ASX ANNOUNCEMENT: 10 March 2010

Straits

CEO on Strategy & Outlook

Open Briefing with Chief Executive Officer Milan Jerkovic

Straits Resources Limited
Level 1, 35 Ventnor Avenue
West Perth, WA 6005

In this Open Briefing®, Straits Resources CEO Milan Jerkovic discusses

- Tritton Deeps and project expansion plans
- Mt Muro recapitalisation progress and strategy
- balance sheet strength and acquisition opportunities

Open Briefing interview:

openbriefing.com
Straits Resources Limited (ASX code: SRL) has confirmed a mineralised zone below the current resource envelope at the Tritton Copper Project in New South Wales. What is this significance of the results achieved so far? What further resource development work is planned?

CEO Milan Jerkovic
The drilling in the Tritton Deeps certainly has produced some interesting results so far. Mineralisation is reasonably wide with strong continuity, probably at this stage lower grade than we would like at that depth, although there's also potential to change that with further work.

What's happened recently is that we have refocused our exploration effort more around the gap between the Deeps and the current known reserves at Tritton. This is to try and give us more certainty around finding an incremental two or three years of reserves from the known mineralisation and in between the deeper holes that we've already drilled. That work will continue over the next three to six months and we expect to be able to increase both the resource and reserve base at the Tritton mine itself. All that work is based around trying to confirm that we've got a solid 25,000 tonnes or so of copper a year for the next ten years out of the Tritton ore body.

Our expanded exploration program is really targeted around developing some of the nearby incremental ore bodies that will add to our base production target for Tritton. Further discoveries on a regional scale will lift Tritton's overall mineral inventory and establish a solid resource-reserve base toward supporting 30,000 tonnes of sustainable copper production for a minimum of ten years.

openbriefing.com

What are your expectations for the potential orebody at Budgery, near Tritton? How soon until you can define a resource and/or mineable reserve for the Budgery Project? What impact could Budgery have on the overall production and cost profile at Tritton?

CEO Milan Jerkovic

Budgery is an open pittable incremental ore body to Tritton and we expect to be able to complete the resource-reserve work this year. We're moving that project into the approvals process as we speak and we should be in position by the second half of this year to have approval to mine. We've actually started some reserve definition drilling already, with more planned over the coming few weeks.

As a second source of ore it could possibly add about 5,000 tonnes of annualised incremental production to the mill for a number of years. Being an open pit makes it an easier mining proposition and it should lower the cost base because you're spreading the fixed cost of the mine across a higher production rate.

openbriefing.com

The Company has flagged a US$20 million recapitalisation program for the Mt Muro Gold Project in Indonesia. What is the plan with this expenditure? How will this investment obviate previous problems of a lack of suitable ore and, more recently, higher cash costs? What progress has been made toward completing your 60,000oz (annualised) production upgrade by the end of the March quarter 2010?

CEO Milan Jerkovic

The program is probably half way through its implementation, so we've got about US$10 million or so still to spend. The planned expenditure is mostly on capitalising one underground mine; pre-stripping a second mine near the plant and some incremental expenditure on tailing dams and infrastructure. The way this will achieve a higher production rate and a lower cost profile is that we expect to significantly increase the grade of ore going through the mill from the underground deposit, which has been the main problem recently at Muro.

We've had reasonable volume going through the mill but the grade has been too low to achieve our annualised production target. Unfortunately, this has also meant our cost base has been higher than we would like. We expect to see some of the impact of our program toward a sustainable production rate this quarter and then, going forward, the real impact of the underground mine development will come in from the end of this year.

Our expectation is that we'll continue to reduce operating costs on a unit basis every quarter from here on, but then really looking forward to a sustainable US$600 per ounce cash operating cost from 2011 full calendar year and maintain that cost base for at least five years.

openbriefing.com

The Hillgrove antimony/gold mine in NSW has been on care and maintenance since mid-August 2009, pending the outcome of an operational review. When will a decision be made on your intentions toward the Project? What options are you considering?

CEO Milan Jerkovic

We're just starting to review some of the internal work that's been done on the technical issues and propositions to move forward and that includes the treatment of the water that needs to be cleaned up on site and whether we go to differential flotation versus a bulk concentrate. The initial findings suggest that the future for Hillgrove is to go to antimony and gold concentrate production. The initial feedback from the market, although we haven't finalised any terms there yet, is quite favourable in terms of getting decent treatment charges for both concentrates and it gives us a lower cost and a lower risk option to get into production while we then evaluate the long-term potential of the site from a gold perspective and potentially metal production down the track. We should be able to complete that review and make those decisions towards the end of April, early May, and give the market a clear guidance as to what we intend to do with the assets.

With Hillgrove we're just not sure at this stage whether it may be too small for the Group. While we are confident that a concentrate operation going forward will be very profitable, size is a key issue for Straits and will considered in the final decision regarding our future participation in the project.

openbriefing.com

As part of its non-core asset divestiture, SRL has also become a major shareholder in listed resource companies now managing those former Straits assets. What are your plans to manage these investments and realising value from them in the longer-term? How has this enabled you to meet your simplified balance sheet objectives? Do you have a timetable for the flagged sale of the GfE trading business?

CEO Milan Jerkovic

Some of our investments are assets that we've vended into companies; others are just direct investments in some listed vehicles, so they're probably somewhat different in terms of the way we would treat them. However, as a general statement the investments basically account for about A$38 million on our balance sheet. We view these more as a place to put some cash and that gives us a better return than having it sitting around in US or Australian dollars.

Our objectives have always been to consider the needs of our company assets and balance sheet requirements to be core rather than any such investments. That being said we don't intend to necessarily expand that investment portfolio too far beyond what we have today.

With our GfE trading business we have started a process where we would expect we're going to have some sort of outcome within six months.

openbriefing.com

During the December 2009 Half-year Straits received the second US$115M performance payment from Asia Pacific Mining Pty Ltd (PTT). Are you still planning on paying a dividend following the second instalment?

CEO Milan Jerkovic

Payment of any dividend will be considered as part of the normal course of business when the full year financial results are known. While the board has flagged the potential intention to pay a further 20 cent special dividend from that transaction, it will only be decided once the financial year results and our capital needs for the company are known.

openbriefing.com

Straits Resources has ambitions of being an ASX100-listed company. What are the key milestones to you meeting your objective? What suitable investment criteria are you applying to potential investments and asset acquisition opportunities? Where are you looking?

CEO Milan Jerkovic

In terms of having aspirations to be an ASX100-listed company, the only way you can achieve that is to demonstrate long-life sustainable cash flows. Trying to lengthen and strengthen the nature of cash flows really only comes from multi-cycle, long reserve and resource life assets that provide reasonable margins. That's our objective.

The acquisition wish list for us is basically copper, copper-gold and then coal. After that it comes down to location. We will start in our local region - around SE Asia and Australia - first and move out incrementally beyond that if we can't find the right opportunities.

In the first instance of course, we are looking at our own assets and increasing those profiles over the next twelve months, in particular getting the full value of our coal interests reflected in our share price. We need to make sure that Tritton is properly capitalised and presented clearly this year to the market and we also expect to be producing some results from our two key exploration assets; the Goldminco ground around Temora in NSW and to the east of Cadia-Ridgeway and the Torrens IOCG Project in South Australia, where we hope to be on the ground drilling sometime in the second half of this calendar year.

Beyond that, the key thing we're working on is the Mt Muro recapitalisation and securing sustainable cash flow from that asset going into calendar 2011. Continued simplification of our balance sheet will demonstrate where we are going and future value will be realised from demonstrating that the capital we've spent on our coal and copper businesses is producing sustainable cash flows and giving us maximum financial flexibility in pursuing any acquisition opportunities.

openbriefing.com

Thank you Milan.

For more information about Straits Resources, visit straits.com.au or call Milan Jerkovic or Dave Greenwood on +61 8 9480 0500.

To read other Open Briefings, or to receive future Open Briefings by email, please visit openbriefing.com