



# Quarterly Activities Report

## For the period ended December 2014

### 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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## DECEMBER QUARTER HIGHLIGHTS

### Operations:

- Tritton Operations:
  - Record Copper Production for Quarter of 7,904t
  - C1 Unit Cash Costs continue to improve
  - Full year copper production guidance maintained at 27,000 tonnes

### Corporate:

- Bridge Loan with Standard Chartered Bank extended to 13 April 2015
- Redemption of Class A Credit Suisse convertible notes extended by 12 months to 5 November 2015
- Settlement Plan proposed by Straits' Indonesian subsidiary approved by its Creditors and Indonesian Commercial Courts



## Safety, Environment and Community

There was one lost time injury during the quarter. Lime entered the eye of a process plant operator. Prompt first aid and then transfer for medical attention was successful and there was no permanent damage to eye. There were no reportable environmental incidents.

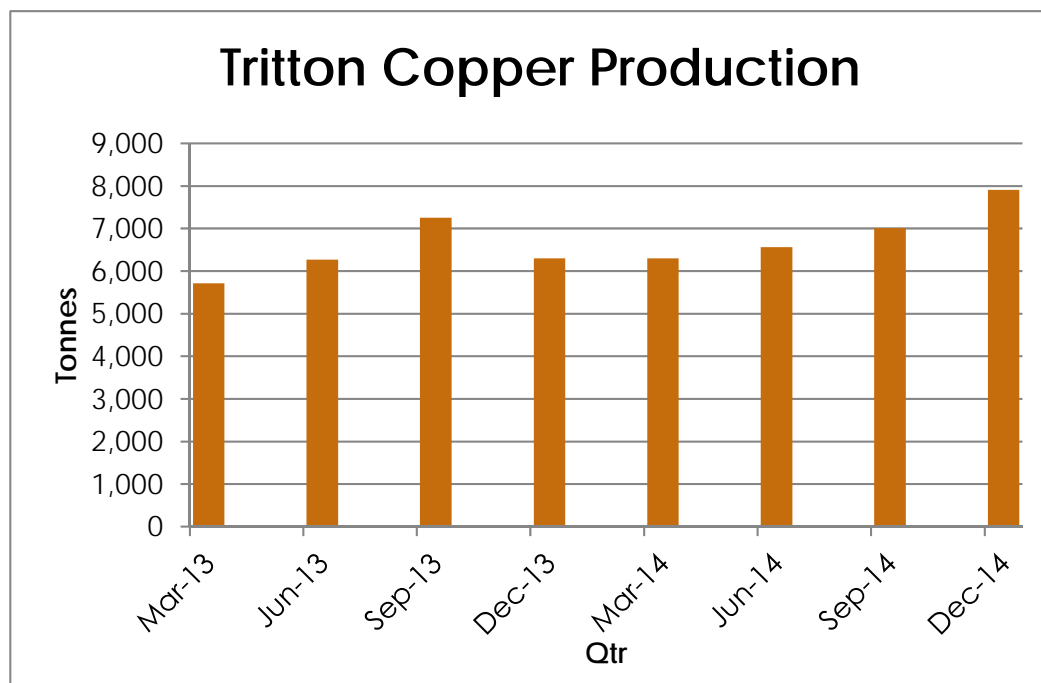
## Tritton Copper Mine (NSW)

### PRODUCTION

Copper production for the December quarter was a record achieving 7,904 tonnes. This result continues to build on the consistent performances of the last 24 months.

The record quarterly copper production was primarily driven by higher copper grades mined and milled. Higher copper grades at the Tritton mine were as a result of the mine stoping sequence progressing through higher grade areas of the ore body.

The North East Mine also delivered higher grades compared to previous quarters as mining moved into the Larsens deposit, where actual grades mined were outperforming the Mineral Resource estimate.



Mill performance remains consistent with 408,473dmt of ore being processed during the quarter. The higher copper recovery was due to a combination of higher copper ore head grade and the benefits of fewer plant stoppages. A new self-cleaning magnet has been installed on the crusher discharge conveyor to speed up the removal of tramp metal and this has assisted by reducing plant feed interruptions.

**Tritton Production Statistics**

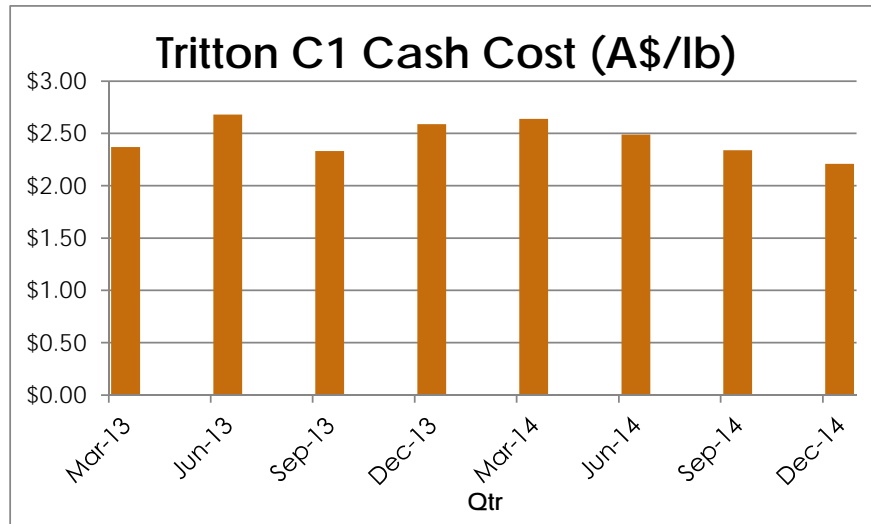
		MAR 2014 QTR	JUN 2014 QTR	SEP 2014 QTR	DEC 2014 QTR
MINED	TONNES	375,705	438,306	381,592	426,149
GRADE	Cu (%)	1.65%	1.70%	1.73%	2.05%
ORE MILLED	TONNES	395,229	408,716	420,932	408,473
GRADE MILLED	Cu (%)	1.68%	1.70%	1.75%	2.03%
RECOVERY	Cu (%)	93.99%	93.64%	94.52%	94.92%
COPPER CONCENTRATE PRODUCED	TONNES	26,497	27,171	28,875	32,330
COPPER CONCENTRATE GRADE	Cu (%)	23.61%	23.92%	24.10%	24.3%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,255	6,506	6,959	7,858
COPPER CEMENT PRODUCED	TONNES	47	53	53	46
TOTAL COPPER PRODUCED	TONNES	6,302	6,559	7,012	7,904

The conversion of the stope extraction sequence at the Tritton mine from transverse stoping to a longitudinal retreat method was completed in the quarter. The change in mining method was a response to the ore body decreasing in dip and increasing in width. The longitudinal extraction method is realising cost savings from reduced cement required in paste backfill and less footwall waste development.



## COSTS

C1 unit cash costs were lower than the previous quarter as slightly higher mining costs were offset by higher copper production and decreased TC/RC costs as a result of timing of copper shipments.



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

	MAR 2014 QTR	JUNE 2014 QTR	SEPT 2014 QTR	DEC 2014 QTR
TOTAL MINING COSTS	1.37	1.40	1.14	1.16
TOTAL SITE PROCESSING COSTS	0.41	0.37	0.41	0.40
TC/RC'S & PRODUCT HANDLING	0.61	0.52	0.54	0.39
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.08)	(0.10)	(0.04)	(0.04)
OTHER DIRECT CASH COSTS	0.32	0.30	0.29	0.29
<b>TOTAL C1 COSTS</b>	<b>2.64</b>	<b>2.49</b>	<b>2.34</b>	<b>2.20</b>
ROYALTIES	0.10	0.08	0.04	0.07
CONCENTRATE INVENTORY MOVEMENT	0.61	0.13	0.11	(0.67)
TOTAL CASH COSTS	3.35	2.70	2.49	1.60
DEPRECIATION & AMORTISATION	0.79	0.51	0.38	0.32
<b>TOTAL PRODUCTION COSTS</b>	<b>4.15</b>	<b>3.21</b>	<b>2.87</b>	<b>1.92</b>



Total unit production costs were significantly lower than the previous quarter. Higher copper metal production combined with a significant positive concentrate inventory movement due to timing of a shipment at the end of the quarter resulted in the lower unit cost per pound of copper.

The lower unit costs for treatment and refining charges and product handling reflect expenditure timing delayed by the shipment settled in early January 2015.

Review of contracts with the objective of cost management has continued during the period. Cost savings are being realised 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; and
- Finalisation of the Settlement Plan overrides the Voluntary Bankruptcy application submitted by PT IMK in January 2014.

At the end of the Quarter the "Special Purpose Vehicle" had been incorporated and arrangements for ownership of PT IMK to be transferred were progressing.



## 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.

There were no significant exploration activities or results during the quarter at any of the exploration tenements held by Straits Group.

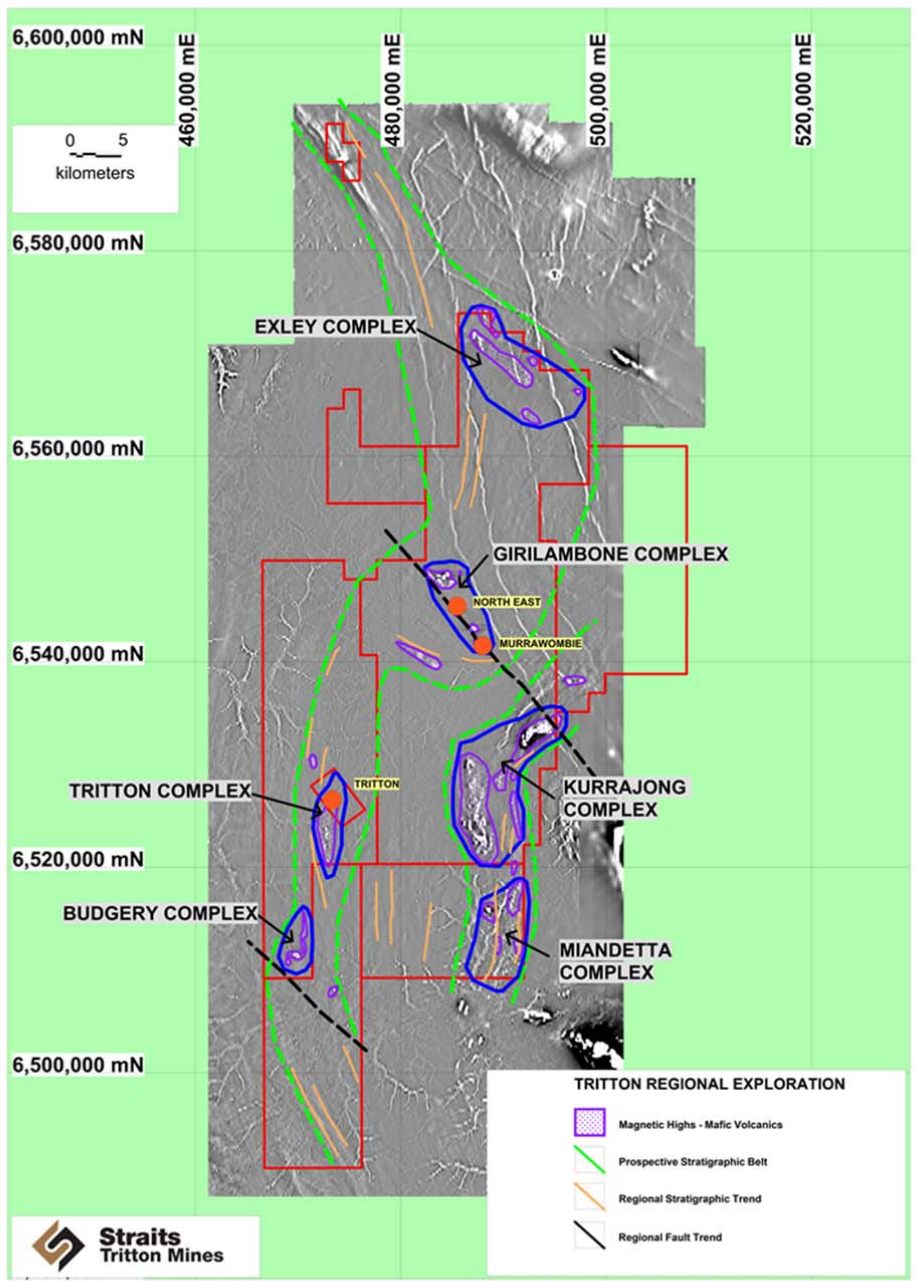


Figure 1: Tritton Region showing known basement complexes prospective for VMS systems and current operations.



## Corporate

### CASH

At the end of the December 2014 quarter, Straits had useable cash and receivables of \$7.0 million, a decrease of \$14.1 million on the previous quarter, with the decrease due to lower copper receivables at the end of the quarter, which was related to timing of when the receivable could be booked.

\$million	Dec 2014 Quarter	Sept 2014 Quarter
Useable Cash - Straits Corporate and Tritton	5.4	17.5
Tritton - Copper concentrate receivables	1.6	3.6
<b>Straits/Tritton - Useable Cash and Receivables</b>	<b>7.0</b>	<b>21.1</b>
Investments	3.5	5.4
Restricted Cash	14.3	14.3

The copper concentrate receivables at 31 December 2014 were lower than at the end of the previous quarter due to the timing impacts of concentrate sale recognition trigger points not being met at the end of December, resulting in the sale being recognised and received in the first week of January 2015 (ca. 11,003wmt with an invoice value of approximately US\$11.8 million).

Investments decreased as a result of the sale of some listed share investments and also share price decreases. Restricted cash is in-line 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 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 November 2014. A formal amendment (Amendment Agreement) to the original Bridge Loan documentation was executed during the quarter with the only material changes to the Bridge Loan terms relating to the new date for the completion of the Refinancing Plan (13 February 2015) and finalisation of the Debt Restructure (13 April 2015).

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.





### CREDIT SUISSE CONVERTIBLE NOTES

On 5 November 2013, Straits issued to Credit Suisse International (CS) 3,750,000 Class A convertible notes (Class A Notes) and 3,250,000 Class B convertible notes (Class B Notes) (with each convertible note having a face value of US\$1). Both Class A and Class B Notes bear interest at 12.5% per annum (of which 2.5% is capitalised (PIK)) and may be converted into fully paid ordinary shares in Straits at a conversion price of 3 cents per share. The Class A Notes, if not converted into shares in Straits, were to be redeemed by Straits no later than 12 months (ie. by 5th November 2014) after the date of issue.

During the quarter Straits reached agreement, subject to Straits shareholder approval, with CS to extend the redemption period of the Class A convertible notes for 12 months (ie. to 5 November 2015). Straits and CS also agreed that the PIK component of the interest up to 5 November 2014 on the Class A Notes would be paid in cash and not capitalised.

On 5 January 2015 Straits held an Extraordinary General Meeting where the shareholders voted in favour of the extension.

### COMMODITY PRICE AND EXCHANGE RATE MOVEMENTS

The company is working through various strategies to counter the impact on short and medium term cash flows from the latest drop in copper prices.

The Company will continue to inform the market of any material outcomes.

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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.