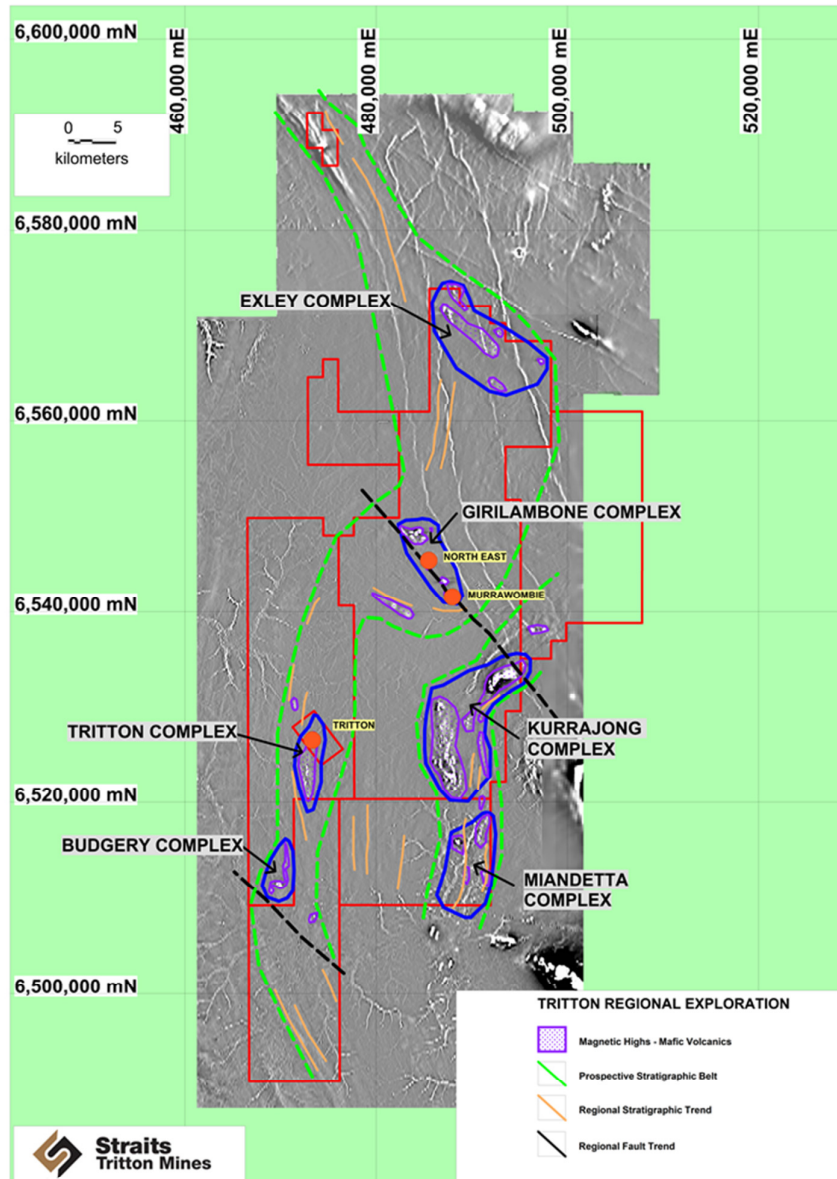


Figure 1: Tritton Region showing copper deposit distribution and relative size

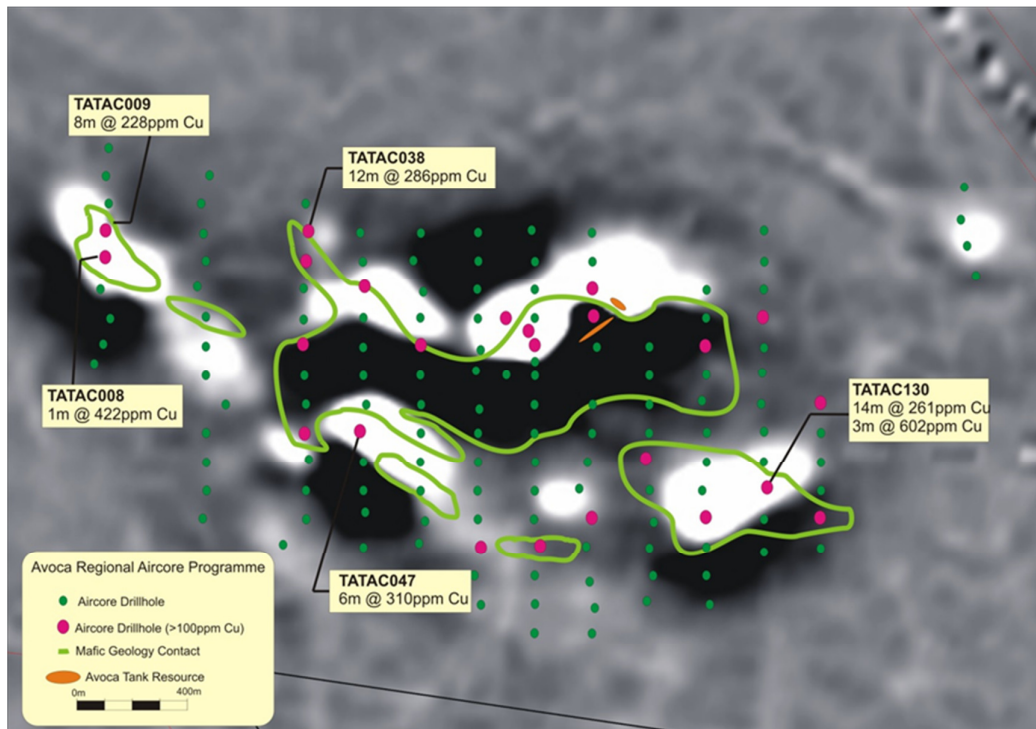


Figure 2: Aircore drilling at Avoca.

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.

Greater Hermidale

Figure 3 shows the results of the recent aircore drilling at Greater Hermidale overlain on a detailed magnetic image. The aircore program was designed to test basement geochemistry, identifying coincident copper mineralisation and strong magnetic features located at the margin of mafic units. The aircore holes are defined by green (no anomalous copper mineralisation) and magenta dots (intersected anomalous copper mineralisation > 100ppm). Existing drill holes are denoted by blue (RC) and black (diamond) dots.

Previous exploration activities in the area focused on targeting shallow oxide mineralisation proximal to a low resolution magnetic high defined from a regional magnetics survey. A more detailed aeromagnetic survey, completed in 2011, identified an untested magnetic high lineament. Aircore holes from the recent program intersected anomalous copper mineralisation over the magnetic anomaly in the vicinity of Mafic sequences. The Greater Hermidale targets are proximal to the Tritton mine and occur within the same stratigraphic packages, which make them excellent exploration targets. A similar drilling/geophysical program described previously for Avoca is currently being designed to test these targets.

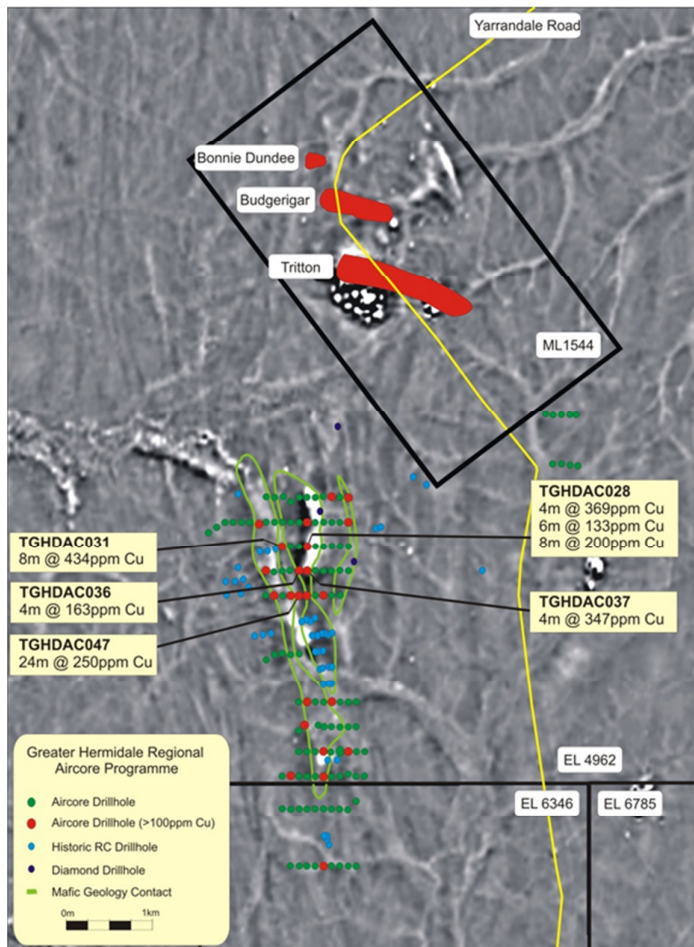


Figure 3: Aircore drilling at Greater Hermidale.

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. Mining 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 of contained copper metal to 51.5kt. The new JORC compliant Ore Reserve and supporting Mineral Resource estimate for Murrawombie is reproduced in the following tables.

June 2014			
	Tonnes (kt)	Cu (%)	Cu (kt)
Murrawombie			
Measured	-	-	-
Indicated	6,530	1.4	91
Total M + I	6,530	1.4	91
Inferred	1,510	1.2	19
TOTAL	8,040	1.4	110

Table 1: Murrawombie Mineral Resource Estimate, as at June 2014

- Cut-off grade: 0.6% Cu cut-off applied.
- Discrepancy in summation may occur due to rounding.

June 2014			
	Tonnes (kt)	Cu (%)	Cu (kt)
Murrawombie Underground			
Proved	-	-	-
Probable	3,342	1.3	43
TOTAL	3,342	1.3	43
Murrawombie Open Cut			
Proved	-	-	-
Probable	701	1.2	8
TOTAL	701	1.2	8
Murrawombie Combined			
Proved	-	-	-
Probable	4,043	1.3	51
TOTAL	4,043	1.3	51

Table 2: Murrawombie Underground and Open Pit Ore Reserve Estimates, as at June 2014

- Ore Reserves are reported as Inclusive of the supporting Mineral Resource estimate
- Discrepancies in summation will occur due to rounding

Budgery:

The Budgery deposit is the subject of a pre-feasibility study to establish an open pit Ore Reserve estimate. Conceptual mining studies completed in previous quarters indicate the project would be commercially viable. Oxide and transitional ore would be treated by 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.

Exploration and feasibility work at Budgery has been suspended until a land access agreement is concluded with the native title claimant group.

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.

OTHER AUSTRALIAN EXPLORATION ASSETS

Torrens (70%):

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 a 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.

There has been no exploration activity at Torrens during the period.



Temora (100%):

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-gold porphyry deposits in the proven and highly prospective portion of the Lachlan Fold belt in 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 (40%) and Cheesmans Creek (100%):

After the end of the quarter, the Company entered into a farm in Joint Venture agreement on the Blayney project with Macquarie Holdings No.1 Pty Ltd (Macquarie). The farm-in is based on Macquarie meeting expenditure requirements for an initial 60%, with the option to rise to 80%.

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 (100%):

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 September 2014 quarter, Straits (excluding Mt Muro) had useable cash of \$21.1M, an increase of \$1.2 million on the previous quarter.

\$million	September 2014 Quarter	June 2014 Quarter
Useable Cash - Straits Corporate and Tritton	17.5	12.7
Tritton - Copper concentrate receivables	3.6	7.2
Straits/Tritton - Useable Cash and Receivables	21.1	19.9
Investments	5.4	5.4
Restricted Cash	14.3	14.3

Investments and Restricted cash are similar with that reported in the 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 continue discussions with respect to a longer term debt restructure (Refinancing Plan). The Refinancing Plan was initially to be agreed by 13 August 2014 however this has been extended, by mutual consent, to 13 November 2014.

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.



For further information contact:

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or go to our website at 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 Dumbleton, Member of the Australian Institute of Geoscientist (Member No 1598). Mr Dumbleton is engaged as a consultant to Straits Resources Ltd through his company BKD Resources Pty Ltd. Mr Dumbleton 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 Dumbleton owns 61,349 shares in Straits Resources Ltd which were issued as part of the company share plan in 2010 when Mr Dumbleton was a staff member of Straits Resources Limited. Mr Dumbleton 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.