



Quarterly Activities Report

For the period ended March 2014

MARCH QUARTER HIGHLIGHTS

About Straits Resources

Straits Resources Limited (ASX: SRQ) is an established copper producer and developer with multiple mines and a 1.5 Mtpa copper concentrator at its Tritton Copper Operations in New South Wales, Australia.

In FY2013 Straits' Tritton Operations produced more than 23,000 tonnes of copper metal, and this is forecast to increase to 26,000 tonnes in FY2014.

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 on track:**
 - **Copper production of 6,302t in line with guidance**
 - **Marginally higher C1 Cash Costs of A\$2.64/lb due to higher concentrate treatment charges and maintenance costs to improve fleet reliability**
 - **Ongoing operational expenditure review**
 - **FY2014 copper production guidance of 26,000t maintained**
 - **First Ore Reserve estimate for Avoca Tank project (announced after end of quarter)**

Corporate:

- **Cash (excluding Mt Muro) increased by \$4.2 million.**
- **Realised \$5.0 million from disposal of legacy assets**
- **Indonesian subsidiary files petition for voluntary bankruptcy**
- **Notes in Magontec Ltd converted to equity. Straits now has ~15.5% holding**



Safety, Environment and Community

The Tritton Operations had three Lost Time Injuries (LTI's) during the quarter. All were low potential muscle strain or sprains: an operator strained chest muscles when a spanner slipped while tightening a bolt; an employee twisted his ankle walking on uneven ground at night; and a truck driver experienced pain in his lower back (not associated with any specific incident).

There were no reportable environmental incidents during the quarter.

Tritton Copper Mine (NSW)

PRODUCTION

Copper production from the Tritton Operations for the quarter was 6,302 tonnes. This was in line with guidance and steady compared to the previous quarter.

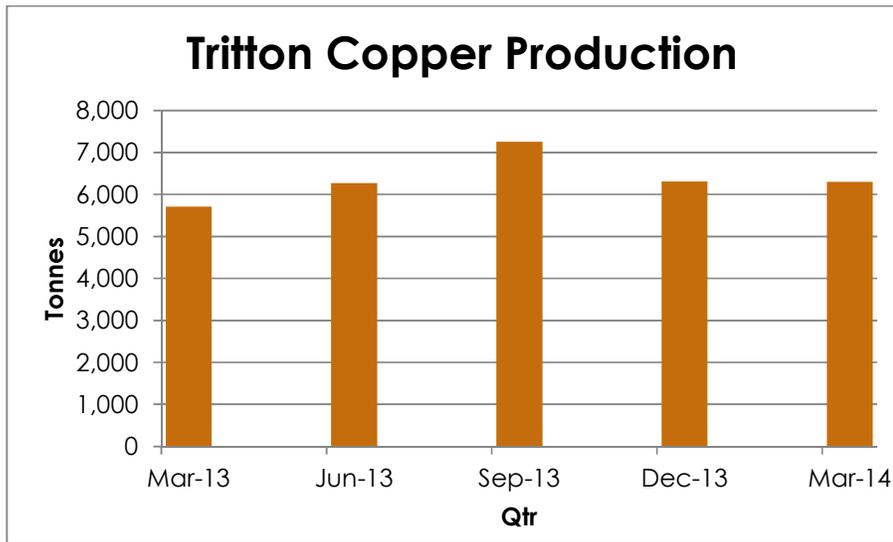
Copper grade in the ore was lower relative to prior periods due to mining from lower grade stopes. The mining sequence remains on plan and the lower grades reflect natural variation in the ore body. Year to date grades remain above internal forecasts.

Ore processing rates returned to trend following the major plant shutdown in the previous quarter. Processing was constrained by mine ore production and downtime due to offsite power outages related to seasonal storms.

The Tritton operation is now mine, not mill, constrained. Improved mill productivity was one of the key operational objectives identified by the new management team when it commenced at the beginning of 2013. There has been good progress in achieving this objective. Further opportunities for improving mill productivity have been identified and are the subject of studies. Lifting mine production to match mill capacity without loss of ore quality is a management focus.

The impact of improved maintenance practice and focus on achieving stable operations continues to be positive for the processing plant performance.

Maintenance engineering to de-bottleneck the ore supply system in front of the SAG mill is recognised as the best opportunity to continue improving plant capacity. Solutions to improve ore flow from crusher to SAG mill will be subject of an improvement project.



Copper concentrate grade was lower than target as a result of high iron to copper ratios (Fe:Cu ratio) in the ore. The Fe:Cu ratio in the ore is expected to drop to normal levels in the coming quarters as the mining sequence progresses into higher grade stopes.

Copper cement production was suspended for several weeks during the quarter due to a lack of process water in the dry summer period.

Despite mine operations during the quarter being impacted by a range of issues the combined ore production from the Tritton and North East mines was only marginally below internal forecasts.

Mine equipment availability was adversely affected by premature failure of a truck engine (subject to a warranty claim) and major component failures on two loaders. Equipment repairs were the principal cause of the high mine operating costs in the period. The fleet refurbishment program has been successful in supporting the improved mine performance achieved this year compared with last, however the reliability of the oldest machines in the fleet has become a constraint in the pursuit of higher production rates. Reviews of the loader and truck fleet are in progress and a number of options are being evaluated.

Load and haul capacity remains the primary constraint on Tritton mine production. Improving the reliability of the truck and loader fleet through refurbishment and raising the quality of maintenance has been a significant factor in the steady improvement in performance of the operation. The higher maintenance costs in the current financial year have been offset by the improved production performance. Further improvement options to lift fleet reliability and lower cost profiles are now being considered.

Capital expenditure at Tritton in the quarter was \$7.0 million.

**Triton Production Statistics**

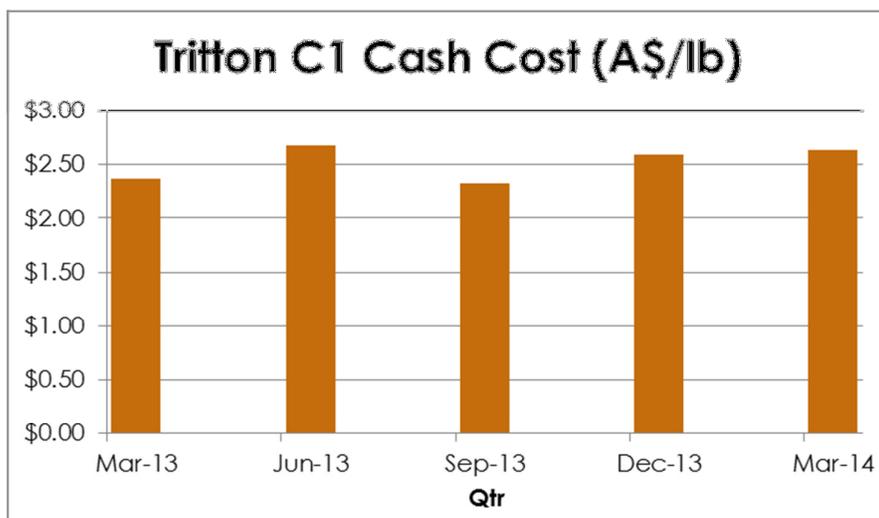
		JUN 2013 QTR	SEPT 2013 QTR	DEC 2013 QTR	MAR 2014 QTR
MINED	TONNES	374,594	384,091	374,626	375,705
GRADE	Cu (%)	1.82%	1.93%	1.82%	1.65%
ORE MILLED	TONNES	350,270	395,527	369,283	395,229
GRADE MILLED	Cu (%)	1.86%	1.91%	1.79%	1.68%
RECOVERY	Cu (%)	94.27%	94.98%	94.60%	93.99%
COPPER CONCENTRATE PRODUCED	TONNES	25,519	29,567	25,996	26,497
COPPER CONCENTRATE GRADE	Cu (%)	24.0%	24.30%	24.00%	23.61%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,132	7,183	6,248	6,255
COPPER CEMENT PRODUCED	TONNES	139	72	58	47
TOTAL COPPER PRODUCED	TONNES	6,271	7,255	6,306	6,302

COSTS

Operating costs were higher than plan, driven by higher copper concentrate treatment and refining charges and above plan maintenance expenditure on the mine mobile equipment fleet.

The increased copper concentrate treatment and refining charges reflect the current annual market benchmark rates. Costs in all operational areas, apart from mine maintenance, were on or below plan. Mill maintenance unit cost per tonne treated is decreasing steadily following the increased maintenance expenditure in the first half of the year and improving maintenance planning.

Focus on cost reduction and productivity improvement projects has intensified in response to the fall in the copper price during March. Mine maintenance costs are the major target for cost reduction, however all areas of the operation are again being reviewed for opportunities to reduce expenditure.



Tritton Unit Cost Statistics (A\$/lb)

	JUN 2013 QTR	SEPT 2013 QTR	DEC 2013 QTR	MAR 2014 QTR
TOTAL MINING COSTS	1.47	1.24	1.44	1.37
TOTAL SITE PROCESSING COSTS	0.54	0.48	0.50	0.41
TC/RC'S & PRODUCT HANDLING	0.38	0.38	0.37	0.61
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.07)	(0.07)	(0.06)	(0.08)
OTHER DIRECT CASH COSTS	0.37	0.30	0.34	0.32
TOTAL C1 COSTS	2.68	2.33	2.59	2.64
ROYALTIES	0.07	0.14	0.09	0.10
CONCENTRATE INVENTORY MOVEMENT	0.26	0.07	(0.73)	0.61
TOTAL CASH COSTS	3.01	2.54	1.95	3.35
DEPRECIATION & AMORTISATION	0.47	0.47	0.57	0.79
TOTAL PRODUCTION COSTS	3.48	3.01	2.53	4.15

OUTLOOK

Copper production guidance for FY2014 remains 26,000 tonnes.



Mt Muro Gold Mine (Indonesia)

There was again no production during the quarter as all operations at Mt Muro ceased on 2nd August 2013 when the operations were placed on care and maintenance. Only essential maintenance, security and administration staff remain at the mine, (employed on rolling short term contracts).

On 31st January 2014 Straits wholly owned Indonesian subsidiary, PT Indo Muro Kencana (PT IMK), 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 Nitroama 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 for 45 days and until the SOP ceases, PT IMK cannot be declared bankrupt and most recovery actions by creditors are on hold;
- Appointment of the Supervising Judge and a sole Administrator (as nominated by the Applicant (PT MNK));and
- On 17th April 2014, the Presiding Judges held a deliberation Hearing at the Indonesian Commercial Court. The Presiding Judges have yet to release their ruling.

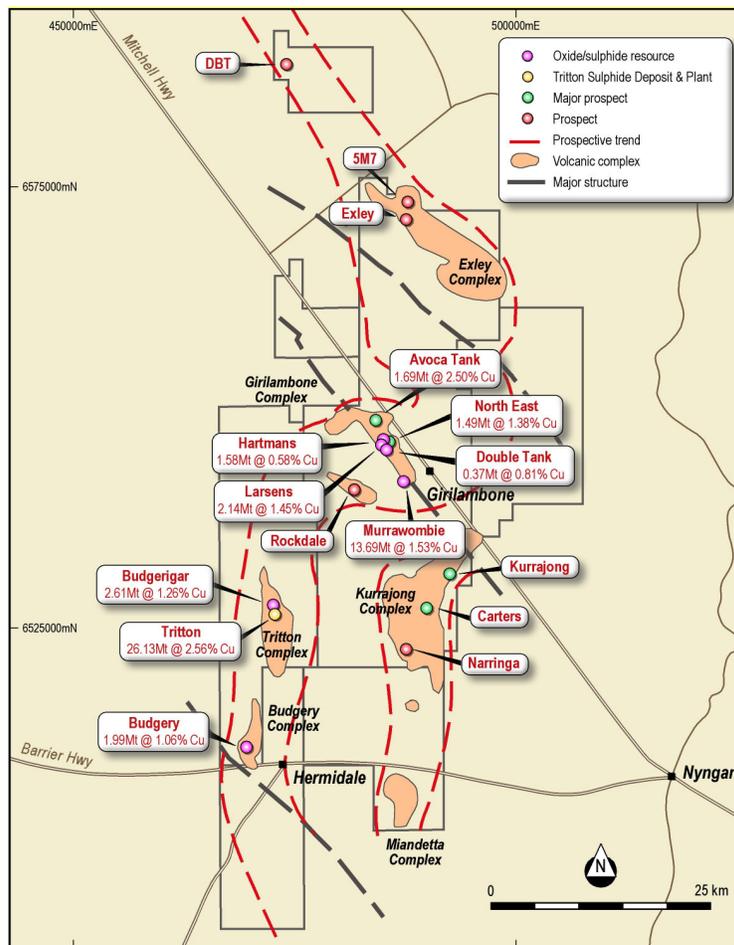
Exploration and Project Development

TRITTON MINES AND SURROUNDING TENEMENTS

Straits currently hold 177,000 hectares in the prospective Tritton VMS district. This is made up of 4 granted Exploration and 3 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 (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.



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

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 a first Ore Reserve estimate reported for Avoca Tank after the end of the quarter. The Mineral Resource and Ore Reserve estimate has been reported to meet JORC 2012 code standards with full details published in a separate release.



The Mineral Resource and Ore Reserve estimate for Avoca Tank are as follows;

Mineral Resource Estimate	Classification	Cut Off Cu (%)	Tonnes (kt)	Cu %	Au g/t	Cu (kt)	Au (koz)
31 Dec 13	Measured	0.6	-	-	-	-	-
	Indicated	0.6	774	2.9	0.9	23	21
	Inferred	0.6	129	1.0	0.2	1.4	0.9
	Total	0.6	903	2.6	0.8	24.4	21.9

Ore Reserve Estimate	Classification	Cut Off Cu%	Tonnes (kt)	Cu %	Au g/t	Cu (kt)
31 Dec 13	Proved	-	-	-	-	-
	Probable	1.2	681	2.5	0.8	17.2
	Total		681	2.5	0.8	17.2

1. Mineral Resources are quoted as Inclusive of Ore Reserve.
2. Discrepancy in summation may occur due to rounding.

The Company will now commence the process of public and government consultation that leads to the application for a Mining Lease. Development of the Avoca Tank mine could commence within 18 months, subject to approvals and availability of funding. Production from a small mine would be high grade supplementary feed to the Tritton processing plant.

The Avoca Tank deposit remains open at depth below 450 metres vertical and extension of the deposit is possible once underground development reaches a level from where additional drilling is practical. The Company is also confident that repeats of the Avoca Tank deposit may be found in and around the Girilambone Mafic Complex. Surface air-core drilling through alluvial cover around Avoca Tank is planned with the target of finding another VMS deposit in the area. The VMS deposits at Tritton tend to occur in clusters.

Murrawombie:

The Murrawombie deposit was previously mined by open pit. Operations closed in 1999. The oxide ore and the transitional chalcocite rich ore was processed by heap leach with the copper solution treated in a SX-EW plant to produce a copper cathode. Tritton Mines continues to produce a small quantity of copper cement product from residual leaching of the Murrawombie heaps.

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 feasibility study has been started 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.

Concept level studies indicate that both the open pit project and the underground mine project would be commercially viable.



Diamond drilling to collect geotechnical data and samples for metallurgical testing was completed in the quarter. Geotechnical studies are well progressed and mine design studies are expected to commence in May. Metallurgy test work will also commence in late May.

The Murrawombie deposit has previously been drilled to estimate a majority Indicated Mineral Resource and no significant new resource definition drilling is required to support the feasibility studies.

Budgery:

The Budgery deposit is the subject of a feasibility study to establish an open pit Ore Reserve Estimate. Concept 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 regards gaining the required land access from the claimant group. The process of negotiating an access agreement for drilling is expected to take considerable time.

Tritton Region:

An air core drilling program to collect geochemistry samples was commenced in March. 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 Mineral's 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 a farm-in joint venture on the project and have been active in reviewing the geological data. Straits are 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 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, subject to successful due diligence. If the current interested party decides not to proceed with the Joint Venture on the Blayney project Straits will seek interest from other parties.

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 March 2014 quarter, Straits (excluding Mt Muro) had total cash and copper concentrate sales receivables of \$21.1 million, an increase of \$3.9 million on the previous quarter, with the increase due to higher cash balances at the end of the quarter. Usable cash held by Straits and Tritton increased by \$4.2 million from the previous quarter:

\$million	March 2014 Quarter	December 2013 Quarter
Useable Cash - Straits Corporate and Tritton	15.8	11.6
Tritton - Copper concentrate receivables	5.3	5.6
Straits/Tritton - Useable Cash and Receivables	21.1	17.2
Investments	5.4	1.3
Restricted Cash	14.3	15.9
Mt Muro operations (quarantined by PT IMK Administrator)	1.6	0.1

Investments increased by \$4.1m due to conversion of Magontec Ltd Convertible Notes into equity. Immediately following the conversion into equity of the Convertible Notes Straits held a shareholding in Magontec Ltd of approximately 15.5%. Straits Executive Chairman, Mr Andre Labuschagne, has joined the board of Magontec Limited as a non-executive director.

On 20 January 2014 Straits also received \$2.1 million from Magontec Ltd being for early repayment of a loan from Straits.

During the quarter Straits realised US\$2.6 million from the sale of its interest in certain subordinated debt and notes owing by GFE-MIR Holdings.

Corporate capital expenditure for the quarter was nil.

BOARD CHANGES

Mr Ravinder Singh, an alternate director to Mr Alastair Morrison, resigned from the Straits Board on 10 January 2014.

On 9 April 2014, Mr Mike Menzies, resigned from the Straits Board as a non-executive director for personal reasons.



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 Avoca Tank 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 Avoca Tank 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 4,870,921 shares in Straits Resources. Title to the shares will 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. Mr Sheppard consents to the inclusion in the report of the Avoca Tank Ore Reserve estimates in the form and context in which it appears.

Full details of the Avoca Tank 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.