



# Quarterly Activities Report

For the period ended 30 June 2013

## Production Snapshot

Contained Metal Production	JUN 2013 QTR	YTD FY2013
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### Tritton:

Total Copper	6,271 t	23,338 t
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C1 Cash Costs	A\$2.68	A\$2.48
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### Mt Muro:

Total Gold Equivalent	15,537 oz	55,017 oz
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C1 Cash Costs	US\$1,709	US\$2,425
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## Capital Structure at 30 June 2013

Shares on Issue	1,164,150,159
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Market Capitalisation	\$15,133,952
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## JUNE QUARTER HIGHLIGHTS

- **Copper production at Tritton, up by 12% over the March quarter and above market guidance**
- **48% increase in gold equivalent ounces produced at Mt Muro over March quarter.**
- **Mt Muro operations suspended for 10 days from 29 June following incident between police and illegal miners.**
- **Successful restructure of the Credit Suisse silver prepayment facility for Mt Muro.**
- **Appointment of key Board and Executive personnel:**
  - **Non- Executive Director**
  - **Deputy CEO**



## Safety, Environment and Community

Tritton had one Lost Time Injury (LTI). This was a low potential ankle sprain by an operator walking on uneven ground. Mt Muro had an LTI free quarter.

Illegal mining activity in the Serujan pit by artisanal miners continued during the quarter and resulted in the suspension of operations on the 29 June 2013, following an altercation between police and illegal miners attempting to gain access to the open pit operations. This resulted in damage to several buildings, vehicles and equipment. A recovery plan was immediately initiated and resulted in the recommencement of mining and processing operations on 8 July. The company has received the support of provincial and local government agencies which have provided resources to secure the site and allow the recommencement of operations.

A number of community engagement initiatives and support programs have been developed at Mt Muro, including a project to improve general water quality for the local villages.

## Operational Summary

Continued positive operational performance at the Tritton Copper Mine saw improvements on the previous quarter. Copper production at Tritton was 6,271 tonnes, a 12% improvement on the March quarter. Mt Muro gold equivalent production was 15,537 oz, although still below expectations, an increase of 48% over the previous quarter.

Total expenditure at both operations was broadly in line with internal targets however unit costs at Mt Muro continued to be affected by the lower than forecast gold equivalent ounces output. Tritton's copper production was above forecast however unit costs were higher than anticipated due to a number of mobile equipment rebuilds which were brought forward as well as unplanned fixed plant maintenance. The operation is however well placed with significant broken ore stocks available at the end of the quarter. An ongoing review of expenditure at both mines is underway and a number of cost initiatives have been identified and initiated.

The approvals process for the Avoca Tank project has progressed with completion of the bulk of required baseline studies and stakeholder consultation in preparation for submission of the required documentation necessary for the granting of the mining lease.



## Tritton Copper Mine (NSW)

### PRODUCTION

Tritton operational performance continued to improve with a 12% increase in copper production compared to the previous quarter. Total mined tonnes from operations increased to 374,594t @ 1.82% Cu, a 19% improvement on the March quarter. The guidance previously provided for the quarter and full year were both exceeded.

Performance from the Tritton underground mine has continued to increase with total production from the mine for the quarter reaching 302,356t @ 1.89% Cu, this included a record of 113,821t @ 1.87% Cu for the month of June. The improved performance can be attributed primarily to the improved broken stock inventory related to stope sequencing. Production from the small satellite North-East underground mine also increased, generating 72,238t @ 1.52% Cu for the period, with development to the up-thrust block established and stoping commenced.

Ore processed increased by 17% over the last quarter with 350,270t milled during the period. Modifications are being made to the materials handling system to enable an increase in the plant capacity and align it with the production from the mines. The end of the quarter saw an aggregate closing ROM and broken stocks underground of ~129,000t @ 1.88% Cu, which sees the operation well placed for the next quarters production. Copper grade was slightly lower for the quarter, related to the consolidation of the pastefill and stope sequence over several levels. This will ensure consistent production in the coming months. The Tritton underground mine currently has approximately 1.13 Mt @ 2.18% Cu accessible by established underground development at the end of the quarter.

### Tritton Production Statistics

		MAR 2013 QTR	JUN 2013 QTR
MINED	TONNES	314,923	374,594
GRADE	Cu (%)	1.96%	1.82%
ORE MILLED	TONNES	300,183	350,270
GRADE MILLED	Cu (%)	1.95%	1.86%
RECOVERY	Cu (%)	95.20%	94.27%
COPPER CONCENTRATE PRODUCED	TONNES	23,264	25,519
COPPER CONCENTRATE GRADE	Cu (%)	24.0%	24.0%
CONTAINED COPPER IN CONCENTRATE	TONNES	5,580	6,132
COPPER CEMENT PRODUCED	TONNES	132	139
TOTAL COPPER PRODUCED	TONNES	5,712	6,271



## COSTS

Total expenditure for the quarter was higher than the previous quarters, this was related to major maintenance being undertaken on the processing plant and a number of overhauls on frontline underground mobile equipment being brought forward. A structured review of costs has identified numerous opportunities for savings and these projects will have an impact as they are implemented in future periods.

### Tritton - Unit Cost Performance A\$/lb

	MAR 2013 QTR	JUN 2013 QTR
TOTAL MINING COSTS	1.30	1.47
TOTAL SITE PROCESSING COSTS	0.46	0.54
TC/RC'S & PRODUCT HANDLING	0.29	0.38
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.06)	(0.07)
OTHER DIRECT CASH COSTS	0.38	0.37
<b>TOTAL C1 COSTS</b>	<b>2.37</b>	<b>2.68</b>
ROYALTIES	0.10	0.07
CONCENTRATE INVENTORY MOVEMENT	(0.65)	0.26
TOTAL CASH COSTS	1.81	3.01
DEPRECIATION & AMORTISATION	0.57	0.47
TOTAL PRODUCTION COSTS	2.38	3.48



## Mt Muro Gold Mine (Indonesia)

### PRODUCTION

Gold equivalent ounce production for the June quarter was 15,537oz, an increase of 48% over the March quarter.

On 29 June operations were suspended following an altercation between the local police and illegal miners. Office buildings, the camp mess building, two camp accommodation buildings and light vehicles were burned in this incident. No IMK staff or contractors were injured during the incident. There has been no illegal mining or other security issues since the incident and the subsequent deployment on site of police and army forces. Operations recommenced with limited ore processing by 8 July. Return to full mining production is anticipated to take all of July.

Mt Muro gold and silver production improved on the previous quarter due a combination of higher grades and increased ore milled. However, performance remained below internal targets due to a number of challenges faced by the operation including the disruption of mining activities by illegal miners; adjusting to a revised pit design and mining sequence to accommodate a lower gold price environment; continued lower grades in the western end of the Serujan pit; and low silver recoveries.

A revised mine plan was implemented in the March quarter and has been performing in line with expectations. Reconciliation of the June quarter mill production against the revised plan show actual grades are higher, mined tonnage is higher and consequently gold and silver metal produced is higher than the anticipated.

A modification of the mining sequence in the west end of the pit has been forced by a slip on the south wall. Remedial mining of the slip combined with the pit design changes have resulted in delay in the exposure of the main vein structure in the west of Serujan pit.

Silver recoveries in the processing plant were lower than expected. Low recoveries were due to a combination of treating oxide ore from the east end of Serujan pit with fine silver locked in silicates and the high silver grade of the ore overloading the carbon and carbon stripping circuits. This has been addressed and silver recoveries are back within the normal range.

Illegal miner activity increased over the quarter causing a number of disruptions to the operations. Following the deployment of police and army to site there have been no further instances relating to illegal mining activity.

The changes to pit design and production schedule announced in the March Quarter have allowed a reduction in the size of the mining equipment fleet, drilling and blasting activity and use of mining consumables. As a consequence mining total costs are falling over time. Further reductions in the amount of mining equipment on hire will occur as the volume of waste to be mined is reduced. Cost control and reduction is a focus for all departments.

**Mt Muro Production Statistics**

		MAR 2013 QTR	JUNE 2013 QTR
MINED	ORE TONNES	402,246	<b>286,821</b>
	WASTE TONNES	2,202,722	<b>1,969,232</b>
ORE MILLED	TONNES	301,319	<b>316,497</b>
MILLED GRADE	GOLD (G/T)	0.87	<b>1.20</b>
	SILVER (G/T)	23.34	<b>42.90</b>
RECOVERY	GOLD (%)	92.72%	<b>92.44%</b>
	SILVER (%)	78.04%	<b>61.51%</b>
PRODUCTION	GOLD (oz)	7,639	<b>11,248</b>
	SILVER (oz)	157,162	<b>264,705</b>
	GOLD Eq (oz)	10,517	<b>15,537</b>
SALES	GOLD (oz)	7,523	<b>11,831</b>
	SILVER (oz)	150,215	<b>629,345</b>
	GOLD Eq (oz)	10,282	<b>21,932</b>

**COSTS**

The total expenditure for the period was higher than the previous quarter, with proposed cost savings taking time to be realized. Processing unit costs fell in response to higher ore throughput and higher gold and silver grades. Other Direct Cash Costs reduced. Unit costs have fallen as a result of the higher production.

**Mt Muro - Unit Cost Performance A\$/oz**

	MAR 2013 QTR	JUNE 2013 QTR
TOTAL MINING COSTS	783	<b>632</b>
TOTAL SITE PROCESSING COSTS	733	<b>536</b>
TC/RC'S & PRODUCT HANDLING	33	<b>33</b>
OTHER DIRECT CASH COSTS	648	<b>508</b>
<b>TOTAL C1 COSTS</b>	<b>2,196</b>	<b>1,709</b>
ROYALTIES	139	<b>10</b>
OTHER INDIRECT COSTS	-	-
INVENTORY MOVEMENT	(962)	<b>169</b>



TOTAL CASH COSTS	1,374	<b>1,888</b>
DEPRECIATION & AMORTISATION	710	<b>595</b>
OTHER NON CASH COSTS	640	<b>632</b>
TOTAL PRODUCTION COSTS	2,724	<b>3,116</b>

## OUTLOOK

Recovery from the 29 June incident had been achieved by the end of July 2013. Production in July is expected to be modest as a result.

Further revision of the Serujan pit mining plan is currently under review to take into account the lower commodity price environment. The central or "gap" area of Serujan pit has been redesigned to remove the highest strip ratio material and to delay mining this area to focus on the higher grade east and west ends of the pit. Waste mining required in FY2014 will be reduced significantly in this plan.

The alternative of mining the deep, high grade Serujan pit ore using simple underground mining methods is also being investigated.

Straits continues to investigate alternative opportunities to maximise shareholder value from the Mt Muro project.

## Exploration

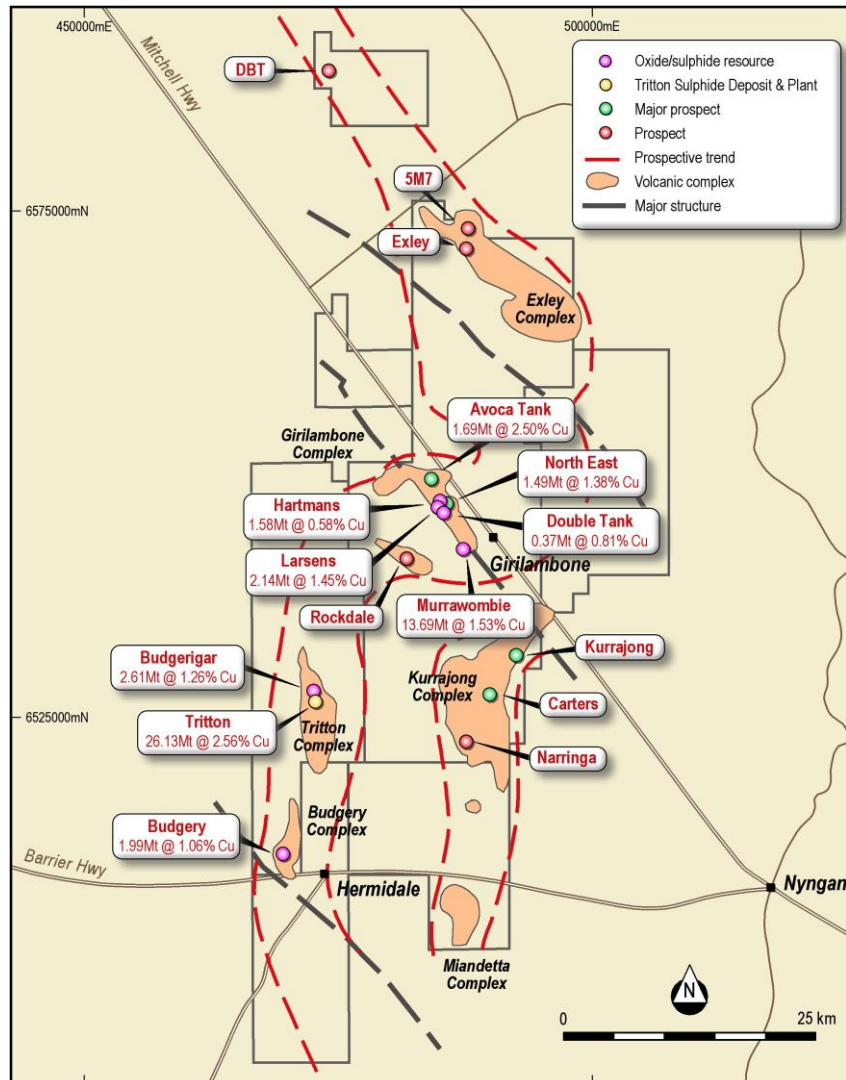
### NEW SOUTH WALES

#### **Tritton:** *Straits - 100%*

Straits currently holds 177,000 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. These are shown in the following diagram (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 with the 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. Continuing exploration success coupled with the knowledge that Besshi VMS systems 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.



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

**Kurrjong:**

No further work was conducted during the quarter.

Drilling to date has confirmed the presence of a large mineralised system and additional drilling is planned to test the significant downhole EM anomalies identified in TKJD010 and TKJD011.

Significant intersections previously announced include a 6 meter interval of massive sulphide in TKJD008 (6m @ 3.92% Cu) and drillhole TKJD012 returned a massive sulphide zone grading 10m @ 2.43% copper.

**Avoca Tank:**

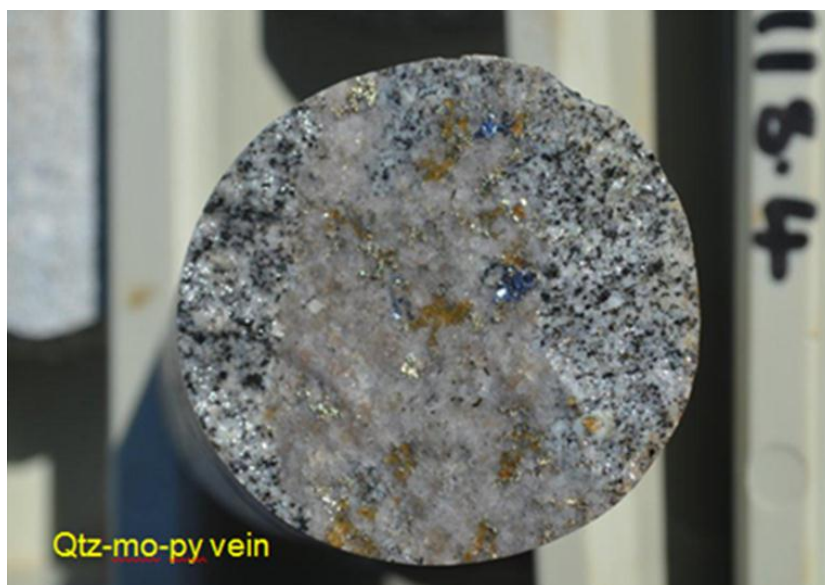
The application and approvals process for a mining lease is ongoing in conjunction with studies to finalise a mining reserve. The deposit remains open at depth below 450 metres vertical and the company remains positive that extensions at Avoca Tank will be found in and around the Girilambone Mafic Complex.



### **DBT (Glen Idyll Project): Mineralised Granodiorite Intrusive**

No work was undertaken on the prospect during the quarter. Assay results from the two drillholes TDHTRCD002 and TDHTRCD002 which were completed in the previous quarter were returned. This drilling was targeting a magnetic anomaly returned a mineralised granodiorite intrusive. Abundant potassic and sericite alteration associated with veining containing pyrite/chalcopyrite and molybdenum was present.

Weakly anomalous molybdenum occurred throughout the drill hole with intervals of 25m averaging 27ppm Mo and narrower intervals up to 4 metres wide averaging 230ppm Mo. No anomalous gold or silver was defined.



### **OTHER AUSTRALIAN EXPLORATION ASSETS**

The sale of the Stuart Shelf exploration project in South Australia was finalised on 10 July post the end of quarter.

Straits maintains an interest in three remaining South Australian exploration tenements EL4620 Warriner Hill, EL4999 Mt Paisley and EL4296 Torrens which is in JV with Argonaut (ASX:ARE).

Straits largest remaining non-core asset is the Temora copper/gold project in NSW. This is a high quality project targeting copper porphyry deposits in the proven and highly prospective Lachlan Fold belt in NSW. The Company is currently assessing various options for maximising the inherent value of this project.

### **INDONESIA**

**Mt Muro:** Straits – 100%

Exploration activities focused on regional reconnaissance over the broader Contract of Work (CoW).



## Corporate

### Cash, Debt & Hedging

At the end of the June 2013 quarter, Straits had total cash and investments of \$40.8 million including:

- Useable cash	\$18.2 million
- Investments	\$ 1.4 million
- Restricted cash	\$21.2 million

At the end of June 2013, Straits had debt of \$122 million including:

- Standard Chartered Bank (SCB) copper swap	\$94.6 million
- SCB working capital facility	\$16.0 million
- Financed mining equipment & other loans	\$11.4 million

In addition, Straits has a silver pre-payment facility to deliver 1.488M oz Ag to Credit Suisse.

During the quarter Straits restructured the silver pre-payment facility with Credit Suisse with a focus on short term cashflow to a modified delivery schedule of 1,503,000oz Ag to September 2014.

The restructuring of the silver pre-payment facility with Credit Suisse was achieved by closing out part of the remaining gold hedge and rolling the proceeds into the current silver pre-payment structure. The payments were then re-profiled to minimise outflows in the near term. The restructure of the gold hedge leaves 15,015 ounces hedged at USD\$1,585.81 to the end of December 2014.

During the quarter the Company continued to explore options with current financiers to seek solutions which balance debt service obligations whilst unlocking the underlying value within the current asset base.

During the quarter, Straits closed out the balance of the copper hedge, which was 425t per month between February 2013 and January 2014, at a copper price of US\$8,200/t.

### Management Changes

During the June 2013 quarter two key executive appointments were made:

- Mr. Michele Muscillo, was appointed as Non- Executive Director; and
- Mr. Scott Huffadine, was appointed as Deputy CEO and CEO elect of the proposed demerged copper business.

### Sale of Stuart Shelf Exploration Tenements

During the quarter the Company entered into the sale of the Stuart Shelf tenements previously held under the UXA JV to OZ Minerals Ltd (ASX: OZL). This was settled following the end of the quarter. This does not include the tenements held under the Torrens JV.



For further information contact:

Mr. Andre Labuschagne – Executive Chairman and Chief Executive Officer  
(08) 9480 0500

Mr. Scott Huffadine – Deputy Chief Executive Officer  
(08) 9480 0500

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 that relates to Exploration Results 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 undertaken 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.

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Byron Dumpleton, who is a member of the Australian Institute of Geoscientists. Mr. Dumpleton is a full-time employee 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. Mineral Resources are inclusive of Ore Reserves. Discrepancies in summations may occur due to rounding.

#### Tritton Copper Operation

The VMS "volcanogenic massive sulphide" mineralised systems at the Tritton Copper Operation were defined by geologically logged and assayed diamond drill core and rock chips from percussion drilling. Mineral resource limiting envelopes were developed using geological interpretations at a nominal copper cut-off grades between of 0.3 to 0.8%. All Mineral Resources reported for the Tritton Copper Operation were estimated using Ordinary Kriging, a geostatistical block modeling technique applicable for this deposit style.

The Tritton region currently hosts in excess of 50 million tonnes of identified sulphide and oxide mineralised VMS systems; these are in all cases associated with or are in close proximity to mafic complexes including tholeiitic basalts to basaltic andesites, doleritic and gabbroic intrusives and minor ultramafic and often serpentinised intrusives.

VMS deposits encompass a broad and varied classification of mineral deposit types. The Tritton VMS region deposits are best characterised as Mafic-Siliciclastic deposits (or pelitic-mafic) commonly referred to as "Besshi Style Deposits". Examples of this type of deposits are; Outokumpu, Finland; Labrador Trough, Windy Craggy, Canada; Mid and South Urals, Russia; and the Besshi district, Japan; Gibson, H.L., et al. 2007

This significant copper metal endowment +1 million tonnes of contained copper (both mined and known resources) in conjunction with the size of the mineralised systems would rank the Tritton region as a major VMS field on a global scale for this type of mineralisation. (VMS - very large deposits; 50-100Mt from Hannington et al., 1999).