



## Quarterly Activities Report For the period ended September 2015

### 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 FY2015 Straits' Tritton Operations achieved record production of 30,245 tonnes of copper metal exceeding the previously upgraded guidance for FY2015 of 28,500 tonnes. Forecast copper metal production in FY2016 is 28,000 tonnes.

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

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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## SEPTEMBER QUARTER HIGHLIGHTS

### Operations:

- September quarter copper production of 7,183t
- 12 month TRIFR levels have fallen to 21, an all-time low for Tritton Operations
- Tritton Deeps drilling program Phase 1 completed and Phase 2 commenced

### Corporate:

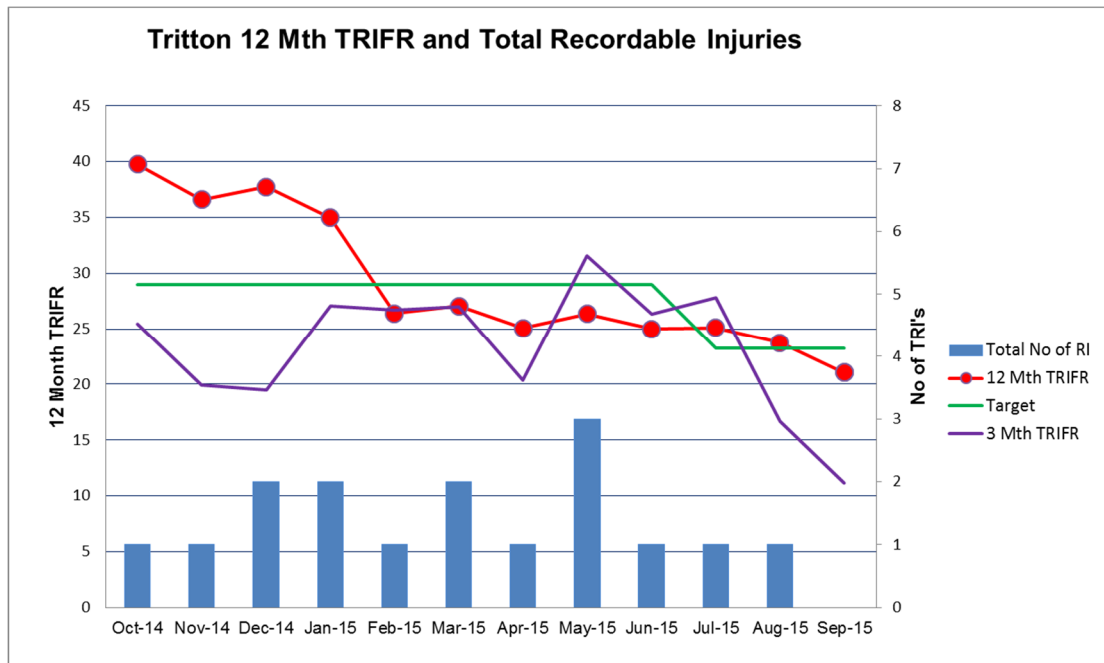
- Straits signed binding agreements with Standard Chartered Bank (SCB) and Special Portfolio Opportunity V Limited (PAG SPV) to restructure existing SCB debt and provide working capital through a Revolving Priority Debt Facility with PAG SPV
- Temora and Currumburrama exploration projects sold to Sandfire Resources NL for A\$2.5 million (payable in Sandfire shares)



## Safety, Environment and Community

There were no lost time injuries during the quarter.

The total recordable injury frequency rate (TRIFR) has fallen to 21, continuing the substantial improvement over the past two years. Straits continue to prioritise the safety of its work force and aim to sustain this rate of improvement through a focus on improving safe behaviours.

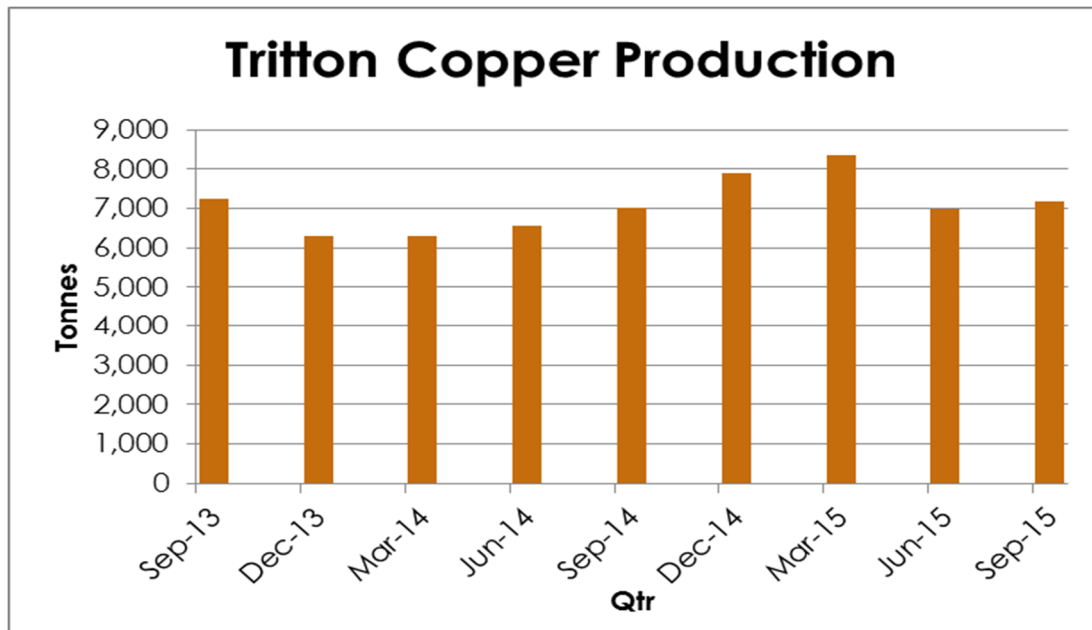




## Tritton Copper Mine (NSW)

### PRODUCTION

Production for the September quarter was 7,183 copper tonnes, an increase on the previous quarter and in line with the mining plan.



Ore processing performance decreased compared to previous quarters achieving 397,798 dmt of ore milled.

The processing plant experienced a crusher failure during September. The failure had been anticipated sometime in the first half of FY16 and the remedial plan was initiated. The remedial plan included the use of a mobile crusher as a temporary replacement feeding through to the ore handling system, allowing crushing production to continue at close to normal rates. The crusher was off line for three (3) weeks. The shutdown of the crusher provided the opportunity to bring forward from November a planned shutdown to replace bearings on the SAG mill.

Overall, the Processing Plant was down for 6.5 days in September as a result of the crusher repairs and SAG mill maintenance brought forward.

Copper recovery at 93.97% was lower than previous quarters, impacted by a temporary mineralogy change in ore mined during quarter.

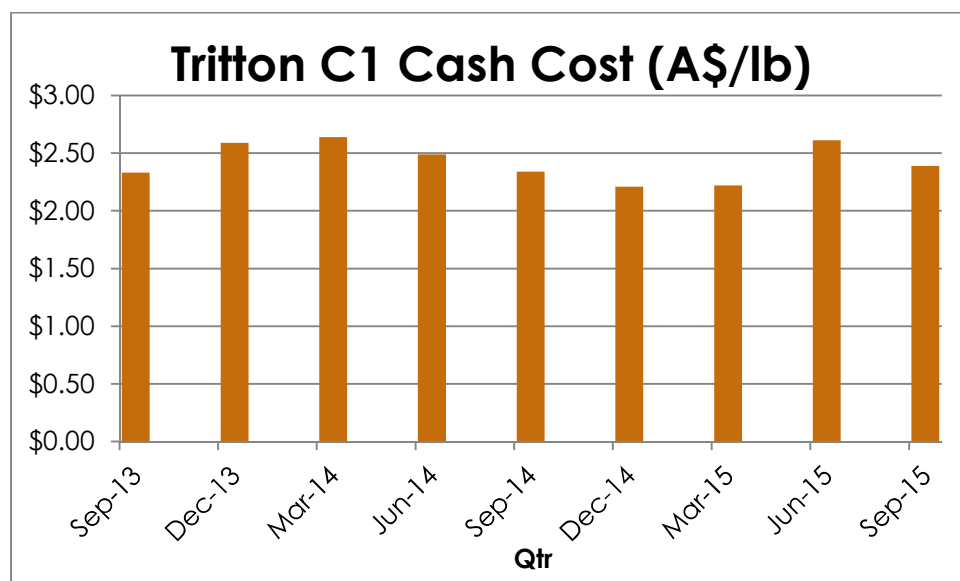


### Tritton Production Statistics

		SEP 2014 QTR	DEC 2014 QTR	MAR 2015 QTR	JUN 2015 QTR	SEP 2015 QTR
MINED	TONNES	381,592	426,149	402,049	413,039	430,244
GRADE	Cu (%)	1.73%	2.05%	2.14%	1.82%	1.88%
ORE MILLED	TONNES	420,932	408,473	404,169	407,909	397,798
GRADE MILLED	Cu (%)	1.75%	2.03%	2.17%	1.81%	1.91%
RECOVERY	Cu (%)	94.52%	94.92%	94.83%	94.22%	93.97%
COPPER CONCENTRATE PRODUCED	TONNES	28,875	32,330	34,157	28,005	30,210
COPPER CONCENTRATE GRADE	Cu (%)	24.10%	24.30%	24.31%	24.77%	23.58%
CONTAINED COPPER IN CONCENTRATE	TONNES	6,959	7,858	8,304	6,938	7,123
COPPER CEMENT PRODUCED	TONNES	53	46	48	39	60
TOTAL COPPER PRODUCED	TONNES	7,012	7,904	8,352	6,977	7,183

### COSTS

C1 unit cash costs for the quarter of A\$2.39/lb were lower than the previous quarter, influenced by higher copper production and lower unit costs for mining and TC/RC's and product handling.



Tritton Unit Cost Statistics (A\$/lb)



	SEPT 2014 QTR	DEC 2014 QTR	MAR 2015 QTR	JUN 2015 QTR	SEP 2015 QTR
TOTAL MINING COSTS	1.14	1.16	1.04	1.39	1.23
TOTAL SITE PROCESSING COSTS	0.41	0.40	0.30	0.37	0.41
TC/RC'S & PRODUCT HANDLING	0.54	0.39	0.70	0.63	0.54
NET BY-PRODUCT CREDIT (INCL PROCESSING/TC/RC/TRANSPORT)	(0.04)	(0.04)	(0.05)	(0.06)	(0.04)
OTHER DIRECT CASH COSTS	0.29	0.29	0.23	0.28	0.28
<b>TOTAL C1 COSTS</b>	<b>2.34</b>	<b>2.20</b>	<b>2.22</b>	<b>2.61</b>	<b>2.39</b>
ROYALTIES	0.04	0.07	0.08	0.09	0.06
CONCENTRATE INVENTORY MOVEMENT	0.11	(0.67)	0.51	0.17	(0.70)
TOTAL CASH COSTS	2.49	1.60	2.81	2.87	1.76
DEPRECIATION & AMORTISATION	0.38	0.32	0.40	0.54	0.48
TOTAL PRODUCTION COSTS	2.87	1.92	3.21	3.41	2.24

Total production unit costs were significantly lower than the previous quarter and influenced by higher copper metal production, lower C1 unit costs and a significant positive concentrate inventory movement due to timing of a shipment at the end of the quarter.

Capital expenditure at Tritton in the quarter was \$5.9million.

#### Tritton capital expenditure (A\$ Million)

	SEPT 2014 QTR	DEC 2014 QTR	MAR 2015 QTR	JUN 2015 QTR	SEP 2015 QTR
PROPERTY, PLANT AND EQUIPMENT	3.6	2.7	1.4	5.5	0.8
MINING DEVELOPMENT	5.1	4.4	3.5	2.9	3.9
EXPLORATION	0.5	0.5	0.5	1.1	1.2
TOTAL	9.2	7.6	5.4	9.5	5.9

#### OUTLOOK

Copper production guidance for FY2016 is maintained at 28,000 tonnes.



## 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.

At Tritton the current Ore Reserve extends down to the 4,200mRL level while the Mineral Resource extends down to the 4,000mRL (1,280m below surface). Importantly mineralisation has not been closed off at depth below this level.

A drilling program has recently commenced to better define the orebody below 4,200mRL, known as "Tritton Deeps". The Tritton Deeps project is a multi-phase drill program designed to test mineralisation continuity below current drilling information and extend the Mineral Resource Inventory to the 3,800mRL level (1,480m below surface).

The initial Tritton Deeps Phase 1 drill program has recently been completed with the results announced to the ASX on 2 October 2015 (correction announced 20 October 2015). The program, totaling 17 holes (6,641m) was designed to primarily confirm continuity of copper mineralisation between the 4,200mRL to 4,000mRL levels (the window approximately 200m below the June 30th 2014 Ore Reserve). Two drill holes were extended deeper and intersected copper mineralisation down to the 3,830mRL level (1,460m below surface) indicating copper mineralisation is not closed off a depth (see Figure 2). Drill hole intersections above 4,050mRL are perpendicular to sub perpendicular to mineralisation. Below 4,050mRL drill holes intersect the mineralisation at more acute angles and the true width of the orebody is more difficult to determine. This is relevant for drill holes TRNM009, TRNM010 and TRNM021a.

The second phase of the Tritton Deeps drilling program has commenced, the intent being to drill out the Tritton orebody to a 40m x 40m drill spacing between the 4,200mRL to 4,000mRL.

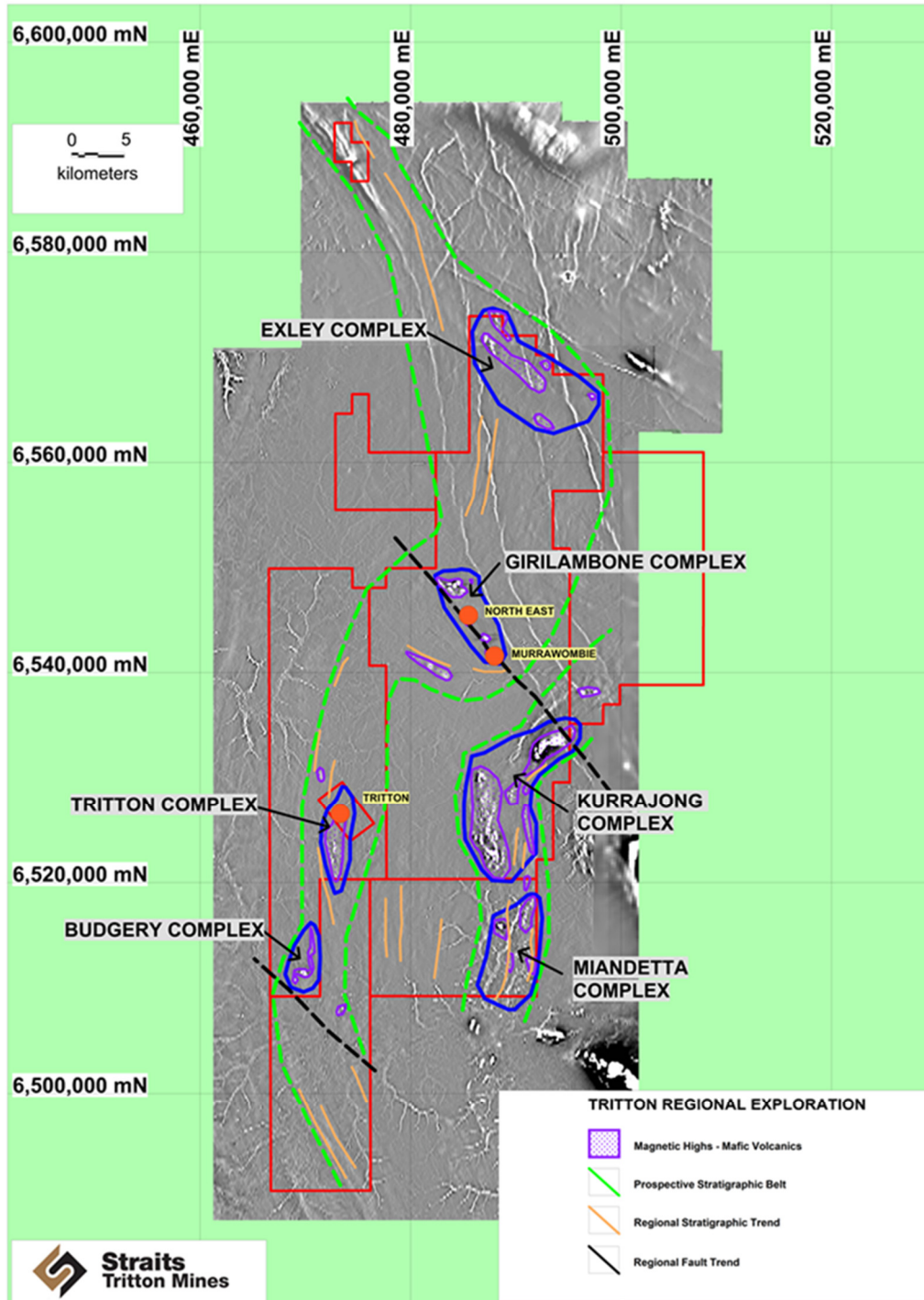


Figure 1: Tritton Region showing known basement complexes prospective for VMS systems and current operations.

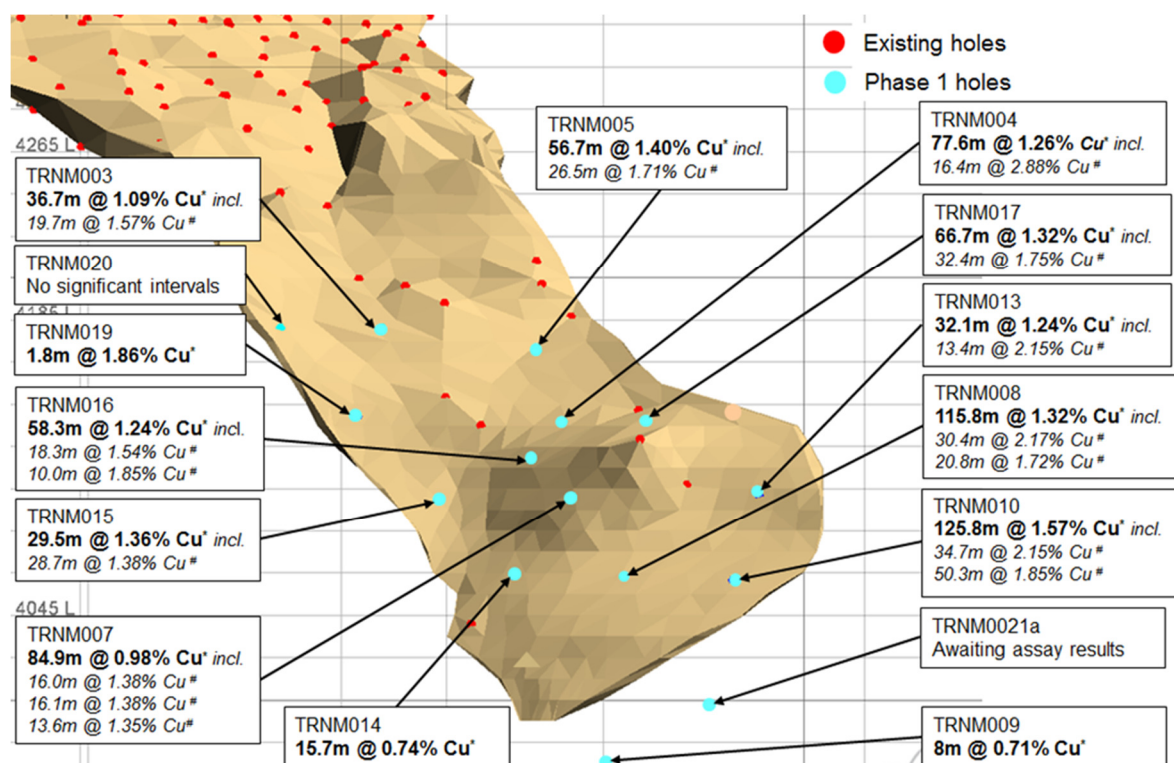


Figure 2: View looking northwest at the Tritton deposit (brown surface) showing the location of phase 1 drill holes intersections (hanging wall pierce points).

\* assay intervals are reported wholly within a nominal 0.4% interpreted Cu mineralised domain. Assay intervals are downhole lengths.

# assay intervals are reported at a 1.0% Cu cut-off grade with a maximum of 4.0m of <1.0% Cu internal dilution. Assay intervals are downhole lengths.

### Girilambone North Mafic Complex

During the quarter a near mine exploration drill program continued within the Larsens – North East VMS system (Girilambone North Complex). An extensive review of the geology data (drill holes, geophysics and mapping data) has resulted in the identification of a number of drill targets within proximity to the Larsens and Hartmans deposits. Each of the drill targets has been tested and the most prospective target is currently being drill tested to determine the extents of the VMS system, to determine the economic potential.

### Avoca Magnetic Complex

A regional RC drill program commenced towards the end of the quarter, targeting coincident geochemical and magnetic anomalies proximal to Mafic units within the Avoca Magnetic Complex. Down hole transient electromagnetic surveys (DHTEM) were completed on selected drill holes to test for off-hole conductors during the quarter. A geological interpretation applying the DHTEM survey results and RC drill results will occur in the forthcoming quarter to determine the prospectivity in the vicinity of the drill targets.





## Corporate

### CASH

At the end of the September quarter, Straits had useable cash and receivables of \$10.6 million, a decrease of \$18.8 million on the previous quarter, due to the timing impacts of a concentrate shipment (ca. 11,991 wmt) which was loaded onto the vessel at the end of September but not recognized as a sale until early October (with an invoice value of approximately US\$10 million).

\$million	Sep 2015 Quarter	Jun 2015 Quarter
Useable Cash - Straits Corporate and Tritton	3.8	24.0
Tritton - Copper concentrate receivables	6.8	5.4
<b>Straits/Tritton - Useable Cash and Receivables</b>	<b>10.6</b>	<b>29.4</b>
Investments	1.9	2.1

Investments decreased as a result of the sale of some listed share investments and share price decreases.

Corporate capital expenditure for the quarter was nil.

### TRITTON DEBT RESTRUCTURE WITH STANDARD CHARTERED BANK (SCB)

On 31 July 2015, Straits executed binding agreements with SCB and Special Portfolio Opportunity V Limited (PAG SPV) that:

- Restructures the current debt with SCB as follows:
  - A Senior Debt of US\$50 million (55% reduction) with 7 year term;
  - Redeemable Convertible Preference Shares being issued to SCB, subject to shareholder approval, equivalent to 60% of Straits' post-refinancing fully diluted equity; and
  - A price participation structure whereby SCB will receive a small percentage of incremental revenue above a copper price of A\$8,000 per tonne
- PAG SPV to:
  - Provide a three year US\$25 million Revolving Priority Debt Facility for growth projects and exploration at the Tritton Copper Operations; and
  - Be issued with, subject to Shareholder approval, Non-Redeemable Convertible Preference Shares equivalent to 15% of Straits' shares post-refinancing fully diluted equity.

PAG SPV, a subsidiary of a large Asian based investment firm with over US\$12 billion under management, is a new strategic partner for Straits.

For more detailed information regarding the debt restructure please refer to the ASX announcement made on 3 August 2015.



## SALE OF TEMORA AND CURRUMBURRAMA EXPLORATION PROJECTS

On 6 October 2015, Straits announced that it had signed a binding agreement with Sandfire Resources NL for the sale of Straits' interest in the Temora and Currumburrama exploration projects in New South Wales for A\$2.5 million (payable in Sandfire shares).

The Temora project is 100% owned by Straits and comprises the tenements EL6845 and EL5864.

The Currumburrama Project, comprising the tenement EL5792, is 100% owned by Straits with Sandfire earning into the tenement through a joint venture.

Completion of the sale is subject to various standard Conditions Precedent, including approval by the NSW Minister for Trade and Investment – Resources and Energy.

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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.