

30 January 2014

**ASX Release**

**Clarification and Correction to the Quarterly Activities Report**

Further to the Quarterly Activities Report released by Straits Resources Limited (ASX:SRQ) yesterday, 29 January 2014, Straits would like to clarify that the exploration results for the Kurrajong deposit referred to in the Quarterly Activities Report were first disclosed under the JORC Code 2004 and have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

In addition, Straits has made some amendments to the Competent Persons Statement in the Quarterly Activities Report.

An updated Quarterly Activities Report with these changes is attached.

Yours faithfully



**Danè van Heerden**  
Company Secretary



## Quarterly Activities Report

For the period ended December 2013



### DECEMBER 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 on track**
  - **Copper production of 6,306t meets market guidance for quarter**
  - **Full Year production guidance increased from 25,000t to 26,000t copper**
  - **C1 Cash Costs of A\$2.59/lb – increased maintenance costs to improve fleet reliability**
  - **Work on delivering additional 50kt of JORC compliant copper reserves continues**
- **Mt Muro remains on care and maintenance**
  - **Workforce re-trenched as of 1 January 2014**
  - **No firm offers to purchase received**

#### Corporate:

- **Cash (excluding Mt Muro) increased by \$3.3m.**
- **Mt Muro debt restructure completed and parent company guarantee removed**
- **Agreement with Magontec Ltd for early repayment of \$2.1m loan from Straits**



## Safety, Environment and Community

Tritton Mines had one Lost Time Injury (LTI) during the quarter; a low potential muscle strain by a fitter lifting a tool bag from the back of a vehicle. There were two high potential incidents: a jumbo boom coupling failure due to an installation error; and a road-train dolly fatigue failure.

At Mt Muro gold mine in Indonesia the operation remained on care and maintenance. There were no safety or security incidents. Security continued to be provided by police and Company security personnel.

There were three minor environmental incidents at Tritton during the quarter: two related to spills of small volumes of chemicals/hydrocarbons, both of which were rectified; and damage to a groundwater monitoring bore.

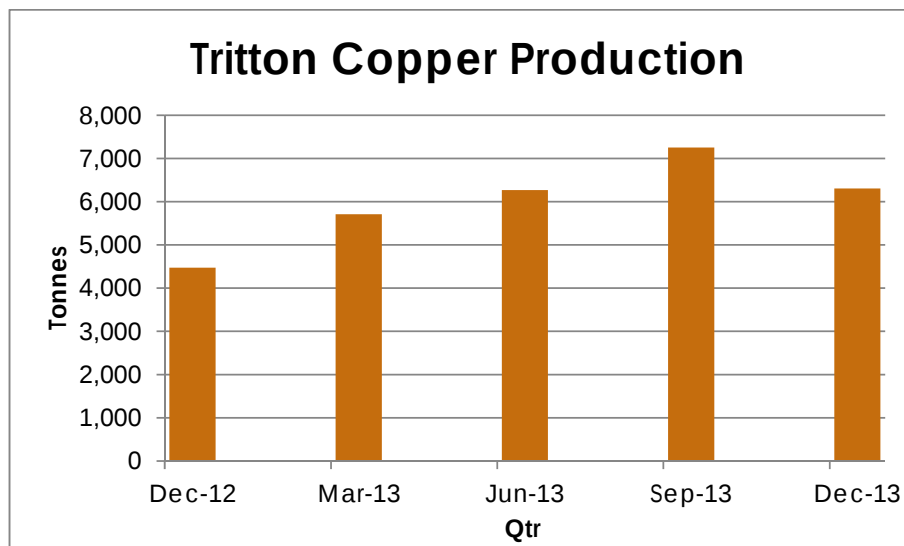
## Tritton Copper Mine (NSW)

### PRODUCTION

Copper production from the Tritton operation for the quarter at 6,306 tonnes was consistent with previous guidance. Tritton has increased full year guidance for copper production from 25,000 tonnes to 26,000 tonnes.

In November, a major six day shut-down of the ore processing plant was completed to replace the girth gear on the SAG mill along with other major works. This planned maintenance program had been delayed by two months to suit availability of specialist contractors and material. The shutdown was completed on schedule with no significant injury or incident.

Milling rates in November were reduced due to worn SAG mill liners. Replacement of the liners was delayed until late November to align with the major maintenance shutdown. The processing plant has performed well since completion of the shutdown.





Processing plant performance continues to improve steadily with de-bottlenecking of the ore supply system and a focus on planned maintenance. With sufficient stocks of ore in front of the plant the operations team have been able to continue to push throughput and operational reliability without loss of recovery or concentrate quality.

Mining production was steady at both Tritton and North East underground mines. The mining strategy is to apply careful sequencing and scheduling of stope production and development driving to achieve a sustainable quarter on quarter performance. This has now been achieved over consecutive three quarters.

Planned refurbishment of the mining equipment fleet continued in the quarter. As part of this program, either to replace hired equipment or in lieu of undertaking refurbishments on selected items of equipment, we have taken the opportunity to purchase quality used equipment that was available for sale following the slowdown in the mining industry.

Load and haul capacity remains as the primary constraint on Tritton mine production. Improving the reliability of the truck and loader fleet through refurbishment and improving the quality of maintenance has been a significant factor in steady performance of the operation. Improving the reliability of the mobile fleet has resulted in higher than planned expenditure however this is justified to support the improving production performance.

Ore grade was again above plan, by 5% this quarter, continuing the trend from the previous quarter. The stope extraction sequence is consistent with the plan estimates. The improved grade is attributed to a focus on quality of stope design and blasting, resulting in lower than estimated dilution and ore loss, combined with maintaining a buffer of broken ore stocks. Steady production performance allows time for quality design and operational decisions that contribute to a better mine outcome.

Capital expenditure at Tritton in the quarter was \$5.6 million.

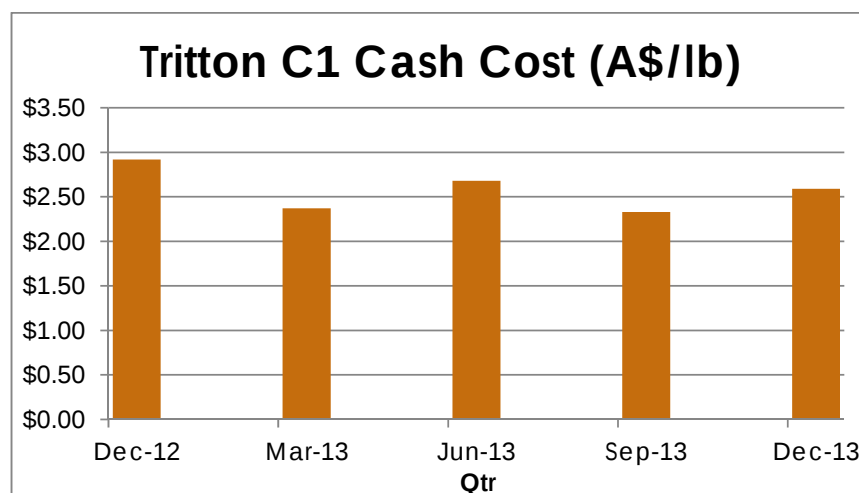


### Tritton Production Statistics

|                                 |        | MAR 2013 QTR | JUN 2013 QTR | SEPT 2013 QTR | DEC 2013 QTR |
|---------------------------------|--------|--------------|--------------|---------------|--------------|
| MINED                           | TONNES | 314,923      | 374,594      | 384,091       | 374,626      |
| GRADE                           | Cu (%) | 1.96%        | 1.82%        | 1.93%         | 1.82%        |
| ORE MILLED                      | TONNES | 300,183      | 350,270      | 395,527       | 369,283      |
| GRADE MILLED                    | Cu (%) | 1.95%        | 1.86%        | 1.91%         | 1.79%        |
| RECOVERY                        | Cu (%) | 95.20%       | 94.27%       | 94.98%        | 94.60%       |
| COPPER CONCENTRATE PRODUCED     | TONNES | 23,264       | 25,519       | 29,567        | 25,996       |
| COPPER CONCENTRATE GRADE        | Cu (%) | 24.0%        | 24.0%        | 24.30%        | 24.00%       |
| CONTAINED COPPER IN CONCENTRATE | TONNES | 5,580        | 6,132        | 7,183         | 6,248        |
| COPPER CEMENT PRODUCED          | TONNES | 132          | 139          | 72            | 58           |
| TOTAL COPPER PRODUCED           | TONNES | 5,712        | 6,271        | 7,255         | 6,306        |

### COSTS

Operating costs were higher than plan and relates to increased maintenance activities and reclassification into maintenance of some work on the mobile fleet which had originally been included in the plan as capital. Higher than planned expenditure on plant and mining equipment maintenance has been required to support the focus on reliable equipment performance as utilization has increased compared to the previous year. Additionally, during the major processing plant shutdown in November, some maintenance work scheduled for the second half of FY2014 was brought forward.





Unit costs were higher than last quarter reflecting the impact of lower copper production, the planned maintenance plant shutdown of the processing plant and the increased maintenance on the underground mobile equipment fleet.

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

|                                                            | MAR 2013 QTR | JUN 2013 QTR | SEPT 2013 QTR | DEC 2013 QTR |
|------------------------------------------------------------|--------------|--------------|---------------|--------------|
| TOTAL MINING COSTS                                         | 1.30         | 1.47         | 1.24          | 1.44         |
| TOTAL SITE PROCESSING COSTS                                | 0.46         | 0.54         | 0.48          | 0.50         |
| TC/RC'S & PRODUCT HANDLING                                 | 0.29         | 0.38         | 0.38          | 0.37         |
| NET BY-PRODUCT CREDIT (INCL<br>PROCESSING/TC/RC/TRANSPORT) | (0.06)       | (0.07)       | (0.07)        | (0.06)       |
| OTHER DIRECT CASH COSTS                                    | 0.38         | 0.37         | 0.30          | 0.34         |
| <b>TOTAL C1 COSTS</b>                                      | <b>2.37</b>  | <b>2.68</b>  | <b>2.33</b>   | <b>2.59</b>  |
| ROYALTIES                                                  | 0.10         | 0.07         | 0.14          | 0.09         |
| CONCENTRATE INVENTORY<br>MOVEMENT                          | (0.65)       | 0.26         | 0.07          | (0.73)       |
| TOTAL CASH COSTS                                           | 1.81         | 3.01         | 2.54          | 1.95         |
| DEPRECIATION & AMORTISATION                                | 0.57         | 0.47         | 0.47          | 0.57         |
| <b>TOTAL PRODUCTION COSTS</b>                              | <b>2.38</b>  | <b>3.48</b>  | <b>3.01</b>   | <b>2.53</b>  |

#### OUTLOOK

Copper production targeted for the March quarter is 6,200 tonnes. FY2014 guidance for copper production is increased from 25,000 tonnes to 26,000 tonnes.

### Mt Muro Gold Mine (Indonesia)

There was no production during the quarter as all operations at Mt Muro ceased on 2<sup>nd</sup> August when the operations were placed on care and maintenance. Pumping of the pit was stopped to allow it to flood, preventing access by illegal miners. There were no safety or security incidents. Only essential maintenance, security and administration staff remained at work. The remaining employees were stood down on basic salary.

All employees were subsequently notified that their positions were to be made redundant from 1 January 2014. A small number of essential staff have been retained on a short term contract basis.

No binding offers to purchase the operation have been received. The company is considering its alternative options if no buyer is found.

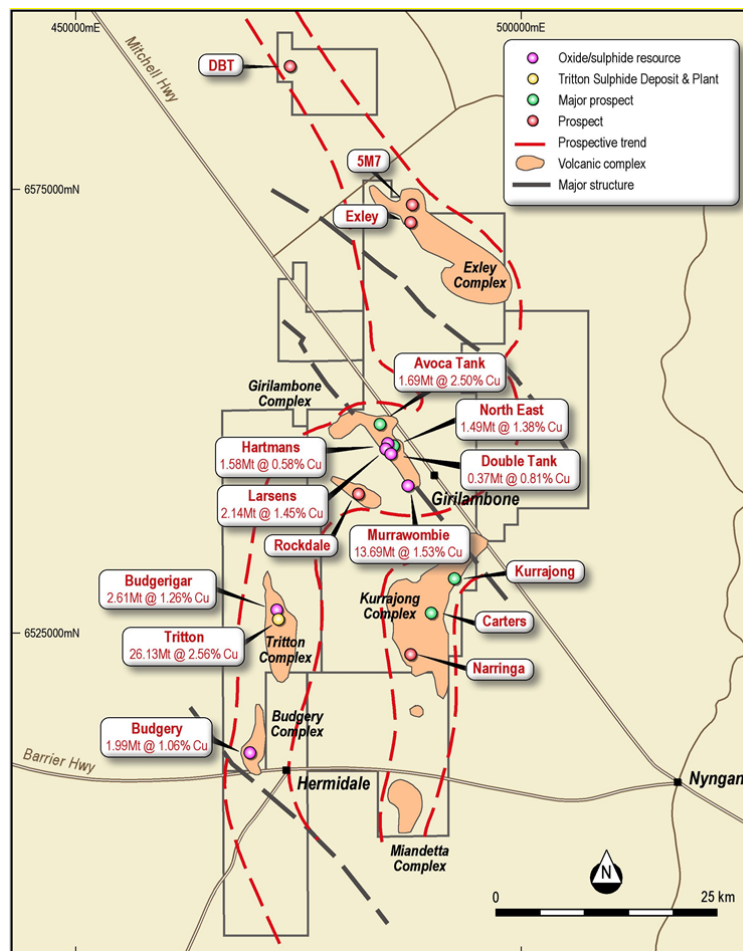
## Exploration and Project Development

### 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 diagram below (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 continuing success allied 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



**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 TKJD010 and TKJD011, which remain untested at depth.

Significant intersections returned to date 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.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

**Avoca Tank:**

Feasibility study work has re-started on the mining plan for the Avoca Tank deposit. The feasibility study program of work included: review of the Mineral Resource estimate; metallurgical testing to confirm metal recoveries expected from the ore when treated in the Tritton concentrator; surface infrastructure engineering; review of mine capital development and stope design; geotechnical studies; and completion of environmental impact study report. The feasibility study will allow for an estimate of Ore Reserve for the Avoca Tank deposit to be reported in the next quarter.

The 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 SXEW 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 concentrator.

Concept level studies indicate that both the open pit project and the underground mine project would be commercially viable. Diamond drilling to collect samples for metallurgical testing and geotechnical data is planned for the March 2014 quarter to support the feasibility studies.



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 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 concentrator to produce copper concentrate.

Additional resource drilling will be required for geology, metallurgical test samples and geotechnical data collection. The drilling program has been designed and application for the necessary environmental permits is being prepared.

***Tritton Region:***

There was no regional exploration on the Tritton leases during the quarter. Field work will commence in February 2014 with an air core drilling program.

**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 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 maximizing value from this project.

**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. The exploration tenement package is owned by the Straits subsidiary, Goldminco. Goldminco and Inova Resources (Osborne) have two exploration Joint Venture agreements covering these leases where Inova was the operator and had the right to earn up to 70% ownership. There has been no significant exploration activity by Inova in 2013.

Inova Resources has been acquired by Shanxi Donghui Coal Coking & Chemicals Group Co. Ltd. As a result of the takeover, Inova has notified Straits that it will be withdrawing from the Joint Venture agreements. The tenements are to be returned to Goldminco 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.

Opportunities for sale of the tenements or entry to an exploration joint venture with new partners are to be investigated.

Straits' exploration expenditure for the quarter was \$0.5 million, predominantly on the tenements around the Tritton operations.

## Corporate

### CASH

At the end of the December 2013 quarter, Straits (excluding Mt Muro) had total cash and copper concentrate sales receivables of \$17.2 million, a decrease of \$10.8 million on the previous quarter, with the decrease due to lower copper concentrate receivables at the end of the quarter. Usable cash held by Straits and Tritton increased by \$3.3 million over the previous quarter:

| \$million                                             | December 2013<br>Quarter | September 2013<br>Quarter |
|-------------------------------------------------------|--------------------------|---------------------------|
| Useable Cash - Straits Corporate and Tritton          | 11.6                     | 8.3                       |
| Tritton - Copper concentrate receivables              | 5.6                      | 19.7*                     |
| <b>Straits/Tritton - Useable Cash and Receivables</b> | <b>17.2</b>              | <b>28.0</b>               |
| Useable Cash – Mt Muro operations                     | 0.1                      | 2.4                       |
| Investments                                           | 1.3                      | 1.3                       |
| Restricted Cash                                       | 15.9                     | 15.6                      |

\*This was incorrectly reported as \$20.7m in the September 2013 Quarterly Report.

The copper concentrate receivables as at 31 December 2013 were lower than at the end of the previous quarter due to timing impacts of concentrate shipments. A shipment originally due in the final week of December was deferred until the first week of January (ca. 10,700wmt with an invoice value of approximately US\$15.3 million).

Corporate capital expenditure for the quarter was \$0.1 million and related to the establishment of the new corporate office in Brisbane.



#### **MT MURO DEBT RESTRUCTURE**

On 5 November 2013 the Mt Muro debt restructure was completed. Completion of the restructure resulted in the close out of the existing Mt Muro debt between Straits' wholly owned subsidiary, PTIMK and Credit Suisse International and removed Straits as a guarantor of the Mt Muro debt. Convertible Notes with a face value of US\$7.0 million were issued by Straits to Credit Suisse international.

#### **BOARD CHANGES**

On 28 November 2013, Mr Mike Menzies, joined the Straits Board as a non-executive director.

#### **EARLY REPAYMENT OF \$2.1m LOAN BY MAGONTEC**

In line with the previously stated strategy of seeking to extract value from non-core assets, on 25th November Straits announced that it had reached agreement with Magontec Ltd (Magontec) (ASX:MGL) for the early repayment of a \$2.1 million loan owed to Straits. The agreement also included Straits converting Convertible Notes in Magontec Ltd with a face value of \$6.869 million and Straits being entitled to nominate the appointment of a non-executive director to the Board of Magontec.

The \$2.1 million loan was repaid to Straits on 17th January 2014.

The Convertible Notes held by Straits have been converted resulting in Straits having a shareholding in Magontec of approximately 15.5%. Straits Executive Chairman, Andre Labuschagne, has joined the Magontec Ltd board as a non-executive director.



For further information contact:

Mr. Andre Labuschagne – Executive Chairman and Chief Executive Officer  
(07) 3034 6200

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 relating to Mineral Resources and Drilling Results is based on, and fairly represents, information and supporting documentation prepared by Mr Byron Dumbleton, Member of the Australian Institute of Geoscientist (Member No 1598). This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. 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 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Dumbleton consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mineral Resources reported are inclusive of 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.

The information in this report relating to Ore Reserves is based on, and fairly represents, information and supporting documentation prepared 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 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Sheppard consents to the inclusion in the report of the Ore Reserve estimates in the form and context in which it appears.