Straits Resources Limited

Annual Report to Shareholders
2013

CORPORATE DIRECTORY

Directors

Andre Labuschagne	Executive Chairman
Alastair Morrison	Non-executive Director
Michele Muscillo	Non-executive Director

Company Secretary

Matthew Smith

Senior Management

Corporate

Rob Brainsbury	Chief Financial Officer
Ian Sheppard	Chief Operating Officer
Matthew Smith	Deputy Chief Financial Officer & Company Secretary
Ivan Jerkovic	General Manager Exploration

Operations

John Miller	General Manager Tritton Mine

Registered and Head Office

Level 1
168 Adelaide Terrace
EAST PERTH WA 6004
Tel: (08) 9480 0500
Fax: (08) 9480 0520

Share Registry
Computershare Registry Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000
Tel: (08) 9323 2000
Fax: (08) 9323 2033

Website

www.straits.com.au

Stock Exchange Listing
ASX Limited (ASX: SRQ)

Auditors

PricewaterhouseCoopers

Lawyers
HopgoodGanim

CONTENTS

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

In 2013 Straits' Tritton operations produced more than 23,000 tonnes of copper metal.

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 has a clear vision to become a mid-sized, multi mine company - delivering shareholder value through an unwavering focus on operational excellence.

STRATEGIC FOCUS

Straits is a base-metals focused mining company with core skills centred on operational excellence. In the year ahead the company has a clear strategy to deliver shareholder value through:

- Producing 25,000 tonnes of copper metal from the Tritton Copper Mine;
- Adding 50,000 tonnes of JORC compliant copper reserves at Tritton;
- Exiting the Mt Muro Gold Mine in Indonesia through divestment or closure;
- Re-profiling the company's debt structure to better align with its financial capabilities;
- Continued downsizing, including relocating its corporate office to Brisbane; and
- Seeking opportunities to accelerate exploration of its advanced and highly prospective Temora project.

Longer term our aim is to become a mid-sized, multi-mine company with a bias towards copper projects. This growth will be achieved through:

- Continuing exploration around Tritton to increase mine life and leverage off established infrastructure; and
- Seeking merger and acquisition opportunities of mines and companies where:
    - Straits' core operational competencies can add value;
    - Opportunities exist for corporate or operational synergies; and
    - The risk / return dynamics of a potential transaction meet the company's hurdle rates.

EXECUTIVE CHAIRMAN'S STATEMENT

Following a year of substantial change, during which the company faced a number of operational, corporate and financial challenges, Straits has emerged with a leaner corporate structure, a clear strategic focus on its copper assets, and an improving operational performance marked by a strong second half from the Tritton Copper Mine.

Whilst looking forward and continuing to drive shareholder value remains our key focus, it is worth outlining the key changes in the business in the last financial year, implemented to position the company for future growth.

- The Board and Executive Management Team were restructured;
- The corporate office was right-sized from 50 people in July 2012 to 12 people at the end of June 2013, and will further reduce to 8 people with the relocation of the corporate office from Perth to Brisbane;
- The Tritton operations were restructured, including reduction in personnel/contractors and other cost saving initiatives. Tritton achieved monthly mine and processing records in the second half of the financial year as the strategies and plans of the new site management team began to be realised;
- The sale of the Hillgrove Antimony/Gold operation and associated Pressure Oxidation Plant (POX) realised approximately $37.1million ($3.0 million option fee, $27.0 million sale price for the Hillgrove operation, $3.5 million (including GST) for the POX plant and $3.9 million through the release of environmental bonds);
- Restructurings of the Mt Muro pre-paid silver facility with Credit Suisse resulted in the deferral/re-profiling of the facility;
- An initial Mineral Resource was reported at the Avoca Tank Project near Tritton;
- Completion of a drilling program at the Kurrajong complex at Tritton confirmed the presence of a large mineralised copper system; and
- The non-core Stuart Shelf exploration assets were sold for $2.2 million (including GST).

After the end of financial year the following additional key changes were made:

- The unprofitable Mt Muro Gold Mine was placed on care and maintenance and potential buyers sought;
- Agreement was reached with Credit Suisse, the senior lender to PT Indo Muro Kencana (a wholly owned subsidiary of Straits and the owner of Mt Muro) to close out the pre-paid silver facility and release the parent company guarantee in exchange for a payment of US$7.5 million and issue of US$7.0 million in Convertible Notes by Straits; and
- An interim restructure of the Tritton pre-paid copper swap facility was successfully negotiated with Standard Chartered Bank resulting in a reduced repayment profile from August 2013 to April 2014.

The decision to place Mt Muro on care and maintenance and to seek a buyer was not taken lightly, however the combination of a weak pricing environment and multiple, major disruptions on site impacted our ability to fully leverage a new mine plan, which by the end of the financial year was beginning to deliver on the strategy of lowering the pit strip ratio to an economic level. In August this year, the Board considered that the provision of any further material funding to Mt Muro would put the future of the group at risk. The decision to proceed with a divestment process was a difficult decision, but one taken with the aim of conserving shareholder value. In the event that the sale process is not successful the operation will be closed.

Tritton had a disappointing first half of the financial year and failed to meet internal targets due to delays in production of key high grade stopes in the December quarter. However, in the second half of the year the operations improved performance and achieved record monthly copper production at its underground operations and processing plant. Importantly, the successful negotiation of new, and more affordable interim terms of the copper swap with Tritton's senior lender subsequent to the end of the financial year, provides a window of opportunity to focus on the design and implementation of an optimal life of mine plan to underpin the sustainable delivery of value from the Tritton asset portfolio going forward.

The challenging year was reflected in the Group's loss after tax for the financial reporting period to 30 June 2013 of $240.7 million compared with a loss before minorities and after tax for the previous corresponding period of $139.2 million. At an operational level, Tritton recorded a net profit after tax of $6.8 million (prior year net loss after tax of $66.5 million) whilst the Mt Muro gold mine had a net loss after tax of $214.8 million (prior year net loss after tax of $4.1 million).

A number of factors impacted on the result, including the $142.8 million impairment of Mt Muro, $40.2 million write down of inventory at Mt Muro to net realisable value, $14.5 million impairment of loans and receivables, and the $9.6 million net gain from the disposal of the Hillgrove mine.

At 30 June 2013, Straits' cash and investments included cash $18.3 million, investments $1.4 million and $20.8 million of restricted cash. The Group's net cash outflow from operating activities during the period was $24.8 million with net cash outflows from investing activities of $26.2 million and net cash inflows from financing activities of $56.2 million.

The leaner company structure supporting the sharp focus on our copper portfolio (Tritton and Temora assets), more sustainable financial structure, and continuing improvements in operational performance and cost management combine to provide a solid foundation for growth.

Our flagship Tritton mine will be the key platform for improving our performance. We will continue to focus on productivity gains and cost reduction strategies, while building on the solid production improvements made at Tritton during the 2012/2013 financial year. At Tritton we also have an exciting portfolio of exploration projects, demonstrated by success in the last twelve months with an initial JORC Mineral Resource at the Avoca Tank deposit and confirmation of a large mineralised copper system at the Kurrajong prospect. We are also optimistic about the potential of the Temora copper and gold project. Beyond our organic operational and development assets we will also target M&A opportunities where they meet our financial and strategic hurdles.

I am confident that Straits has turned the corner, and that the start of the new financial year finds us better positioned to realise the significant potential of our key copper assets, while at the same meeting our fundamental aim of increasing shareholder value.

To the Board of Directors, and the management, staff and contractors who are central to the achievement of this aim, thank you for your valued contribution and support through a difficult and changing environment. And, not least, thank you to our shareholders for your support during this defining period in your company's development.

Andre Labuschagne
Executive Chairman

REVIEW OF OPERATIONS AND ACTIVITIES

Financial Results

The Group recorded a loss after tax for the financial reporting period to 30 June 2013 of $240.7 million compared with a loss before minorities and after tax for the year ended 30 June 2012 of $139.2 million.

The June 2013 financial result for the Group was impacted by a number of key factors, including:

- The impairment of the Mt Muro operation $142.8 million;
- The impairment of loans and receivables $14.4 million; and
- The gain on disposal of the Hillgrove Mine $11.7 million.

Sales Revenue	30 June 2013 $M	30 June 2012 $M
Base Metals - Tritton	168.1	196.2
Precious Metals – Mt Muro	92.0	54.2
Sales Revenue from Mining Activities	**260.1**	250.4
Revenue from discontinued operations	-	-
Total Sales Revenue	**260.1**	250.4

The net loss for the period is inclusive of the following:

Profit/(loss)	30 June 2013 $M	30 June 2012 $M
Tritton*	6.8	(66.5)
Mt Muro*	(214.8)	(4.1)
FX gains/(losses)*	0.5	2.6
Loss on Investments held for trading**	(2.8)	(11.4)
Administration and support	(16.4)	(12.7)
Other items**	(23.6)	(44.6)
Loss from ongoing activities	**(250.3)**	**(136.7)**
Profit from discontinued operations	9.6	2.5
Total Loss	**(240.7)**	**(139.2)**

*Amounts have been restated from that reported in the preliminary final report, mainly due to reallocation of FX gains/losses
**Amounts have been restated from that reported in the preliminary final report.

The Independent Audit Report contains a modified opinion, including an emphasis of matter in relation to the material uncertainty regarding going concern.

Financial Position

The net loss attributable to Straits for the year 30 June 2013 of $240.7 million, which was largely impacted by total impairments of $159.8 million, has resulted in the Group's net asset position declining by $159.8 million from $127.2 million at 30 June 2012 to a negative net asset position of $32.6 million at 30 June 2013. The negative net asset position of $32.6 million at 30 June 2013 included liabilities relating to the Mt Muro operation of $107.8 million.

At 30 June 2013, Straits' cash and investments included cash $18.3 million, investments $1.4 million and $20.8 million of restricted cash. The Group's net cash outflow from operating activities during the period was $24.8 million with net cash outflows from investing activities of $26.2 million and net cash inflows from financing activities of $56.2 million. Foreign exchange revaluations amounted to $0.1 million on cash and cash equivalents.

Corporate

There was significant change at Board and Executive level during the last 12 months. The Straits corporate office was also reduced from a staff of ca. 50 at the beginning of the year, to a team of twelve people by the end of the year. The corporate team will reduce further to eight people as the corporate office is relocated to Brisbane. These reductions were necessary in order to "right size" the corporate office in line with the Company's scope of operations.

In October 2012 Straits raised $60 million via an equity issue ($49.3 million after costs and repayment of a short term facility provided by Glencore). Further funds were raised from asset sales, primarily the Hillgrove Antimony Mine and associated Pressure Oxidation Plant.

On two occasions during the period under review (in August 2012 and June 2013), Straits negotiated a restructure of the silver prepayment facility at Mt Muro, between Straits' wholly owned subsidiary PT Indo Muro Kencana (PT IMK) and the Senior Lender. Subsequent to the financial year end, Straits announced that it had negotiated a settlement of the silver prepayment facility (which constituted a debt in the order of US$26 million after close out of gold hedging gains and a Straits parent company guarantee) in return for an up-front payment of US$7.5 million and issue by Straits of US$7.0 million in Convertible Notes. This was a significant development for the company both in terms of reducing net debt exposure at Straits level and as removal of the corporate guarantee enabled consideration of a broader range of strategies for the Mt Muro operation.

Also subsequent to the financial year end, Straits announced the company had reached an agreement with Standard Chartered Bank (SCB), for an interim restructure of the company's existing pre-paid copper swap facility for the nine months from August 2013 to April 2014. Under the revised terms, the monthly payments will be reduced from 450 tonnes to 69.9 tonnes of copper. At the end of the nine month period the remaining facility is intended to be restructured over a 5 year term subject to further negotiation between the parties. The successful interim restructure is significant as it provides greater financial certainty as we refocus on ensuring that the Tritton mine performs to its potential.

Base Metals - Tritton Copper

A number of operational issues were experienced during the first half of the financial year, in both mining and processing. These related to difficulties in scheduling a stable stope production cycle with the paste fill system, workforce changes after the conversion to a full owner-operator model, and poor equipment reliability. In the second half, management refocused on the basics of planning, people and maintenance, resulting in a significant turnaround to stable performance with sustained production at budget levels. By year end, both the Tritton underground mine and the processing plant achieved record monthly production.

The extension of the ore body at the North East mine was completed and stoping commenced, extending mining at North East by at least a year. Production from this mine was an important source of ore during periods when Tritton mine ore production was lower than targeted.

Production of copper cement from the heap leach pads at Girilambone continued, although production rates declined due to problems with process pump reliability and other maintenance issues. This is being addressed as focus on maintenance fundamentals continues across the operation.

Feasibility studies into mining the high grade Avoca Tank deposit were progressed. Most of the required baseline studies and stakeholder consultation were completed in preparation for submitting the required documentation necessary for the mining lease to be granted. Further resource definition drilling confirmed the grade of the deposit, although the size was reduced. The deposit however remains open at depth. A decision on project development and timing is expected in 2014. There is significant potential for discovery of an adjacent len(s) in the region which would change the project development plans.

PRODUCTION STATISTICS - TRITTON			
	Units	FY2013	FY2012
Development	Metres	6,103	6,068
Mined	tonnes	1,303,552	1,260,656
Grade Mined	% Cu	1.88%	1.96%
Milled	tonnes	1,267,683	1,254,355
Grade Milled	% Cu	1.91%	1.96%
Recovery	%	94.10%	94.84%
Cu Concentrate	**tonnes**	**94,520**	93,580
Cu Grade	**%**	**24%**	25%
Cu in concentrate	**tonnes**	**22,803**	23,374
Cu Cement	**tonnes**	**535**	587
Total Cu Produced	**tonnes**	**23,338**	23,962

Resource Development

Ongoing replenishment of JORC compliant Ore Reserves at Tritton forms part of the core strategy for the group moving forward. A key target during the current financial year is to add 50,000 tonnes of JORC compliant copper Ore Reserve inventory at the Tritton operation. The additional JORC compliant Ore Reserves targeted for FY2014 will come from the following advanced resource development projects located on the Tritton tenements:

Avoca Tank
Avoca Tank is located approximately 2 kilometres north of the Girilambone North operations. Scoping studies and regulatory approvals are ongoing.

Resource drilling programmes during the latter quarters of FY2013 have allowed the estimation of an Indicated Mineral Resource of 704Kt at 2.8% Cu, 1 g/t Au and 14 g/t Ag. The Avoca Tank deposit remains open at depth below 450m and significant potential exists to add resources at depth.

Economic evaluation of the deposit continues. Baseline studies including flora/fauna and heritage studies have been completed and a ground water study commenced. The mining lease application will be progressed during FY2014. The company remains positive that extensional discoveries will be made in and around the Girilambone Mafic Complex.

Murrawombie Pit
The Murrawombie Pit extension is located below the historically mined Girilambone Copper Company oxide and supergene pit. Limited RC drilling will be required to upgrade the current inferred resource contained within in-house pit optimisations to an indicated category to allow design for mining reserve evaluation. The current resource base is located entirely within a granted mining lease footprint, and straightforward addendum to the existing Mine Operation Plan would be required to commence mining operations.

Murrawombie Underground
Murrawombie underground has the opportunity to add additional Ore Reserve tonnages by improving mining recovery utilising introduced backfill from heap leach pads and underground mine waste. A complete review of the design parameters and economics is needed to determine the optimum design criteria for reserves. This study is underway. Like the Murrawombie pit, Murrawombie underground is on an existing Mining Lease with mining operations approved. The Mine Operation Plan would need to be amended to reflect a change from care and maintenance to active mining.

Budgery Open Pit
The Budgery open pit project is located is located approximately 20 kilometres south by sealed road from the Tritton processing plant. Significant drilling has already been conducted. Work is being undertaken to quantify what oxide material is capable of being treated via heap leach to improve on already positive economics. A drill out of oxide material to a higher level of confidence would be required. An updated Mineral Resource based on 2010 drilling is currently being prepared and will be used to progress mining studies.

Budgerygar Underground
A mining study is underway to evaluate the economics of accessing the Budgerygar underground orebody from Tritton underground workings and utilising paste fill to increase mining recoveries.

Outlook

Straits continues to confirm the significant geological potential of the Tritton region, and remains positive on the long-term growth potential of the Tritton Mine complex. The operation is targeting production of 25,000 tonnes of copper in FY2014.

Feasibility studies into the Avoca Tank underground mine, Murrawombie open pit extension, Murrawombie underground mine, Budgery pit, and treatment of oxide resources are also planned.

An upgrade of the ventilation circuit at Tritton will be required soon to support mining of the deeper ore body. A feasibility study into a new ventilation shaft raise bored to surface will be carried out with the aim to start installation during the new financial year.

Precious Metals - Mt Muro Gold

Production

Gold and silver production at the Mt Muro Gold Mine increased by some 65% compared to the previous year. All mining during the year was in the Serujan pit, with the improved production resulting from increased exposure of ore as this pit was mined deeper to expose the ore body. By the second half of the year the pit had been developed to a stage it could ensure sufficient ore was mined to operate the processing plant at full capacity.

At the beginning of 2013, production was significantly interrupted by delayed mining of high grade soft oxide ore from the eastern end of Serujan pit while the size of an exclusion zone around an area of cultural significance was negotiated with the local community and the Provincial Government. Consequently, there was greater reliance on mining in the western end of the pit where the ore is fresh, harder and lower grade.

In the western end of the Serujan pit the mined grades were disappointingly low compared to the resource model estimates, necessitating a revision of the estimation methodology which resulted in a new resource model that proved to be an accurate estimate of ore grade. A new mine plan was designed to reduce the quantity of waste mining and lower the pit strip ratio to an economic level in response to the lower resource grades and metal prices, amongst a number of other initiatives implemented to reduce operating costs.

A major conflict between police and illegal miners in late June 2013 resulted in damage to the mine office, parts of the accommodation camp and several light vehicles. Operations were again suspended while security was restored.

Despite the improved performance; lower than budget grades, the falling gold price, delayed operating cost reductions and the series of production interruptions all contributed to the operation remaining cash flow negative to the end of the year.

Consequently, in early August the Board considered that Straits was no longer in a position to continue providing material funding support to Mt Muro and placed the operation on care and maintenance.

PRODUCTION STATISTICS MT MURO			
	Units	**FY2013**	**FY2012**
Overburden movement	Bcm	7,544,731	9,810,635
Ore Milled	tonnes	1,084,243	653,409
Grade – Gold	g/t Au	1.21	1.18
– Silver	g/t Ag	34.82	34.40
Recovery – Gold	% Au	93.31%	93.40%
– Silver	% Ag	75.26%	72.50%
Production (Gold)**	**oz Au**	**39,212**	23,160
(Silver)	**oz Ag**	**884,136**	529,130

Exploration

During the period under review, exploration was focused on the advanced projects at Tritton and Temora in New South Wales. Straits is actively reviewing its current portfolio of assets and assessing opportunities to unlock their value. Limited grassroots exploration activity was undertaken while the review of the portfolio is in progress.

New South Wales

Tritton - SRQ 100%

The objective of the Tritton area exploration is to sustain the current annual production rate at Tritton of ~25,000 tonnes of copper metal, and if possible allow for increased production through the continued discovery of new high grade copper deposits.

Straits currently holds a 177,000 hectare package of prospective Volcanogenic Massive Sulphide (VMS) terrain. This is made up of four granted Exploration leases and three Mining leases. Six major mafic complexes have been identified within a sequence of sedimentary rocks with a strike length in excess of 100 kilometres. The quality of the remaining targets in the Tritton "Besshi VMS" region is considerable and the potential for further discoveries in this large mineralised district remains extremely positive. Besshi VMS systems tend to form in clusters and are often characterised by repeats along strike, multiple horizons, lenses and significant depth potential which gives great confidence for the discovery of additional deposits within the region.

Temora (EL 6845) & Gidginbung (EL 5864) – Templar (SRQ) 100%

Through its wholly owned subsidiary, Templar Resources, Straits owns the Temora Gold-Copper Project. The project is located immediately north of the New South Wales township of Temora and extends north to West Wyalong. Tenure covers an area of approximately 373 km^2 and comprises two mineral exploration licenses.

Exploration has focused on the Gidginbung Volcanics, a package of Late Ordovician to Early Silurian mafic to intermediate volcanics and intrusives. They are prospective for epithermal Au and porphyry Cu-Au-Mo, and host the Gidginbung high sulphidation epithermal gold mine, which historically produced 677,572 ounces of gold at an average grade of 2.1g/t Au to approximately 100m depth over a 10 year period to April 1996, as well as the Yiddah, Mandamah, Culingerai, Estoril, Monza and The Dam porphyry Cu-Au-Mo deposits.

A JORC compliant Mineral Resource of 279Mt at 0.2 g/t Au, 0.3% Cu, and 30 g/t Mo at a cut-off of 0.3% CuEq has been estimated to a maximum depth of 450m for the Temora porphyry gold-copper project. This total global resource for the project includes 26Mt indicated at 0.5g/t Au, 0.3% Cu, and 30g/t Mo (0.7% CuEq) at The Dam deposit, and a total inferred resource of 253Mt at 0.2 g/t Au, 0.3% Cu, and 30 g/t Mo (0.5% CuEq) at the Culingerai, The Dam, Estoril, Mandamah, and Yiddah deposits.

Additionally, a remnant JORC compliant Mineral Resource for the Gidginbung epithermal deposit has been calculated to a depth of 300m below the pre-mining surface, for a total of 23.8Mt at 1.0g/t Au, 2.7g/t Ag, and 0.1% Cu for 748,000 oz of gold.

Significant exploration potential exists within the tenement package and includes: mineralisation within and adjacent to the contact of the Rain Hill monzodiorite, targeted by recent Induced Polarisation geophysical investigations and identified in drilling over the past field seasons; mineralisation at depth beneath the MagH1 prospect as a potential porphyry source for the Gidginbung epithermal system; and anomalies identified in detailed ground magnetic surveys along trend from known deposits at Yiddah, Mandamah, and Culingerai. Additionally, the potential exists to significantly expand the current resource base by drilling at advanced prospects across the district, such as Monza and Rain Hill.

Temora presents an excellent opportunity to gain exposure in the well mineralised Ordovician NSW Macquarie Arc, which hosts Newcrest's Cadia operations, Barrick's Lake Cowal mine and Rio Tinto's Parkes mine. There is significant exploration potential for the delineation of high grade gold-copper mineralisation at the Temora project, which has the added advantage of being located in close proximity to well-established infrastructure.

Blayney (EL 5922) JV with Gold Fields, right to earn up to 80%

The Blayney project is located 35 kilometres south of Orange, New South Wales and covers the eastern margin of the Forest Reef Volcanics within the Lachlan Fold Belt. The area is in close proximity to the Cadia and Ridgeway gold-copper deposits of Newcrest Mining Ltd and is considered one of the most prospective geological environments for porphyry related gold-copper mineralisation in New South Wales.

Gold Fields has the right to earn up to 80% of the project by sole funding $25 million in exploration expenditure over twelve years with the following principal terms:

- Gold Fields may earn a 60% interest by sole funding $10 million on exploration in respect to the tenement within a period of six years;
- After earning the minimum interest, Gold Fields may elect to continue to sole fund (a further $15 million) and earn an additional 20% within a period of a further six years; and
- Each earn in point crystallises a payment to Straits for the resources already discovered at Blayney. The existing JORC compliant Mineral Resource on the project is approximately 1 million troy ounces of gold. To recognise the value of the existing resource, Gold Fields will make a payment to Straits based on the existing resource as part of exercising the 60% and 20% options. For the purposes of the 60% option, the payment is calculated as follows: crystallisation payment equals 0.6 x (existing resource x $5/oz Au). For the purposes of the 20% option, the payment is calculated as follows: crystallisation payment equals 0.2 x (existing resource x $5/oz Au).

Cheesemans Creek (EL 5979 & 7321) JV with Gold Fields, right to earn up to 80%

The Cheesemans Creek project in New South Wales is underlain by Ordovician rocks of the Lachlan Fold Belt, considered highly prospective for porphyry related mineralisation.

Gold Fields has the right to earn up to 80% of the project by sole funding $14 million in exploration expenditure over eight years with the following principal terms:

- Gold Fields may earn a 60% interest by sole funding $4 million on exploration in respect to the tenement within a period of four years; and
- After earning the minimum interest, Gold Fields may elect to continue to sole fund (a further $10 million) and earn a further 20% over four years.

Currumburrama (EL5792) JV with Sandfire Resources, right to earn up to 80%

Sandfire Resources and Straits have a Farm-in Joint Venture agreement for the Currumburrama EL5792. In terms of the agreement, Sandfire has the right to earn up to 80% of the project by sole funding $8 million over six years with the following terms;

- Sandfire may earn a 65% interest by sole funding $4 million on exploration in respect to the tenement within a period of three years; and
- After earning the minimum interest, Sandfire may elect to continue to sole fund (a further $4 million) to earn a further 15% and gain exclusive control of the project.

South Australia

Torrens JV - SRQ 70%, ARE 30%

The Torrens Joint Venture is exploring for iron-oxide copper-gold systems in the highly prospective Stuart Shelf region of South Australia (Torrens Project). The project is located near the eastern margin of South Australia's Gawler Craton region (Stuart Shelf), within 50 kilometres of Oz Minerals' Carrapateena copper-gold discovery and 75 kilometres from BHP Billiton's Olympic Dam mine.

The Torrens gravity anomaly is internationally recognised as being the best untested anomaly on South Australia's Stuart Shelf, outside of Olympic Dam.

The Torrens Joint Venture (Torrens EL4296) is between Argonaut Resources NL (ASX: ARE) and Straits. The JV partners are in the process of gaining approval to access the ground to commence exploration activities.

Stuart Shelf Tenements

On 22 April 2013 Straits announced the sale of the Stuart Shelf Tenements to Oz Minerals Ltd for $2.2 million (including GST). The transaction was completed on 10 July post the period of review.

Queensland

Monastery (EPM9083) & Burke River (EPM11013) JV with Ivanhoe (Australia) Pty Ltd.

During the period of review Straits and Ivanhoe Australia (renamed to Inova) finalised a Joint Venture arrangement for the remaining sub-blocks of Monastery (EPM9083) and Burke River (EPM 11013).

Health, Safety and Environment

Ensuring a safe and healthy work environment for employees, contractors and visitors remains central to Straits' culture. During the year continued improvement of safety procedures and systems at the operational sites resulted in a pleasing reduction in Lost Time Injuries (LTIs) recorded. Three LTIs were recorded during the period under review, two at Tritton and one at Mt Muro. This result was a significant improvement from the ten LTI's (eight at Tritton and two at Mt Muro) that occurred in the prior year.

There were no significant environmental incidents at any of the company's operations during the year. The company continues to focus on increasing environmental awareness in the workforce through toolbox talks, environmental induction programs and the environmental management systems and processes that are operating.

Straits proactively engages with the relevant environmental authorities in the regions in which it operates.

Community

Straits believes in fostering close ties with the communities and stakeholders in the areas in which it operates, to develop mutually beneficial long-term relationships based on respect and transparency.

The company is an active participant in the economic and social wellbeing of its local communities through numerous programs and initiatives. Straits is committed to helping preserve local customs and cultural heritage, and works with the relevant local communities to avoid or minimise impact on significant cultural sites from the company's activities.

At the Tritton Copper Mine in New South Wales, Straits has been involved in the region for almost 20 years. During this time it has continued to support meaningful and sustained involvement within the local communities of Nyngan, Hermidale and Girilambone.

As a major employer in the region, Straits is proud that the company's preference for residential based employment has resulted in over half of the workforce choosing to reside in the local community, in turn contributing to the local economy and community fabric.

Straits also provides support to local community groups in the areas of sport and recreation, education and health including:

- Community groups such as the Nyngan Show Society, Girilambone Community Fund, Nyngan Museum, Nyngan Men's Shed and NAIDOC day;
- Support for local schools such as St Joseph's Catholic School, Nyngan, Hermidale and Girilambone Public Schools;
- The Nyngan High School's school-based apprenticeships/traineeships; and
- Sporting groups and events such as the Mid-Western Equestrian Club, Nyngan Tigers Junior Rugby League, Nyngan Easter Rugby League Challenge, Duck Creek and Anzac Day Races.

During the year Mt Muro supported or initiated numerous community programs in its surrounding communities including:

- Involvement with programs to improve local awareness on various health issues;
- Providing Mt Muro mine clinic and ambulance emergency services to communities in proximity to the operation;
- Support for the Orangutan Translocation Project in co-operation with the Borneo Orangutan Survival Foundation, through the provision of facilities and logistical assistance since 2006;
- A continuing education program for a number of nearby schools including the provision of additional teachers for elementary schools; and
- A clean water project initiated to improve the general water quality in local villages.

Mineral Resource Statement

Straits Resources Limited - Resource Statement as at 30 June 2013

Copper

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Tritton Copper Operation	Tritton Underground	Variable Cu	Tonnes (kt)	2,050	7,530	1,900	11,480
			Cu (%)	2.0	1.7	2.2	1.9
	Tritton Pillars (Recoverable)	Variable Cu	Tonnes (kt)	-	380	-	380
			Cu (%)		2.6		2.6
	Murrawombie	0.6% Cu	Tonnes (kt)	-	6,530	1,510	8,040
			Cu (%)		1.4	1.2	1.4
	North East	0.6% Cu	Tonnes (kt)	30	250	60	340
			Cu (%)	2.4	1.9	1.8	1.9
	Larsens	0.6% Cu	Tonnes (kt)	-	810	-	810
			Cu (%)		1.8		1.8
	Avoca Tanks	0.6% Cu	Tonnes (kt)	-	710	140	850
			Cu (%)		2.8	1.0	2.5
	Budgerygar	0.8% Cu	Tonnes (kt)	-	-	1,610	1,610
			Cu (%)			1.5	1.5
	Budgery	0.5% Cu	Tonnes (kt)	-	1,740	280	2,020
			Cu (%)		1.1	0.9	1.1
	Sub Total Projects	Variable Cu	Tonnes (kt)	**2,080**	**17,950**	**5,500**	**25,530**
			Cu (%)	**2.0**	**1.6**	**1.6**	**1.7**
	Stockpiles	Variable Cu	Tonnes (kt)	50	-	-	50
			Cu (%)	1.5			1.5
Grand Total (Tritton Operation)		Variable Cu	Tonnes (kt)	**2,130**	**17,950**	**5,500**	**25,580**
			Cu (%)	**2.0**	**1.6**	**1.6**	**1.7**

Precious Metals

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Mt Muro Gold Operation	Serujan	0.5 g/t AuEq	Tonnes (kt)	-	2,970	420	3,390
			Au (g/t)		2.1	1.3	2.0
			Ag (g/t)		51	33	49
	Bantian Area	0.5 g/t AuEq	Tonnes (kt)	-	4,500	730	5,230
			Au (g/t)		1.5	1.1	1.4
			Ag (g/t)		36	18	33
	Permata-Hulubai	0.5 g/t AuEq	Tonnes (kt)	-	660	580	1,240
			Au (g/t)		2.6	2.9	2.8
			Ag (g/t)		105	113	108
	Soan	1.0 g/t AuEq	Tonnes (kt)	-	770	30	800
			Au (g/t)		4.2	1.1	4.0
			Ag (g/t)		57	29	56
	Other	Variable AuEq	Tonnes (kt)	-	1,940	6,240	8,180
			Au (g/t)		1.7	1.5	1.5
			Ag (g/t)		23	21	21
	Stockpiles	Variable AuEq	Tonnes (kt)	82	**-**	**-**	**82**
			Au (g/t)	1.0			**1.0**
			Ag (g/t)	20			**20**
Grand Total (Mt Muro Operations)		**Variable AuEq**	**Tonnes (kt)**	**82**	**10,840**	**8,000**	**18,922**
			Au (g/t)	**1.0**	**1.9**	**1.5**	**1.8**
			Ag (g/t)	**20**	**43**	**28**	**37**

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Drummond Basin	**Yandan**	0.5 g/t Au	Tonnes (kt) Au (g/t)	-	-	4,100 2.4	**4,100** **2.4**

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Blayney	**Discovery Ridge**	0.5 g/t Au	Tonnes (kt) Au (g/t)	-	4,900 1.3	9,100 1.1	**14,000** **1.2**
	Bald Hill	0.3 g/t Au	Tonnes (kt) Au (g/t)	-	-	37,000 0.5	**37,000** **0.5**

Copper - Gold

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Temora	**Temora Porphyry Copper - Gold Projects**	0.3% CuEq	Tonnes (kt) Cu (%) Au (g/t)	-	26,000 0.3 0.5	253,000 0.3 0.2	**279,000** **0.3** **0.2**
	Gidginbung	0.5 g/t Au	Tonnes (kt) Au (g/t) Cu (%)	-	11,100 1.0 0.1	12,700 0.9 0.1	**23,800** **1.0** **0.1**

Notes on the Mineral Resources:
General

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Byron Dumpleton, who is a member of the Australian Institute of Geoscientists. Mr Dumpleton is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the styles of mineralisation, types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mineral Resources are inclusive of Ore Reserves.

Discrepancies in summations may occur due to rounding.

Tritton Copper Mine

The VMS massive sulphide mineralised systems ("*Besshi style*") at Tritton were defined by geologically logged and assayed diamond drill core and rock chips from percussion drilling. Mineral resource limiting envelopes were developed using geological interpretations at nominal copper cut-off grades of 0.3% to 0.8%.

All Mineral Resources reported for Tritton were estimated using Ordinary Kriging, a geostatistical block modelling technique applicable for this deposit style.

Mt Muro Gold Mine

The epithermal vein systems at Mt Muro were defined by geologically logged and assayed diamond drill core and rock chips from percussion drilling. Mineral resource limiting envelopes representing the vein systems were developed using geological interpretation and cut-off grades of a nominal 0.5 g/t Au equivalent (AuEq) for Serujan and Bantian, 0.3 g/t Au for Langantihan and 1.0 g/t AuEq for the remaining resources. The interpretations based on an Au equivalent were based on using a 70:1 gold:silver value ratio.

AuEq cut off gold to silver ratio is based on US$1400/oz for gold and US$22/oz for silver. Metallurgical recoveries have not been applied to the AuEq values. Historical gold and silver recoveries for Mt Muro range from 90% to 95% for gold and 65% to 80% for silver.

All Mineral Resource ounces reported for Mt Muro were estimated using Ordinary Kriging, a geostatistical block modelling technique applicable for this deposit style.

The Bantian Area resource figures include the Bantian deposit plus material from the Luit Bawah and Gerantung deposits located to the west of Bantian.

The category "Other" combines Mineral Resources from the Kerikil, Langantihan, Anak Dua, Dua Lugi deposits reported at 0.5 g/t AuEq, and Sinbar and Sinter deposits reported at 1.0 g/t AuEq.

Drummond Basin, Blayney and Temora

Mineralisation at the Drummond Basin, Blayney and Temora deposits was defined by geologically logged and assayed diamond drill core and rock chips from percussion drilling. Mineral resource limiting envelopes were developed using either geological interpretation and/or cut-off grades. No limiting envelopes were developed for Gidginbung.

The Discovery Ridge (Blayney) Mineral Resource estimates were developed using a nominal 0.3 Au g/t grade envelope. Mineral Resource estimates for Bald Hill (Blayney) and the Temora Mineral Resource estimates were based on geological constraints. Gidginbung was modelled unconstrained due to diffuse boundaries.

The Copper equivalent (CuEq) reported for the Temora projects is based on a US$7,900/tonne copper price and a US$1,765/oz gold price (spot prices as at 4 November 2011). No metallurgical recoveries were applied to the Temora CuEq cut offs reported. Representative preliminary recoveries at the Yiddah, Mandamah and Dam resources for copper range from 80% to 94% and gold from 59% to 73%.

Gidginbung Resource has been estimated to 300m depth. Fresh component of the Gidginbung resource is described as high sulphidation type. Resource figures quoted do include oxide and transitional material. Metallurgical testwork undertaken in 1994 show indicative CIP recoveries ranging from 25% to 50%.

At Yandan (Drummond Basin), Mineral Resource estimates are based on material that only occurs within the geologically interpreted “non-refractory” vein envelopes.

Mineral Resource grades for the Blayney, Temora and Gidginbung deposits were estimated using Ordinary Kriging, a geostatistical block modelling technique applicable for this deposit style. For Yandan, the inverse distance estimation method was used for the Resource estimation.

Ore Reserve Statement

Straits Resources - Reserve Statement as at 30 June 2013

Copper							
Region	**Project**	**Mining Method**	**Cut-off Cu**	**Commodity**	**Proved**	**Probable**	**Total**
Tritton Copper Operation	Tritton	UG	Variable	Tonnes (kt)	921	4,327	**5,248**
				Cu (%)	2.1	1.7	**1.7**
				Cu recovered (t)	18,500	67,200	**85,800**
	Murrawombie	UG	Variable	Tonnes (kt)	-	1,370	**1,370**
				Cu (%)		1.7	**1.7**
				Cu recovered (t)		21,600	**21,600**
	North East	UG	Variable	Tonnes (kt)	-	182	**182**
				Cu (%)		1.6	**1.6**
				Cu recovered (t)		2,800	**2,800**
	Larsens	UG	Variable	Tonnes (kt)	-	440	**440**
				Cu (%)		1.6	**1.6**
				Cu recovered (t)		6,600	**6,600**
	Stockpiles	Stockpile	Variable	Tonnes (kt)	50	-	**50**
				Cu (%)	1.5		**1.5**
				Cu recovered (t)	700		**700**
Grand Total (Tritton Operations)			**Variable**	**Tonnes (kt)**	**971**	**6,319**	**7,290**
				Cu (%)	**2.1**	**1.7**	**1.7**
				Cu recovered (t)	**19,200**	**99,000**	**118,000**

Notes on the Ore Reserves:

The information in this report that relates to Ore Reserve estimates is based on information compiled by Ian Sheppard, who is a member of the Australasian Institute of Mining and Metallurgy. Ian Sheppard is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the styles of mineralisation, types of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Sheppard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mineral Resources are inclusive of Ore Reserves estimate.

Discrepancies in summations may occur due to rounding.

Tritton Copper Operations

Ore Reserve estimates have been made using a copper price assumption of US$7,000/tonne and USD:AUD exchange rate of 0.92. Cut off grades vary between deposits and with the location of individual stopes in a mine so a single cut-off grade is not reported.
All Ore Reserves are sulphide ore that will be treated in the Tritton ore processing plant with average recovery of copper to copper concentrate assumed to be 94%, consistent with historical plant performance.
At Tritton and North East mines, dilution and ore recovery factors have been applied in the estimation of Ore Reserve. The factors vary with the location of the stope, fill exposures and the planned extraction sequence. A dilution factor of 11% and an ore recovery factor of 90% have been applied to the majority of stopes.
Larsens Reserves are calculated from planned mining shapes with 10% dilution. Stoping recovery is assumed to be 95%. The Ore Reserve estimate for Larsens mine is unchanged from the previous report and no additional work has been completed for this report.
Murrawombie Probable Reserves are calculated by creating mining shapes around a nominal 1.0% copper resource. Dilution is estimated by expanding these shapes 1.0m into the footwall and 1.0m into the hangingwall. A Mining recovery factor of 93% has been applied to all stoping. The Ore Reserve estimate for Murrawombie mine is unchanged from the previous report and no additional work has been completed for this report.
Tritton and North East Reserves are based on the estimated development and stoping positions as at 30 June 2013.

Mt Muro Gold Operations

Given that the Mt Muro operation has been placed into care and maintenance in anticipation of its sale, Straits Resources considers it appropriate not to report an ore reserve estimate for Mt Muro.

CORPORATE GOVERNANCE

The Directors of Straits believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Governance practices are not a static set of principles, and the Company assesses its governance practices on an ongoing basis. Changes and improvements are made in a substance over form manner, which appropriately reflects the changing circumstances of the Company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

The Company has a corporate governance section on the website at www.straits.com.au. The corporate governance section includes details on the Company's governance arrangements and copies of relevant policies and charters, and a compliance checklist.

ASX Corporate Governance Principles and Recommendations

The Company has adopted the second edition, with the 2010 Amendments, of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). Straits' corporate governance practices for the year ended 30 June 2013, and at the date of this report, are outlined in this corporate governance statement. Where the Company has not followed a recommendation, reasons for non-compliance have been identified. All these practices, unless otherwise stated, were in place for the 12 month period. This disclosure is in accordance with ASX Listing Rule 4.10.3.

Principle 1 – Lay Solid Foundations for Management and Oversight

The Board is responsible to the shareholders for the performance of the Company in both the short and long term. Their focus is to enhance the interest of shareholders, taking into account the interests of other stakeholders and to ensure the Company is properly managed.

Role

Broadly, the key responsibilities of the Board are:

- Setting the strategic direction of the Company with management, and monitoring management's implementation of that strategy;
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions;
- Approving the annual operating budget, annual shareholders' report and annual financial accounts;
- Appointing, monitoring, managing the performance of, and if necessary terminating, the employment of the Chief Executive Officer;
- Approving and monitoring the Company's Risk Management Policy and Guidelines; and
- Ensuring compliance with the Corporations Act 2001, ASX listing rules and other relevant regulations.

Delegation

The Board Charter sets out the Board's delegation of responsibility to allow the Chief Executive Officer and the executive management team to carry on the day-to-day operations and administration of the Company. The Board Charter supports all delegations of responsibility by formally defining the specific functions reserved for the Board and its Committees and those matters delegated to management. The Chief Executive Officer is accountable to the Board for the authority that is delegated by the Board.

All Directors and key executives reporting to the Chief Executive Officer of the Company have been given formal letters of appointment outlining key terms and conditions of their appointment.

Performance Evaluation Process of Senior Executives

Information on the process for evaluating the performance of senior executives can be found in the Directors' Report.

Principle 2 – Structure the Board to Add Value

The Board operates in accordance with broad principles set out in its Charter, which is available from the Corporate Governance section of the Company's website. The Directors have formally adopted the Board Charter.

Board Members

Details of Board members, their experience, expertise, qualifications, term in office and independence status are set-out at the commencement of the Directors' Report.

The current structure of the Board does not comply with ASX Recommendation 2.1 as the majority of the Directors are not independent. In determining the independence of Directors, the Board has regard to the independence criteria as set out in the ASX Principles. Currently, the Board consists of three Directors of which only Mr Michele Muscillo is considered independent. Dr Susan Vearncombe, who was considered an independent Director, resigned on 31 July 2013. Mr Alastair Morrison is a Non-executive Director but does not fall within the ASX definition of "independent" as he has been appointed by Standard Chartered Private Equity, Straits largest shareholder. In respect to Mr Muscillo, a partner with HopgoodGanim (HG), lawyers for the Company, the Board consider that despite the business relationship between Straits and HG, the Board consider Mr Muscillo still to be independent.

The Board has implemented strategies to achieve Board diversity and ensure the Directors have a mix of skills, experience and expertise appropriate for the Company.

To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the threshold for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter. The Board assesses independence at the time of appointment of Directors and monitors the independence of Directors as and when appropriate.

The Board has formalised various policies on securities trading, disclosure and codes of conduct, which assist in providing a stronger governance framework for the Company.

Board structure and composition will be reviewed as and when the Company's strategic directions and activities change. The Company will only recommend the appointment of additional Directors to the Board where it believes the expertise and value added outweighs the additional cost.

Nomination Committee

The Nomination Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013;
- Dr Susan Vearncombe, resigned 31 July 2013; and
- Mr Andre Labuschagne, appointed 23 May 2013.

The Board has adopted a formal Nomination Committee Charter which is available from the Corporate Governance section of the Company's website.

Board and Committee Meetings

Details of Director attendances at Board, Audit Committee and Remuneration Committee meetings are detailed in the Directors' Report.

Independent Advice

A Director of the Company is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures, and subject to the conditions set out in the Board's Charter.

Board Performance Evaluation

The Board performance evaluation is intended to be conducted in the second quarter of the 2014 financial year.

Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

The Board has adopted a formal Corporate Code of Conduct. A copy of the code is made available to all employees of the Company and is also available from the Corporate Governance section of the Company's website.

This code expresses certain basic principles that the Company, Directors and employees should follow in all dealings related to the Company. They should show the highest business integrity in their dealings with others, including preserving the confidentiality of other peoples' information, and should conduct the Company's business in accordance with law and principles of good business practice.

Whistleblowers Protection

The Company encourages the reporting of unlawful and unethical behaviour, and protects those who report breaches in good faith. The Corporate Code of Conduct provides protection to whistleblowers, as required by the Corporations Act 2001.

The Corporate Code of Conduct is available from the Corporate Governance section of the Company's website.

Securities Trading Policy

The Board has adopted a formal Securities Trading Policy which is available from the Corporate Governance section of the Company's website. The policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading, for example Senior Management are prevented from trading in the Company's shares:

- In the 14 day period immediately prior to the announcement of the quarterly, half-yearly and the full-year reports;
- In the 14 day period immediately prior to the Company's Annual General Meeting or any other general meeting; and
- For any other period designated as a Prohibited Period by the Board and advised to Senior Management.

The Company's Securities Trading Policy is consistent with ASX Listing Rules 12.9 to 12.12.

Diversity

The Board adopted a formal Diversity Policy in May 2011. The Company values diversity and recognises the potential benefits it can bring to the organisation's ability to achieve its goals. The policy provides for establishing measurable objectives for achieving gender diversity. The policy is available from the Corporate Governance section of the Company's website.

Principle 4 – Safeguard Integrity in Financial Reporting

Audit Committee

The Audit Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013;
- Dr Susan Vearncombe, resigned 31 July 2013; and
- Mr Alastair Morrison.

All members of the Audit Committee are financially literate and have an appropriate understanding of the mining industry. All other details of the members' qualifications and number of meetings held and attended can be found in the Directors' Report.

The Board has adopted a formal Audit Committee Charter. The Charter sets out the roles and responsibilities of the Audit Committee and contains information on the procedures for the selection, appointment and rotation of the external and internal auditors. The Audit Committee Charter is available from the Corporate Governance section of the Company's website.

The composition of the Audit Committee will be assessed on an ongoing basis in light of the Company's overall Board structure and strategic direction.

The external auditor attends the annual general meeting and is available to respond to shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make Timely and Balanced Disclosure

Continuous Disclosure

The Board has adopted a formal Disclosure Policy outlining procedures for compliance with ASX continuous disclosure requirements. The Disclosure Policy is available from the Corporate Governance section of the Company's website.

The policy is based upon the Company's desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements must be complied with in accordance with their spirit, intention and purpose.

The purpose of the policy is to:

- Summarise the Company's disclosure obligations;
- Explain what type of information needs to be disclosed;
- Identify who is responsible for disclosure; and
- Explain how individuals at the Company can contribute.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Principle 6 – Respect the Rights of Shareholders

Shareholder Communication Strategy

The Board has adopted a formal Shareholder Communication Guidelines and Policy.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When there are briefings to general groups, analysts or investors on the aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is released to the market.

In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Initiatives to facilitate this include making available on the Company's website all Company announcements, media briefings, details of Company meetings and both press releases and financial reports.

The Shareholder Communication Guidelines and Policy is available from the Corporate Governance section of the Company's website.

Principle 7 – Recognise and Manage Risk

Risk Assessment and Management

The Board is responsible for reviewing, ratifying and monitoring systems of risk management. In August 2011 the Board adopted a Risk Management Policy and Guidelines. This Policy is available from the Corporate Governance section of the Company's website.

Financial and operating risks are addressed through approved policies and procedures covering treasury, financial, contract management and health, safety and environmental activities of the Company.

In particular the Board monitors and assesses key financial risk areas which include that Straits has:

- An effective financial risk management system in place;
- An effective internal control system in place; and
- A system in place for unusual and/or high risk transactions.

Key controls have been identified for each business, and accounting processes with an internal controls framework developed.

In addition to external financial audits, all the Company's operations in Australia and overseas are also subjected to annual external safety and environmental audits to Australian standards. The Company engages an insurance brokering firm and an independent insurance advisor as part of the Company's annual assessment of the coverage for insured assets and risks.

The Company intends to continue to work on improving and enhancing its risk management framework. The results of all the various audits and insurances assessments are reported to the Board at least annually.

Financial Reporting

The integrity of Straits' financial reporting relies upon a sound system of risk management and control. The Chief Executive Officer and the Chief Financial Officer have made the following certifications to the Board:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial position and operational results of the Company and Group, and are in accordance with relevant accounting standards and the Corporations Act 2001;
- That the above statements are founded on a sound system of financial risk management and internal compliance and control systems and which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The Board believes that it has a good understanding of the Company's key risks and that they are being managed appropriately.

Principle 8 – Remunerate Fairly and Responsibly

Remuneration Committee

The Remuneration Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013;
- Dr Susan Vearncombe, retired 31 July 2013;
- Mr Alastair Morrison.

The Board operates in accordance with the formal Remuneration Committee Charter, which has been adopted by the Board and is available from the Corporate Governance section of the Company's website.

The Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-executive Directors.

Committee members have access to current relevant remuneration data and analyses.

Each member of the senior executive team signs a letter of appointment covering a range of matters including their duties, rights, responsibilities, fees, any entitlements on termination and job description. Further information on Directors' and executives' remuneration, including principles used to determine remuneration is set out in the Directors' Report under the heading 'Remuneration Report'. Participants in equity-based remuneration plans (the Employee Share Acquisition Plan and the Employee Exempt Plan) are not permitted to enter into any transactions that would limit the economic risk of unvested entitlements.

Non-executive Director Remuneration

Non-executive Directors are appointed by letter and remunerated by way of an annual Director's fee and a superannuation contribution calculated according to that fee. Non-executive Directors are not entitled to any further remuneration by way of termination payments or any staff benefits, and are ineligible to participate in any of the Company's incentive plans.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Straits Resources Limited and its controlled entities ('the consolidated entity') for the 12 months to 30 June 2013.

Directors

The Directors of the Company in office during the financial period and up to the date of this report were:

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
Andre Labuschagne	Mr Labuschagne is an experienced mining executive with a career spanning over 20 years across operations in Australia, Indonesia, South Africa, PNG and Fiji. Mr Labuschagne has held various corporate and operational roles in companies including Norton Gold Fields, Emperor Gold Mines, DRD Gold and AngloGold Ashanti. Mr Labuschagne holds a Bachelor of Commerce from Potchefstroom University in South Africa. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): Norton Gold Fields Limited	Executive Chairman of the Company Member of Nomination Committee	*Appointed* 20-Dec-2012	Executive
William Edward Alastair Morrison	Mr Morrison is a founder Managing Director of Standard Chartered Private Equity. He joined Standard Chartered in April 2002, after 20 years at 3i Group, the leading European private equity house, where he was Director for 3i Asia Pacific. He co-founded 3i's Asia Pacific operations in 1997, having previously run an investment team in London focusing on buy-outs and expansion financing. Mr Morrison has investment experience across a wide range of industries in Europe and Asia. He holds an M.A. degree in Politics, Philosophy and Economics and M.Phil degree in Management Studies from Oxford University. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): International Coal Holdings Limited (previously Straits Resources Limited) and Triangle Energy (Global) Limited	Non-executive Director Member of Audit Committee and Remuneration Committee	*Appointed* 10-Dec-2010	Not Independent
Michele Muscillo	Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. Mr Muscillo is an admitted Solicitor and has a practice focussed almost exclusively on mergers & acquisitions and capital raising. Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal. Other current directorships (ASX listed entities): Orbis Gold Limited Former directorships in the past 3 years (ASX listed entities): none	Non-executive Director Chairman of the Audit Committee, Remuneration Committee and Nomination Committee	*Appointed* 2-May-2013	Independent

Dr Susan Vearncombe BSocSci, MSc (Hons), PhD, MAIG, RPGeo	Dr Vearncombe is a highly experienced geologist in the mining and exploration industry. Dr Vearncombe has worked internationally on a wide range of commodity styles, has developed key spatial analysis technology and is well published in international scientific journals in the areas of geochemistry, structural geology and mineralisation. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): Caravel Minerals Limited (previously Silver Swan Group Limited)	Former Non-executive Director Former Member of the Audit Committee, Remuneration Committee and Nomination Committee	*Appointed* 23-May-2011 *Resigned* 31-July-2013	Independent
Alan James Good	Mr Good is a Chartered Accountant with over 30 years involvement in the mining industry. Mr Good was a partner of PricewaterhouseCoopers (PwC) for over 20 years specialising in providing corporate advisory and audit services and was the Managing Partner of the Perth office for over 6 years. Mr Good retired from PwC in 2003 and now has a number of Non-executive board positions. Mr Good holds a Bachelor of Commerce from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants Australia. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): none	Former Non-executive Chairman of the Company Former Chairman of Remuneration Committee Former Member of Audit Committee and Nomination Committee	*Appointed* 10-Dec-2010 *Resigned* 29-Nov-2012	Independent
Milan Jerkovic B. App Sc (Geology), Postgraduate Diploma (Mineral Economics), Postgraduate Diploma (Mining) M.Aus.I.M.M., M.A.I.C.D.	Mr Jerkovic is a qualified geologist with postgraduate qualifications in Mining and Mineral Economics. Mr Jerkovic has over 25 years' experience in the mining industry involving resource evaluation, operations, financing, acquisition, project development and general management. Mr Jerkovic has previously been the Chairman of Straits Asia Resources Limited and Chairman of Tritton Resources Limited and a Non-executive Director of Hargraves Resources Limited. Mr Jerkovic has held positions with WMC, BHP and Nord Pacific. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): none	Former Chief Executive Officer Former Member of the Nomination Committee	*Appointed* 1-Nov-2010 *Resigned* 20-Dec-2012	Executive
Adrian Redlich	Mr Redlich is the Chief Investment Officer of Merricks Capital and previously held a range of positions at Merrill Lynch across New York, Australia & Hong Kong along with the Citadel Investment Group. Mr Redlich holds a Bachelor of Economics from Monash University, Melbourne, Australia (1994) and has also completed the Quantum Financial Services (Australia) Diploma of Financial Services (2007) and the National Association of Securities Dealers (USA) Series 7 Examination (2000). Other current directorships (ASX listed entities): Australasian Wealth Investments Limited Former directorships in the past 3 years (ASX listed entities): none	Former Non-executive Chairman of the Company	*Appointed* 14-Nov-2012 *Resigned* 19-Apr-2013	Not Independent

Saul Jonathan Colin Wise	Mr Wise is an experienced corporate lawyer, consultant and company Director with significant expertise in the mining and exploration industry and resources, energy and corporate sectors. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, 4 years as Counsel to a New York law firm. He has extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters. Mr Wise is a Fellow of both the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy. Other current directorships (ASX listed entities): St Barbara Limited Former directorships in the past 3 years (ASX listed entities): none	Former Non-executive Director	*Appointed* 23-Feb-2012 *Resigned* 24-Aug-2012	Independent

Company Secretary

Matthew Smith – B.Com (Curtin), C.A.

Mr Smith joined Straits Resources Limited in November 2006 and is a Chartered Accountant with over 11 years' experience in the Mining Industry.

Principal Activities

The principal activities of the consolidated entity for the year ended 30 June 2013 were the production and sale of, copper, gold and silver and the exploration for copper and gold. Other than as referred to on pages 7 to 19, there were no significant changes in those activities during the financial period.

Review of Operations and Future Developments

A review of the operations and financial position of the consolidated entity during the financial year ending 30 June 2013, including details of the results of operations, changes in the state of affairs and likely developments in the operations of the consolidated entity in subsequent financial years, are set out on pages 7 to 19.

Events Subsequent to Balance Date

Apart from the matters disclosed in this report, there has not arisen in the interval between the end of the financial period and the date of this report, any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity; the results of those operations; or the state of affairs of the consolidated entity in subsequent financial years.

Outlook

Straits is now a much leaner company, focussed on driving operational and cost performance at the flagship Tritton copper mine. Delivering a sustainable, longer term financial structure also remains a key priority. In addition, Straits has a number of longer term organic growth opportunities, both at Tritton, where numerous high potential projects have already been identified, and at the Temora copper/gold discovery, which is a well-recognised exploration opportunity for the future.

Dividend

The Directors do not recommend payment of a dividend for the period to 30 June 2013. No dividend was paid during the current year.

Environmental Regulations

The Company's operations are subject to various Commonwealth, State and relevant international environmental regulations governing the protection of the environment in areas ranging from air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation and access to, and use of ground water and/or surface water. In particular, some operations are required to conduct certain activities under the environmental protection legislation with development consents of the jurisdiction in which they operate. The Directors are not aware of any material breaches of the Company's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

Shares Under Option

There are no unissued ordinary shares of Straits under option.

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued during the twelve months to 30 June 2013 on the exercise of options. The Company currently does not have an Employee Share Option Plan.

Meetings of Directors

The attendance of Directors at Board and Committee meetings during the financial year were as follows:

Director	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
Milan Jerkovic	12	11	-	-
Andre Labuschagne	10	10	-	-
Alan Good	8	8	2	2
Alastair Morrison[(i)]	21	19	3	3
Susan Vearncombe	21	21	3	3
Colin Wise	3	3	-	-
Adrian Redlich	8	8	-	-
Michele Muscillo	4	4	-	-

A = Number of meetings held during the time the Director was a member of the Board and/or Committee
B = Number of meetings attended during the time the Director was a member of the Board and/or Committee
(i) Ravinder Singh Grewal attended as Alternate Director for Alastair Morrison at one meeting.

There were no meetings of the Remuneration Committee or Nomination Committee during the period.

Directors' and Officers' Insurance and Indemnity

The Constitution of the Company provides that the Company may indemnify each officer, Director and Secretary against any liability, loss, damage, cost or expense incurred by the officer, Director or Secretary in or arising out of the conduct of any activity of the Company.

In accordance with the Company's Constitution, the Company has entered into Deeds of Indemnity, Access and Insurance with each of the Directors of the Company.

The Company has paid a premium and other charges for a Directors and Officers Liability insurance policy for the benefit of the Directors, Secretary and officers of the Group. The policy prohibits the disclosure of the nature of the liabilities insured and the amount of premium paid.

Loans to Directors

No loans have been provided by the Company to Directors.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001 during the year ended 30 June 2013 or at the date of this report.

Indemnity of Auditors

The terms of engagement of the Company's external auditor includes an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' (PwC) standard terms of business and is conditional upon PwC acting as external auditor. The Company has not otherwise indemnified or agreed to indemnify the external auditor at any time during the financial year.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and expertise with the Company and/or consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out in Note 33 to the accounts.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out in Note 33 to the accounts, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 39.

Modification of Opinion

The 30 June 2013 financial report contains an independent auditor's report which includes an emphasis of matter paragraph in regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Additional disclosure has been included in Note 1 to the consolidated financial statements.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Remuneration Report

The Directors are pleased to present your company's 2013 remuneration report which sets out remuneration information for Straits Resources Limited's Non-executive Directors, executive Directors and other key management personnel.

Remuneration Principles and Overview

In establishing the executive reward framework the Board has adopted a remuneration strategy intended to support the delivery of long-term shareholder value and to ensure executive rewards reflect achievement.

As a Company developing resource assets in highly cyclical markets, financial results can differ significantly from year to year dependent on the development stage of assets and on pricing of commodities in international markets. It is important to the Company that its remuneration philosophy enables the Company to retain and motivate its executive team to manage through these cycles.

In terms of developing a remuneration strategy the Board has adopted the following remuneration principles:

- Strong relationship between performance and reward;
- A combination of fixed and at risk remuneration;
- Recognition of calibre and skills of executives;
- Transparency of remuneration philosophy; and
- Policy and practice are consistent with industry and community standards.

To support the remuneration principles our remuneration and benefits strategy aims to:

- Maintain fair, consistent and equitable total remuneration practices in alignment with core values, vision and mission;
- Be competitive with the market;
- Build in individual differentiation based on performance and contribution;
- Reward superior performance;
- Reward by aligning remuneration achievement to the success of the Company and individual achievement;
- Attract the best potential candidate, motivate and retain our highest potential and skilled people;
- Ensure sufficient flexibility in the structure of remuneration to adjust to changing economic conditions; and
- Communicate effectively our remuneration and benefits proposition.

To achieve the strategy, Straits will reward employees in a way that reflects the dynamics of the market and the context in which the Company operates. Remuneration will at all times be aligned to the strategic direction and business specific value drivers of Straits.

Use of Remuneration Consultants

The Remuneration Committee of Straits Resources Limited did not employ the services of a remuneration consultant to provide recommendations as defined in section 9B of the *Corporations Act 2001.*

Key Management Personnel

Directors of the Company during the period, including experience, qualification and special responsibilities are set out on pages 25 to 27.

The key management personnel of the Company during the year ended 30 June 2013 are set out on pages 33 to 35.

Executive Remuneration

Remuneration packages are based around a combination of the following:

- Fixed remuneration;
- Variable remuneration;
    - Short-term incentive; and
    - Long-term incentive.

Relationship of incentive programs with company performance

The purpose of the incentive programs is to encourage alignment of employee effort with shareholder interests. In considering the Group's performance and benefits derived to shareholders, the Board has regard to the following indices in respect of the current and previous financial years:

		2013	2012	2011
Net profit/(loss) after tax attributable to equity holders of the parent	A$ Millions	-240.7	-139.2	-19.0
Closing share price at financial year's end[1]	A$ per share	$0.013	$0.365	$0.80
Total Shareholder Returns[2]	Per cent	-96%	-54%	67%

[1] Due to the demerger, the 2011 financial year relates to the period 11 February 2011 to 30 June 2011.
[2] Total Shareholder Returns – measured as the change in share price at the end of the period plus dividends paid per share during the period, from the opening share price.

Fixed Remuneration

Fixed remuneration provides a regular base reward that reflects the job size, role, responsibilities and professional competence of each executive according to their knowledge, experience and accountabilities. A senior executive's fixed remuneration could include any or all of the following:

- Base salary;
- Leased motor vehicle;
- Superannuation;
- Coverage for death and total and permanent incapacity; and
- Salary continuance insurance.

The fixed remuneration will be reviewed annually and any adjustments are approved by the Board after recommendation by the Remuneration Committee. External remuneration data is obtained prior to recommendations being made to ensure that fixed remuneration is in line with general industry and community standards.

The Board considers that executive remuneration must be at levels to attract and retain a talented and capable senior executive team.

Variable Remuneration – Short Term Incentive (STI) Payments

The Company's remuneration philosophy recognises the importance of 'at risk' or variable pay as an integral component of total potential reward. The Remuneration Committee has established a Short Term Incentive plan structure and process to strongly link executive remuneration to performance and to the creation of value for shareholders.

The Company's STI Plan is an "at risk" cash award program administered by the Remuneration Committee. The Plan offers executives an opportunity to earn a lump sum cash payment of up to 40% of their base salary in the case of Executive Directors, and a maximum of 15% to 35% of base salary for other executives - the maximum target varies by particular individual role.

Award outcomes are determined through the Remuneration Committee assessment of an executive's progress against a range of goals and specific, measurable targets established by the Committee at the start of the performance year. Performance requirements will provide for 'stretch' goals in addition to achievement of Board approved budget objectives, works programmes and strategic plans.

Aims of STI Plan

The Remuneration Committee considers that the STI Plan as established will facilitate achievement of the following aims:

- Incentivising superior executive performance in areas of specific challenge;
- Ensuring total target rewards for performance are competitive and appropriate for the results delivered;
- Providing balance to total reward packages sufficient to ensure the Company attracts and retains executives of high calibre and who demonstrate the capacity to manage our operations successfully; and
- To drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.

Establishment of Goals

For each STI Plan cycle the Remuneration Committee oversees the identification of appropriate performance measures, setting of goals, and endorsement of specific targets for the Senior Executive team. The Remuneration Committee ensures that these elements clearly reflect the factors deemed critical to the Group's strategic and business plans for the relevant year.

Determination of STI Outcomes

At the end of a performance cycle the Remuneration Committee determines the award of STI's to the Senior Executive Team based on assessed performance relative to the goals established. The Remuneration Committee retains the discretion to adjust STI awards in exceptional circumstances, including determining that no award will be paid.

Timing

STI performance awards were not considered for the current year. Awards for performance under the STI Plan will be determined and paid only after Group audited financial results are available, and will generally be determined in November of each year.

Variable Remuneration – Long Term Incentives (LTI)

Long term incentive is provided to key management personnel through their participation in the Company's Employee Share Acquisition Plan (ESAP).

Management and senior employees of the Company may be invited to participate in the ESAP – with the Board exercising its discretion when deciding on the allocation of shares under the Plan. The ESAP provides for long term incentives to create shareholder value, with rights being vested to shares when service and performance hurdles are met. No shares were issued under the ESAP during the year ended 30 June 2013.

The shares issued under the ESAP in prior years were subject to the following conditions:

- the shares were issued at market price and funded by way of an interest free non-recourse loan;
- the value of the shares issued varies according to the executives' role and responsibilities; and
- other than in limited circumstances (such as a takeover), the executive shares would vest when:
    - the executive completes three years' service following the issue of the shares; and
    - the performance of Straits shares against the group of companies that form the S&P/ASX300 Metals and Mining Index (Index), with the vesting benefits being:

Hurdle	% Vesting
Straits shares TSR is equal to the 50th percentile of the Index	50%
Straits shares TSR is between the 51st percentile and 74th percentile of the Index	Between 50% & 100% on a pro rata basis
Straits shares TSR is equal to or greater than the 75th percentile of the Index	100%

The allocation of ESAP shares to executives is part of the Company's overall recognition and retention strategy and is intended to reward long-term value creation.

As at the date of this report, all shares previously issued under the ESAP have been forfeited.

No Hedging on LTI Grants

The Company does not permit executives to enter into contracts to hedge their exposure to performance shares granted as part of their remuneration package.

Directors and Non-executive Directors

Fees and payments to Directors and Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board reviews Non-executive Directors' fees and payments annually. The Chairman is not present at any discussions relating to determination of his own remuneration.

The Board does not pay additional fees to Directors or Non-executive Directors appointed to Committees nor are fees paid to executives who are appointed to the Board of subsidiary or associated companies.
Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is currently $700,000 per annum.

The Board does not reward Non-executive Directors with variable remuneration (short term and long term incentives).

Employment Agreements

Non-executive Directors are retained by way of letter of appointment.

Remuneration and other terms of employment for Executive Directors and other key management personnel are formalised in common law employment contracts in the form of a letter of appointment.

In determining remuneration for key management personnel the Company takes into account the responsibilities of the role and relevant industry data for attracting persons of the calibre and experience of the person in question. As the Group operates diverse businesses in a number of jurisdictions, the Company looks to acquire and retain the services of experienced senior personnel with relevant international experience.

The Board believes that it has been successful in retaining an experienced and effective executive team and that the executive team have been instrumental in negotiating the Company through a time of vulnerability in precarious financial and commodity markets, and which is currently engaged in re-positioning the Company for further growth.

The major provisions of the contracts are set out below.

Current Directors and Key Management Personnel

Andre Labuschagne, Executive Chairman

Mr Andre Labuschagne entered into an employment arrangement with the Company which commenced on 20 December 2012. Mr Labuschagne's package consists of a base salary of $500,000, superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Labuschagne is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Labuschagne's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

Susan Vearncombe, Non-executive Director

Dr Susan Vearncombe was appointed to the Board effective 23 May 2011. The appointment does not contemplate a fixed term for Dr Vearncombe's appointment as a Director.

As Non-executive Director, Dr Vearncombe is paid a fee of $100,000 per annum plus a superannuation contribution equivalent to 10% of the annual fee.

There are no additional fees paid for Committee responsibilities and participation.

Dr Vearncombe resigned as a Director post financial year end, effective 31 July 2013.

Alastair Morrison, Non-executive Director

Mr Alastair Morrison does not have a service agreement and is not paid a Director's fee. Mr Morrison is appointed to the Board as a nominee of the Company's current largest shareholder, Standard Chartered Private Equity.

Michele Muscillo, Non-executive Director

Mr Michele Muscillo was appointed to the Board effective 1 May 2013. The appointment does not contemplate a fixed term for Mr Muscillo's appointment as a Director.

As Non-executive Director, Mr Muscillo is paid a fee of $60,000 per annum.

There are no additional fees paid for Committee responsibilities and participation.

Robert Brainsbury, Chief Financial Officer

Mr Robert Brainsbury entered into an employment arrangement with the Company which commenced on 20 December 2012. Mr Brainsbury's package consists of a base salary of $350,000, superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Brainsbury is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Brainsbury's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

Ian Sheppard, Chief Operating Officer

Mr Ian Sheppard entered into an employment arrangement with the Company which commenced on 1 March 2013. Mr Sheppard's package consists of a base salary of $350,000, superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Sheppard is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Sheppard's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

Matthew Smith, Deputy Chief Financial Officer and Company Secretary

Mr Matthew Smith entered into an employment arrangement with the Company which commenced on 1 February 2011. Mr Smith's package consists of a base salary of $260,000, superannuation of 10% of base salary, a motor vehicle allowance of $34,000 (which is subject to PAYG taxation), participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Smith is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Smith's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

Ivan Jerkovic, General Manager Exploration

Mr Ivan Jerkovic entered into an employment arrangement with the Company which commenced on 1 February 2011. Mr Jerkovic's package consists of a base salary of $251,650, superannuation of 10% of base salary, a motor vehicle allowance of $34,000 (which is subject to PAYG taxation), participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Jerkovic is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Jerkovic's base salary is reviewed in October each year with such review taking into account a range of factors including performance of the individual and Company performance.

Scott Huffadine, Deputy Chief Executive Officer

Mr Scott Huffadine entered into an employment arrangement with the Company which commenced on 1 May 2013. Mr Huffadine's package consists of a base salary of $454,545, superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP.

Mr Huffadine ceased employment with the Company on 30 August 2013.

Former Directors and Key Management Personnel

Alan Good, Non-executive Chairman

Mr Alan Good resigned as a Director of Straits effective 29 November 2012.

Milan Jerkovic, Chief Executive Officer

Mr Milan Jerkovic resigned as a Director of Straits effective 20 December 2012.

Colin Wise, Non-executive Director

Mr Colin Wise resigned as a Director of Straits effective 24 August 2012.

Nic Earner, Executive General Manager Operations

Mr Nic Earner resigned as Executive General Manager Operations effective 1 February 2013.

David Greenwood, Executive General Manager External Affairs and Exploration

Mr David Greenwood left the Company on 18 September 2012.

Peter Storey, Executive General Manager Strategy and Business Development

Mr Peter Storey left the Company on 18 September 2012.

Details of Remuneration

Details of the remuneration of the Directors and the key management personnel of the Group are set out in the following tables. Elements of remuneration relating to STI's and equity are based on personal and Company performance and determined by the Remuneration Committee.

Remuneration of Key Management Personnel ('KMP') of the Group – 30 June 2013

	Short-term benefits							
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Superannuation	Sub-total	Termination payments	Share based payments (amortised over 3 years)	TOTAL
	(A)	(B)	(C)	(D)			(E)	
DIRECTORS	$	$	$	$	$	$	$	$
Non-executive								
Alan Good	62,500	-	-	6,250	68,750	-	-	**68,750**
Susan Vearncombe	100,000	-	-	10,000	110,000	-	-	**110,000**
Colin Wise	14,855	-	-	1,485	16,340	-	-	**16,340**
Adrian Redlich	50,000	-	-	-	50,000	-	-	**50,000**
Michele Muscillo	10,000	-	-	-	10,000	-	-	**10,000**
Alastair Morrison	-	-	-	-	-	-	-	**-**
	237,355	**-**	**-**	**17,735**	**255,090**	**-**	**-**	**255,090**
Executive								
Milan Jerkovic*	488,861	-	73,146	44,625	606,632	588,424	39,034	**1,234,090**
Andre Labuschagne	276,390	-	-	16,071	292,461	-	-	**292,461**
	765,251	**-**	**73,146**	**60,696**	**899,093**	**588,424**	**39,043**	**1,526,551**
	1,002,606	**-**	**73,146**	**78,431**	**1,154,183**	**588,424**	**39,034**	**1,781,641**
OTHER KMP								
Matthew Smith	305,222	-	-	25,367	330,589	-	-	**330,589**
Ivan Jerkovic	262,997	-	21,122	23,175	307,294	-	15,687	**322,981**
Nic Earner	236,479	-	-	22,797	259,276	-	34,038	**293,314**
David Greenwood	73,625	-	21,700	9,526	104,851	70,256	4,513	**179,620**
Peter Storey	77,368	-	23,524	9,526	110,418	70,263	4,513	**185,194**
Rob Brainsbury	190,178	-	-	14,544	204,722	-	-	**204,722**
Ian Sheppard	103,694	-	-	9,361	113,055	-	-	**113,055**
Scott Huffadine	81,250	-	-	2,083	83,333	-	-	**83,333**
	1,330,813	**-**	**66,346**	**116,379**	**1,513,538**	**140,519**	**58,751**	**1,712,808**
		2,472,911		**194,810**	**2,667,721**	**728,943**	**97,785**	**3,494,449**

*An amount remains outstanding as at 30 June 2013 with respect to termination payments owing to Mr Jerkovic.

Remuneration of Key Management Personnel ('KMP') of the Group – 30 June 2012

	Short-term benefits							
	Cash salary & fees (A)	Short-term incentive (B)	Non-cash benefits (C)	Post-employment Superannuation (D)	Sub-total	Termination payments	Share based payments (amortised over 3 years) (E)	TOTAL
DIRECTORS	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive								
Alan Good	150,000	-	-	15,000	165,000	-	-	**165,000**
Garry Lowder	-	-	-	-	-	-	-	**-**
Susan Vearncombe	102,650	-	-	10,265	112,915	-	-	**112,915**
Colin Wise	35,344	-	-	3,534	38,878	-	-	**38,878**
Alastair Morrison	-	-	-	-	-	-	-	**-**
	287,994	**-**	**-**	**28,800**	**316,794**	**-**	**-**	**316,794**
Executive								
Milan Jerkovic	945,000	-	143,887	94,500	1,183,387	-	82,581	**1,265,968**
Michael Gibson	594,980	-	57,909	59,498	712,386	708,037	53,743	**1,474,167**
	1,539,980	**-**	**201,795**	**153,998**	**1,895,773**	**708,037**	**136,324**	**2,740,135**
	1,827,974	**-**	**201,795**	**182,798**	**2,212,567**	**708,037**	**136,324**	**3,056,928**
OTHER KMP								
Nic Earner^	370,944	-	-	36,700	407,644	-	57,676	**465,320**
Peter Storey^	320,842	-	80,028	32,084	432,954	-	20,645	**453,599**
David Greenwood^	307,087	-	43,613	47,209	397,909	-	20,645	**418,554**
Gail Campbell^	306,749	-	33,829	30,675	371,253	-	19,662	**390,915**
Ivan Jerkovic^	245,400	-	25,648	24,540	295,588	-	15,730	**311,317**
	1,551,022	**-**	**183,117**	**171,209**	**1,905,348**	**-**	**134,358**	**2,039,706**
		3,763,908		**354,007**	**4,117,915**	**708,037**	**270,682**	**5,096,634**

The relative proportions of remuneration received that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk – Short Term Incentive		At Risk - Equity	
Name	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Directors						
Alan Good	**100%**	100%	**-**	-	**-**	-
Susan Vearncombe	**100%**	100%	**-**	-	**-**	-
Colin Wise	**100%**	100%	**-**	-	**-**	-
Adrian Redlich	**100%**	100%	**-**	-	**-**	-
Michele Muscillo	**100%**	100%	**-**	-	**-**	-
Alastair Morrison	**-**	-	**-**	-	**-**	-
Milan Jerkovic	**97%**	93%	**-**	-	**3%**	7%
Andre Labuschagne	**100%**	100%	**-**	-	**-**	-
Key Management Personnel						
Matthew Smith	**100%**	100%	**-**	-	**-**	-
Ivan Jerkovic	**95%**	94%	**-**	-	**5%**	5%
Nic Earner	**88%**	88%	**-**	-	**12%**	12%
David Greenwood	**97%**	95%	**-**	-	**3%**	5%
Peter Storey	**98%**	95%	**-**	-	**2%**	5%
Rob Brainsbury	**100%**	-	**-**	-	**-**	-
Ian Sheppard	**100%**	-	**-**	-	**-**	-
Scott Huffadine	**100%**	-	**-**	-	**-**	-

Notes to tables:

^ Denotes one of the five highest paid executives of the group and the company during the year ended 30 June 2012.

(A) Includes cash salary and Directors' fees.

(B) There were no short-term incentives paid during the year.

(C) Includes: car, travel, phone plus applicable fringe benefits tax payable on benefits.

(D) Superannuation contributions are paid to meet the Superannuation Guarantee and vary according to seniority and service.

(E) The March 2011 issue of Incentive Shares included in share based payments is subject to the ranking of the Total Shareholder Return ("TSR") of the Company's shares relative to the TSR of the S&P/ASX300 Metals and Mining Index ("the Index") for either of the following periods:

Relevant Period	Hurdle	% vesting
1 March 2011 – 28 February 2014 Or 1 March 2013 – 28 February 2014	Shares TSR is equal to the 50th percentile of the Index	50%
	Shares TSR is between the 51st percentile and 74th percentile of the Index	Between 50% & 100% on a pro rata basis
	The Shares TSR is equal to or greater than the 75th percentile of the Index	100%

The implied valuation of the shares issued under the ESAP Plan has been determined using a binomial option pricing model for the option value and a Monte-Carlo simulation to calculate the probability of the incentive shares vesting.

Underlying Security spot price	$0.5750
Exercise price	$0.5592
Grant date	4 March 2011
Total number of options	5,539,160
Expiration date	28 February 2014
Life of options (years)	2.99 years
Volatility	90%
Risk free rate	5.16%
Valuation per option	$0.1458
Total value of the incentive shares	$807,610

The total value of employee incentive shares included in remuneration is calculated in accordance with Accounting Standard AASB 2. The remuneration amount as calculated will be recognised over the vesting period for each relevant period.

Share-based Compensation

Share-based compensation - Employee Exempt Plan

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by the Board on 23 May 2011 and the ASIC exemption relief was published in the ASIC Gazette A045/11 on 7 June 2011. All Australian resident employees are eligible to participate in the scheme.

Under the scheme eligible employees may be offered up to $1,000 worth of fully paid ordinary shares in the Company annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price of the previous five trading days, is recognised in the balance sheet as share capital and the income statement as a share based payment. Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment.

Share-based compensation – Employee Share Acquisition Plan ("ESAP")

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was approved in the process of shareholder approval at the Demerger Scheme Meeting on 21 January 2011. The purpose of the plan is to attract, retain, motivate and reward key executive employees.

The plan operates by allowing participants to obtain shares in the Company at market price which are funded by a limited recourse interest free loan provided by the Company. The shares are held in trust with vesting of the shares subject to performance hurdles. If vesting conditions are satisfied, the shares continue to be held in trust subject to a holding lock until the underlying loan is repaid in full.

Additional Information

Equity Instrument Disclosures Relating to Present and Former Key Management Personnel

Name	Year Granted	Value at Grant Date $	Vested %	Forfeited %	Financial year in which equity may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Milan Jerkovic	2011	246,389	nil	100%	2014	nil	-
Nic Earner	2011	172,081	nil	100%	2014	nil	-
Peter Storey	2011	61,597	nil	100%	2014	nil	-
David Greenwood	2011	61,597	nil	100%	2014	nil	-
Ivan Jerkovic	2011	46,931	nil	100%	2014	nil	-

(a) Shares issued under equity granted are all restricted shares.
(b) The grant date for each share based payment during the period was 4 March 2011.
(c) The value of ESAP shares granted during the period reflects the value of a share determined in accordance with AASB 2.
(d) No restricted shares were exercised or lapsed during the period.

Shares Held by Key Management Personnel

Name	Opening balance 1 July 2012	Issued and Acquired*	Disposed / Forfeited**	Balance 30 June 2013
Directors				
Non-executive				
Alan Good	59,766	92,638	(152,404)	-
Susan Vearncombe	50,000	25,000	-	75,000
Colin Wise	82,000	-	(82,000)	-
Adrian Redlich	-	-	-	-
Michele Muscillo	-	-	-	-
Alastair Morrison	-	-	-	-
Executive				
Milan Jerkovic	9,344,474	14,487,050	(23,831,524)	-
Andre Labuschagne	-	-	-	-
Other key management personnel				
Matthew Smith	48,766	86,576	-	135,342
Ivan Jerkovic	1,043,578	796,732	-	1,840,310
Nic Earner	1,387,312	-	(1,387,312)	-
David Greenwood	1,071,240	-	(1,071,240)	-
Peter Storey	1,449,547	-	(1,449,547)	-
Rob Brainsbury	-	-	-	-
Ian Sheppard	-	-	-	-
Scott Huffadine	-	53,846	-	53,846

* Issued and acquired shares include issues through, ESAP and acquisitions on the open market.
** Includes the shares held by Directors or key management personnel who left the Company during the 2013 financial year as at leaving date.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Andre Labuschagne
Executive Chairman

Perth
26 September 2013

Auditor's Independence Declaration

As lead auditor for the audit of Straits Resources Limited for the period ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Straits Resources Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
26 September 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Straits Resources Limited ABN 30 147 131 977
Annual Financial Report - 30 June 2013

Contents

These financial statements cover the consolidated financial statements for the consolidated entity consisting of Straits Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Straits Resources Limited is a company limited by shares, incorporated and domiciled in Australia. It's registered office and principal place of business is:

Straits Resources Limited
Level 1
168 Adelaide Terrace
EAST PERTH WA 6004

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 7 to 19 and in the Directors' Report on pages 25 to 38, both of which are not part of this financial report.

The financial statements were authorised for issue by the Directors on 26 September 2013. The Directors have the power to amend and reissue the financial statements in accordance with Australian Accounting Standards.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.straits.com.au

	Notes	2013 $'000	2012 $'000
Revenue from continuing operations			
Sales revenue	2	**260,128**	250,455
Other revenue from ordinary activities	2	**2,460**	3,345
		262,588	253,800
Other income	3	**7,298**	5,158
Expenses			
Cost of goods sold	4	**(325,112)**	(243,017)
Other expenses from ordinary activities			
Exploration	4	**(3,055)**	(3,318)
Administration and support	4	**(16,414)**	(15,230)
Sempra offtake agreement buyout	4	**-**	(105,634)
Other	4	**(9,169)**	(12,516)
Impairment loss	4	**(159,791)**	(2,839)
Finance costs	4	**(15,429)**	(11,751)
Loss before income tax		**(259,084)**	(135,347)
Income tax benefit / (expense)	5	**8,777**	(1,325)
Loss from continuing operations		**(250,307)**	(136,672)
Profit / (loss) from discontinued operations	14(c)	**9,632**	(2,532)
Loss for the year		**(240,675)**	(139,204)
Loss is attributable to:			
Owners of Straits Resources Limited		**(240,675)**	(139,224)
Non-controlling interests		**-**	20
		(240,675)	(139,204)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	42	**(25.9)**	(38.2)
Diluted earnings per share	42	**(25.9)**	(38.2)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	42	**(24.9)**	(38.9)
Diluted earnings per share	42	**(24.9)**	(38.9)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

	Notes	**2013 $'000**	2012 $'000
Loss for the year		**(240,675)**	(139,204)
Other comprehensive income			
Items that can be reclassified subsequently to the Income Statement			
Changes in the fair value of cash flow hedges	29(a)	**25,432**	(2,502)
Exchange differences on translation of foreign operations	29(a)	**2,115**	185
Exchange differences on translation of discontinued operations		**-**	931
Income tax relating to components of other comprehensive income	5(c)	**(4,485)**	360
Other comprehensive income for the year, net of tax		**23,062**	(1,026)
Total comprehensive income for the year		**(217,613)**	(140,230)
Total comprehensive income for the year is attributable to:			
Owners of Straits Resources Limited		**(217,613)**	(140,169)
Non-controlling interests		**-**	(61)
		(217,613)	(140,230)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Straits Resources Limited
Consolidated Balance Sheet
As at 30 June 2013

	Notes	**2013 $'000**	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**18,256**	12,982
Trade and other receivables	9	**10,032**	32,202
Inventories	10	**15,399**	27,391
Other financial assets	11	**1,397**	15,159
Derivative financial instruments	12	**9,034**	178
Short term mine development	13	**8,848**	8,013
Assets classified as held for sale	14	**1,889**	15,894
Total current assets		**64,855**	111,819
Non-current assets			
Receivables	15	**21,010**	33,504
Other financial assets	16	**-**	359
Derivative financial instruments	12	**13,123**	3,431
Property, plant and equipment	17	**35,699**	45,151
Exploration and evaluation	18	**26,154**	27,172
Mine properties in use	18	**49,948**	144,766
Deferred tax assets	19	**17,814**	17,814
Total non-current assets		**163,748**	272,197
Total assets		**228,603**	384,016
LIABILITIES			
Current liabilities			
Trade and other payables	20	**68,654**	68,436
Interest bearing liabilities	21	**65,079**	26,011
Deferred revenue	23	**16,658**	21,920
Derivative financial instruments	12	**-**	481
Provisions	22	**5,919**	4,262
Liabilities directly associated with assets classified as held for sale	14	**-**	4,307
Total current liabilities		**156,310**	125,417
Non-current liabilities			
Interest bearing liabilities	24	**57,627**	82,683
Deferred revenue	27	**18,205**	21,871
Derivative financial instruments	12	**-**	1,055
Deferred tax liabilities	25	**-**	-
Provisions	26	**29,061**	25,746
Total non-current liabilities		**104,893**	131,355
Total liabilities		**261,203**	256,772
Net assets / (liabilities)		**(32,600)**	127,244
EQUITY			
Contributed equity	28	**353,300**	295,941
Reserves	29(a)	**13,007**	(10,464)
Accumulated losses	29(b)	**(398,907)**	(158,233)
Capital and reserves attributable to owners of Straits Resources Limited		**(32,600)**	127,244
Total equity		**(32,600)**	127,244

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

	Notes	Attributable to owners of Straits Resources Limited: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011		219,921	(486)	(19,009)	200,426	3,982	204,408
Loss for the year		-	-	(139,224)	(139,224)	20	(139,204)
Other comprehensive income		-	(945)	-	(945)	(81)	(1,026)
Total comprehensive income for the year		**-**	**(945)**	**(139,224)**	**(140,169)**	**(61)**	**(140,230)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	28	76,020	-	-	76,020	-	76,020
Transactions with non-controlling interests		-	3,921	-	3,921	(3,921)	-
Employee share options - value of employee services	29	-	410	-	410	-	410
Acquisition of non-controlling interest		-	(13,364)	-	(13,364)	-	(13,364)
		76,020	(9,033)	-	66,987	(3,921)	63,066
Balance at 30 June 2012		**295,941**	**(10,464)**	**(158,233)**	**127,244**	**-**	**127,244**
Loss for the year		-	-	(240,675)	(240,675)	-	(240,675)
Other comprehensive income		-	23,062	-	23,062	-	23,062
Total comprehensive income for the year		**-**	**23,062**	**(240,675)**	**(217,613)**	**-**	**(217,613)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	28	57,359	-	-	57,359	-	57,359
Employee share options - value of employee services	29	-	409	-	409	-	409
		57,359	409	-	57,768	-	57,768
Balance at 30 June 2013		**353,300**	**13,007**	**(398,907)**	**(32,600)**	**-**	**(32,600)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Straits Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Notes	**2013 $'000**	2012 $'000
Cash flows from operating activities			
Receipts from customers		**246,462**	241,468
Receipts from deferred revenue		**-**	48,459
Net cashflows from hedging		**(10)**	(320)
Payments to suppliers and employees		**(262,732)**	(321,075)
Interest received		**2,159**	1,345
Interest paid		**(8,286)**	(9,164)
Net cash outflow from operating activities of discontinued operations	14	**(2,397)**	(3,113)
Net cash outflow from operating activities	40	**(24,804)**	(42,400)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4,122**	1,177
Payments for property, plant and equipment and mine properties		**(64,006)**	(103,805)
Payments for exploration expenditure		**(7,583)**	(22,420)
Proceeds from held for trading financial assets		**9,191**	4,262
Payments for held for trading financial assets		**-**	(108)
Proceeds from loan receivable		**2,469**	640
Net proceeds from sale of Hillgrove		**26,757**	-
Option fees received on sale of Hillgrove		**3,000**	-
Net cash outflow from investing activities of discontinued operations	14	**(167)**	(330)
Net cash outflow from investing activities		**(26,217)**	(120,584)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**57,359**	75,909
Transactions with non-controlling interests		**-**	(13,364)
Proceeds from borrowings		**8,180**	85,231
Repayment of borrowings		**(9,717)**	(4,344)
Finance lease payments		**(3,034)**	(8,193)
Restricted cash		**3,719**	888
Net cash outflow from financing activities of discontinued operations	14	**(282)**	(145)
Net cash inflow from financing activities		**56,225**	135,982
Net increase / (decrease) in cash and cash equivalents		**5,204**	(27,002)
Cash and cash equivalents at the beginning of the financial period		**12,982**	36,716
Effects of exchange rate changes on cash and cash equivalents		**70**	3,268
Cash and cash equivalents at end of year	8	**18,256**	12,982

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Straits Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Straits Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The presentation currency used in this financial report is Australian dollars.

(i) Going concern

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2013, Straits incurred a loss of $240.7 million and had a cash outflow from operating activities of $24.8 million.

At 30 June 2013 the Group held cash of $18.3 million and had negative net assets of $32.6 million and a working capital deficiency of $91.4 million. During the year ended 30 June 2013, the Group has been able to continue to meet working capital requirements principally as a result of capital raised and restructuring finance arrangements.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Group being successful in:

(a) a reduction of discretionary/contingent expenditures;

(b) improving performance at the mining operations in order to generate positive cashflow;

(c) restructure of debt facilities;

(d) minimising funding requirements for Mt Muro, which was placed in care and maintenance on 2 August 2013;

(e) negotiating the terms of the Credit Suisse facility, which was announced on 5 August 2013; and

(f) negotiating the payment profile and amounts due in relation to the Standard Chartered Bank ("SCB") pre-paid copper swap facility. Refer to events occuring after the reporting period note 39.

The net loss attributable to Straits for the year of $240.7 million has resulted in the company having negative net assets of $32.6 million and includes liabilities relating to Mt Muro of $107.8 million as at 30 June 2013.

As a result of these matters, there is a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Going concern (continued)
The Directors believe that the Company has reasonable prospects of generating sufficient funds and restructuring the debt facilities to support its operations in the foreseeable future and as a consequence they have no intention to liquidate or cease trading.

The Directors believe they have reasonable grounds to expect that they will have sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due.

Accordingly, the financial statements have been prepared on a going concern basis, which assumes continuity of operations and realisation of assets and settlement of liabilities in the normal course of business for the foreseeable future.

(ii) New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to the income statement in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Compliance with IFRS
The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iv) Early adoption of standards
The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(v) Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative financial instruments) at fair value through the income statement.

(vi) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 7.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Straits Resources Limited ('Company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Straits Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)
Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Joint ventures
Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 38.

(iii) Changes in ownership interests
The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received are recognised in a separate reserve within equity attributable to owners of Straits Resources Limited.

When the consolidated entity ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement where appropriate.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Straits Resources Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Income Statement, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Income Statement on a net basis within other income or other expenses.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through the income statement are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Foreign operations
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Consolidated Income Statement and Consolidated Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate for the period.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Sales revenue comprises of revenue earned from the provision of products to entities outside the company. Sales revenue is recognised when the product is suitable for delivery and:

- risk has been passed to the customer;
- the quantity of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under the physical control of the company; and
- the selling price can be determined with reasonable accuracy.

Concentrate sales revenue represents gross proceeds receivable from the customer. Concentrate sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

(i) Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Dividends
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(m).

1 Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value based on estimated amounts due and subsequently at amortised cost less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised within other expenses in profit and loss.

When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

Straits Resources Limited and its wholly-owned Australian directly controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Leases

Leases of property, plant and equipment where the controlled entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current or non-current interest bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases (note 35). Operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

1 Summary of significant accounting policies (continued)

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Inventories

Mining inventories of raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: financial assets at fair value through the income statement, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through the income statement
Financial assets at fair value through the income statement are financial assets held for trading. The equity investments classified as held for trading are managed as part of an investment portfolio in accordance with an investment strategy. The performance of the portfolio is evaluated on a fair value basis and information is provided on that basis for assessment by the directors. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and receivables (note 15) in the balance sheet.

(iii) Available-for-sale investments
Available-for-sale investments are non-derivatives which are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition
Purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement as gains and losses from investment securities.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the income statement are expensed in the income statement.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through the income statement are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through the income statement' category are presented in the income statement within other income or other expenses in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in note 6.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Income Statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment testing of trade receivables is described in note1(f).

(ii) Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholder's equity are shown in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(i) Fair value hedge
If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where financial instruments are used to hedge economically the movements in the fair values of inventories that are stated at market values, hedge accounting is applied and any gain or loss on the instruments is set against any loss or gain from the movement in the fair value of such inventories. The net effect is presented in the Consolidated Statement of Comprehensive Income.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'.

(iii) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

(iv) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

1 Summary of significant accounting policies (continued)

(o) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange and commodity contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation on mine property, plant and equipment (excluding land) is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable mineral reserves, or on a straight line basis over the estimated useful life of the asset if the asset's useful life is less than the life of mine.

- Buildings	20 years
- Plant and equipment	6 - 20 years
- Computer equipment	3 - 5 years
- Furniture, fittings and equipment	5 years
- Leased motor vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Income Statement.

(q) Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and while active and significant operations in, or in relation to, the area are continuing.

1 Summary of significant accounting policies (continued)

(q) Exploration and evaluation expenditure (continued)

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which that decision is made.

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties as detailed in note 1(s) below.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

(r) Pre-development properties

Pre-development properties represent the acquisition costs and/or accumulation of exploration and evaluation expenditure in respect of areas of interest in which economically recoverable reserves have been identified but for which mine development has not commenced.

No amortisation is provided in respect of pre-development properties until they are reclassified as "Mine Properties," following a decision to develop the mine.

(s) Mine properties

Mine properties represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis so as to write off the cost in proportion to the depletion of the proved and probable mineral reserves.

(t) Deferred mining expenditure

(i) Open cut operations
Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable ore to be mined, have been capitalised and included in the balance sheet as deferred mining. These costs are deferred or taken to the cost of production as the case may be, so that each tonne of ore mined bears the average costs of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit design and incurs the associated variable contract mining costs specific to the production area from which that ore is mined. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Directors and senior management to ensure the carrying value and rate of deferral is appropriate.

(ii) Underground operations
Certain mining costs, principally those that relate to levels of development which are expected to be used for shorter periods than the mine life have also been capitalised and included in the balance sheet. These costs are deferred on a cost per development metre basis. These costs are then amortised into the profit and loss on a units of production basis over the relevant reserves.

(u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

1 Summary of significant accounting policies (continued)

(u) Financial guarantee contracts (continued)

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(w) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. Under AASB 116 Property, Plant and Equipment, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period.

1 Summary of significant accounting policies (continued)

(y) Provisions (continued)

AASB 137 Provisions, Contingent Liabilities, and Contingent Assets requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted. The increase in the provision due to the passage of time is recognised as interest expense.

(z) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share based compensation benefits are provided to employees via the Straits Resources Limited Employee Share Acquisition Plan (ESAP). Information relating to these schemes is set out in note 43.

Share based compensation under the Employee Share Acquisition Plan (ESAP) is measured as the value of the option inherent within shares issued under this plan and is expensed over the vesting period of the shares with a corresponding credit to the Share Based Payments Reserve.

(iv) Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(aa) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1 Summary of significant accounting policies (continued)

(ab) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of Straits Resources Limited.

(ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 (December 2010) and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective 1 January 2015)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit and loss.

The Group hasn't assessed the impact on the Group's accounting for financial assets and liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interest in Other Entities*, revised AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

1 Summary of significant accounting policies (continued)

(ad) New accounting standards and interpretations (continued)

(ii) AASB10 (continued)
AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 11 will not have any impact on the amounts recognised in the Group's financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

1 Summary of significant accounting policies (continued)

(ad) New accounting standards and interpretations (continued)

(iv) Revised AASB 119 *Employee Benefits and*, AASB 2012-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011)
In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method), the immediate recognition of all past service costs in the income statement and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the income statement. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. Since Straits Resources Limited does not have any defined benefit obligations, the amendments will not have any impact on the Group's Consolidated Financial Statements.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

(v) AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20* (effective 1 January 2013)
Interpretation 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the orebody) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the group's current accounting policy which is to capitalise stripping costs based on a general waste-to-ore stripping ratio and amortise the costs over the life of the mine. The interpretation must be applied retrospectively and the group will have to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the orebody. The group has not yet undertaken a review of its existing stripping cost assets in light of the requirements of the interpretation and hence is unable to quantify the effect, if any, on the amounts recognised in the financial statements. The Group expects to adopt the interpretation from 1 July 2013.

(vi) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(vii) AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* (effective 1 January 2013)
In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Group will apply the amendments from 1 July 2013. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(viii) AASB Interpretation 21 *Levies* (effective 1 January 2014)
Interpretation 21 was issued by the AASB in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The Group has reviewed the levies it is currently paying and determined that the accounting for these levies will not be affected by the interpretation. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements.

1 Summary of significant accounting policies (continued)

(ad) New accounting standards and interpretations (continued)

(ix) AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014)
The AASB has made minor changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

(x) AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting* (effective 1 January 2014)
The AASB has made minor amendments to AASB 139 *Financial Instruments: Recognition and measurement.* The amendments will allow entities to continue hedge accounting, where a derivative contract that was designated as a hedge has been novated to a central counterparty as a consequence of laws or regulations. The Group intends to apply the amendments from 1 July 2014. Since the Group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(ae) Parent entity financial information

The financial information for the parent entity, Straits Resources Limited, disclosed in note 45 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Straits Resources Limited. Dividends received from associates are recognised in the parent entity's income statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
Straits Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Straits Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Straits Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Straits Resources Limited for any current tax payable assumed and are compensated by Straits Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Straits Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(af) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ag) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Revenue

	2013 **$'000**	2012 $'000
From continuing operations		
Sales revenue		
Mining activities	**260,128**	250,455
Other revenue		
Management fees	**-**	3
Interest	**1,911**	2,110
Other revenue from ordinary activities	**549**	1,232
	262,588	253,800

A portion of the Group's revenue from mining activities in foreign currencies and copper and gold revenue is cash flow hedged. The amounts disclosed above for revenue from mining activities include the effective amount of the derivatives that are used to hedge foreign currency revenue. The amount included in revenue is:

	2013 **$'000**	2012 $'000
Forward currency in the money contracts - cash flow hedged	**172**	989
Forward commodity in / (out of) the money contracts - cash flow hedged	**1,337**	(1,185)
	1,509	(196)

3 Other income

	2013 **$'000**	2012 $'000
Net gain on disposal of property, plant and equipment and investments	**1,848**	2,856
Net gain on commodity derivatives - ineffective hedges (note 12)	**1,946**	-
Option fee revenue	**3,000**	-
Foreign exchange gains (net)	**-**	919
Net gain on time value of option contracts	**504**	1,383
	7,298	5,158

4 Expenses

	2013 $'000	2012 $'000
Loss before income tax includes the following specific expenses:		
Cost of goods sold:		
Cost of production		
Mining activities	**271,919**	221,428
	271,919	221,428
Depreciation		
Plant and equipment	**5,606**	2,808
Plant and equipment under finance leases	**2,262**	3,397
	7,868	6,205
Amortisation		
Mine properties	**45,325**	15,384
Total Cost of goods sold	**325,112**	243,017
Exploration:		
Exploration expenditure	**2,233**	1,856
Exploration written off	**822**	1,462
	3,055	3,318
Administration and support:		
Australia	**14,883**	13,484
Asia	**1,531**	1,746
	16,414	15,230
Sempra offtake agreement buyout:		
Contract cancellation costs (note 4(a))	**-**	105,634
	-	105,634
Other:		
Net foreign exchange losses	**7,828**	-
Marketing	**29**	139
Net loss on foreign currency derivatives not qualifying as hedges	**-**	40
Loss on fair value of listed securities held for trading	**705**	12,337
Assets written off / damaged	**607**	-
	9,169	12,516

4 Expenses (continued)

	2013 $'000	2012 $'000
Impairment loss:		
Impairment loss write down - Mining Operations (note 4(b))	**145,331**	1,975
Impairment loss write down - Corporate & Other (note 4(b))	**14,460**	864
	159,791	2,839
Finance costs - net:		
Interest and finance charges paid / payable	**14,248**	10,715
Unwinding of discounts on provisions	**1,181**	1,036
	15,429	11,751
Included within the above functions are the following:		
Employee benefits expense (includes employee benefit accruals)	**54,989**	53,485
Superannuation expense	**647**	753
Total employee benefits expense	**55,636**	54,238

(a) Sempra offtake agreement buyout

During the previous year the Group restructured the Tritton Copper Mine offtake agreement with J.P. Morgan Metals & Concentrates. Under the restructuring arrangement, in exchange for an upfront cash payment of $96,963,000, J.P. Morgan terminated the offtake agreement.

A new offtake agreement was entered into with J.P. Morgan for all copper concentrates from Tritton until the end of 2013, priced in line with the significantly lower prevailing market offtake terms for copper concentrate. Tritton had an option to terminate the new offtake agreement with J.P. Morgan for shipments scheduled from 1 July 2012. Tritton paid $8.67million in February 2012 to J.P. Morgan to excercise this option.

(b) Impairment

The Group have reviewed the carrying amount of assets as at the end of the current reporting period and have written down assets at the mining operations by $145,331,000 (2012: $1,975,000), and assets at Corporate and other non-mining group entities by $14,460,000 (2012: $864,000). Impairments at the mining operations relate to Mt Muro $142,776,000 (2012: $1,975,000) and Tritton $2,555,000 (2012: Nil).

The amount of impairment for Mt Muro by class of asset in the current period is: mine properties in use $108,937,000; property, plant and equipment $7,550,000; exploration $5,969,000; trade and other receivables $19,512,000; assets classified as held for sale $384,000; and non-current receivables $424,000.

The recoverable amount of the Mt Muro cash generating unit in the current period is its fair value less costs to sell. Fair value was determined based on market conditions.

5 Income tax (benefit) / expense

(a) Income tax (benefit) / expense

	2013 $'000	2012 $'000
Current tax expense	**-**	-
Deferred tax benefit	**(4,485)**	360
	(4,485)	360
Income tax (benefit) / expense is attributable to:		
Profit / (loss) from continuing operations	**(8,777)**	1,325
Profit / (loss) from discontinued operations	**4,292**	(965)
Aggregate income tax (benefit) / expense	**(4,485)**	360
Deferred income tax (benefit) / expense included in income tax comprises:		
(Increase) / decrease in deferred tax assets (note 19)	**(8,042)**	931
Increase / (decrease) in deferred tax liabilities (note 25)	**3,557**	(571)
	(4,485)	360

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable/(receivable)

	2013 $'000	2012 $'000
Loss from continuing operations before income tax expense	**(259,084)**	(135,347)
Profit / (loss) from discontinued operations before income tax expense	**13,923**	(3,497)
	(245,161)	(138,844)
Tax at the Australian tax rate of 30.0%	**(73,548)**	(41,654)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses - continuing operations	**6**	344
Tax losses not recognised	**17,182**	47,891
Recognition of previously unrecognised temporary differences - continuing operations	**(21,052)**	(6,865)
Temporary differences not recognised - continuing operations	**53,386**	(63)
Temporary differences not recognised - discontinued operations	**67**	-
Gain / (loss) on sale of subsidiary	**946**	(896)
Share-based payments	**123**	156
Losses of foreign operations not recognised	**17,709**	1,452
Sundry items	**(288)**	(5)
Non-deductible expenses - discontinued operations	**48**	-
	(5,421)	360
Under provision in prior periods	**936**	-
Income tax (benefit) / expense	**(4,485)**	360

5 Income tax (benefit) / expense (continued)

(c) Tax expense / benefit relating to items of other comprehensive income

	2013 $'000	2012 $'000
Cash flow hedges (note 29(a))	**4,485**	(360)

(d) Tax losses

	2013 $'000	2012 $'000
Unused tax losses and deductible temporary differences of the Australian tax consolidated group for which no deferred tax asset has been recognised	**262,655**	287,286
Potential tax benefit @ 30.0%	**78,797**	86,186

Prior period unused tax losses and deductible temporary differences of the Australian tax consolidated group for which no deferred tax assets has been recognised have been restated.

6 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

Risk management is carried out by a central treasury function (Group treasury) under policies approved by the board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, commodity price risks and ageing analysis for credit risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The Group holds the following financial instruments:

(a) Market risk

(i) Foreign exchange risk
Generally, natural hedges, forward contracts and options are used to manage certain foreign exchange risk. The Group's currency exposure based on the information provided to key management is mainly in cash and cash equivalents, receivables, loans and forward exchange contracts.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity’s functional currency. The majority of these exposures are generated by commodity sales contracts which are typically denominated in US dollars, as well as associated receivables.

The Group operates internationally and is exposed to foreign exchange arising from various foreign currency exposures, primarily with respect to the US dollar. Additional foreign exchange risk arises from exposure to the Indonesian Rupiah.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on revenue.

For an analysis of the exposure to foreign exchange risk on trade receivables and trade payables refer to notes 15 and 20 respectively.

Group sensitivity
Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's post tax loss for the period would have been $6,693,000 lower/higher (2012: loss would have been $3,531,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents, interest bearing loans, receivables and payables denominated in foreign currencies. Equity would have been $8,317,000 lower/higher (2012: $8,635,000 lower/higher) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from foreign currency contracts. For the method used to manage the foreign exchange risk refer to note 12(a).

6 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk
Interest rate risk arises as a result of the re-pricing of investments, interest bearing receivables and borrowings and is affected by the length of the re-pricing period.

The significance and management of the risks to the Group are dependent on a number of factors including:

- interest rates (current and forward) and the currencies that the borrowings are drawn;
- level of cash, liquid investments and borrowings;
- maturity dates of investments and borrowings; and
- proportion of investments and borrowings that are fixed rate or floating rate.

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The risk is measured using market and cash flow forecasting.

Group sensitivity
At 30 June 2013, if interest rates had changed by -/+ 50 basis points from the weighted average period end rates with all other variables held constant, post tax loss for the period would have been $253,000 higher/lower (2012: $211,000 higher/lower), mainly as a result of lower/higher interest from loans, cash and cash equivalents and restricted cash.

The exposure of the Group's interest bearing liabilities at balance sheet date that have exposure to interest rate changes at the contractual re-pricing dates are as follows:

	June 2013 $'000	June 2012 $'000
0 - 12 months	**65,079**	22,321
1 - 5 years	**57,627**	72,490
	122,706	94,811

(iii) Commodity Price risk
Commodity price risk is the risk of financial loss resulting from movements in the price of the Group's commodity inputs and outputs.

The Group is exposed to commodity price risk arising from revenue derived from sales of copper concentrate, copper cement, gold and silver. This risk is managed through contractual arrangements with customers and use of derivative instruments such as forward contracts.

Copper and Gold price risk has been managed by fixing a portion of future forecast sales.

(iv) Summarised sensitivity analysis
The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk and interest rate risk.

	Foreign exchange risk				**Interest rate risk**			
	-10%		**+10%**		**-50 basis pts**		**+50 basis pts**	
Consolidated	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
2013	**(6,693)**	**8,317**	**6,693**	**(8,317)**	**253**	**-**	**(253)**	**-**
2012	(3,531)	8,635	3,531	(8,635)	211	-	(211)	-

Interest rate risk for the prior year has been restated to include restricted cash.

6 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions.

The Group have policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and, where necessary is effectively eliminated or substantially reduced by using bank and insurance instruments to secure payment for materials supplied and sold. Derivative counterparties and cash transactions are limited to high credit quality financial institutions with external credit ratings. The Group have policies that limit the amount of credit exposure to any one financial institution.

The age analysis of trade receivables past due but not impaired is disclosed in note 9. The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are also disclosed in note 9.

The carrying amount of financial assets recorded in the financial statements are grossed up for any allowances for impairment, representing the Group's maximum exposure to credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties, refer to note 24(d).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, liquid investments and committed credit facilities to meet the Group's commitments as they arise. As at 30 June 2013 the Group held Nil deposits at call (2012: $2,000,000) that are expected to readily generate cash inflows for managing liquidity risk.

Liquidity risk management covers daily, short-term and long-term needs. The appropriate levels of liquidity are determined by both the nature of the Group’s business and its risk profile.

Maturities of financial liabilities
The following tables detail the Group's remaining contractual maturity for its financial liabilities (refer note 24 for financing facilities). The amounts presented represent the future undiscounted principal and interest cash flows.

Group at 30 June 2013	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**
Non-derivatives			
Non-interest bearing	**68,654**	**-**	**-**
Variable interest rate instruments	**72,522**	**63,225**	**1,035**
Lease and hire purchase liabilities	**3,486**	**5,277**	**-**
Other fixed interest loans	**2,827**	**161**	**-**
Total Non-derivatives	**147,489**	**68,663**	**1,035**
Derivatives			
Total Derivatives	**-**	**-**	**-**

6 Financial risk management (continued)

(c) Liquidity risk (continued)

Group at 30 June 2012	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Non-derivatives			
Non-interest bearing	68,714	-	-
Variable interest rate instruments	36,043	94,422	1,061
Lease and hire purchase liabilities	3,587	8,091	-
Other fixed interest loans	858	2,424	-
Total Non-derivatives	109,202	104,937	1,061
Derivatives			
Gross settled (forward foreign exchange contracts - cash flow hedges) - (inflow)	9,715	-	-
Gross settled (forward foreign exchange contracts - cash flow hedges) - (outflow)	(9,779)	-	-
Total Derivatives	(64)	-	-

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2013 and 30 June 2012:

30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets				
Trading securities	**1,397**	**-**	**-**	**1,397**
Other (deferred consideration)	**-**	**-**	**-**	**-**
Derivatives for hedging	**-**	**22,157**	**-**	**22,157**
Total assets	**1,397**	**22,157**	**-**	**23,554**
Liabilities				
Total liabilities	**-**	**-**	**-**	**-**

6 Financial risk management (continued)

(d) Fair value measurements (continued)

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets				
Trading securities	13,423	-	-	13,423
Other (deferred consideration)	-	-	1,736	1,736
Derivatives for hedging	-	3,609	-	3,609
Total assets	13,423	3,609	1,736	18,768
Liabilities				
Derivatives used for hedging	-	1,536	-	1,536
Total liabilities	-	1,536	-	1,536

Investments classified as held for trading are fair valued by comparing to the published price quotation in an active market.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

Refer to note 24(f) for the carrying amounts and fair values of borrowings at balance date.

(e) Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held both for strategic and trading purposes. Refer to note 1(m)(i).

Equity price sensitivity
The sensitivity analysis below has been determined on the exposure to equity price risks at the reporting date.

At reporting date, if the pricing inputs had been 10% higher/lower while all other variables were held constant the net loss for the Group would decrease/increase by $98,000 (2012: $940,000 decrease/increase) as a result of the changes in fair value of other financial assets held for trading.

7 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on management's historical experience and knowledge of relevant facts and circumstances at that time.

The Straits' Group makes estimates and judgments concerning the future. The resulting accounting estimates and judgments may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial period and on the amounts recognised in the financial statements. Information on such estimates and judgments is contained in the accounting policies and/or notes to the financial statements.

(i) Reserve estimates
Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The Group is required to determine and report ore reserves in Australia under the principles incorporated in the Australasian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

As the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- determination of ore reserves;
- recognition of deferred tax on mineral rights and exploration recognised on acquisitions;
- deferred mining expenditure and capitalisation of underground development costs; and
- units of production method of depreciation and amortisation.

(ii) Estimation for the provision for rehabilitation and dismantling
Provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration time value.

(iii) Impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties
The Group reviews for impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties in accordance with the accounting policy stated in note 1(j). With the exception of deferred exploration, the recoverable amount of these assets has been determined based on higher of the assets' fair value less costs to sell and value in use. Recoverable amount assessments are principally based on discounted cashflow analysis. This requires the use of estimates and judgements in relation to a range of inputs including:

- commodity prices;
- exchange rates;
- reserves and mine planning scheduling;
- production costs; and
- discount rates.

The Group has regard to external consensus forecasts of key assumptions where available (e.g. commodity price and exchange rates).

(iv) Income taxes
Judgement is required in determining the provision for income taxes. The Group recognises liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

7 Critical accounting estimates and judgements (continued)

(iv) Income taxes (continued)
Deferred tax assets have been recognised based on the Group's probable future taxable income.

(v) Other financial assets
Management has applied estimates and judgements in order to determine the fair value of deferred performance consideration receivable. In determining the fair value, management has made assumptions as to discount rates, estimated probability of achieving the performance criteria, foreign exchange rates and risk.

8 Current assets - Cash and cash equivalents

	2013 $'000	2012 $'000
Bank balances	**18,256**	10,982
Deposits at call	**-**	2,000
	18,256	12,982

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:

	2013 $'000	2012 $'000
Cash and cash equivalents	**18,256**	12,982
Balance per statement of cash flows	**18,256**	12,982

(b) Cash at bank and on hand

Cash at bank accounts are interest bearing attracting normal market interest rates.

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

9 Current assets - Receivables

	2013 $'000	2012 $'000
Net trade receivables	**2,402**	6,697
Other debtors*	**1,585**	16,830
Other receivables	**-**	5,341
Restricted cash	**5,191**	-
Prepayments	**854**	3,334
	10,032	32,202

* *Other debtors is primarily composed of receivables in relation to Australian GST refund claims and Indonesian VAT refund claims.*

(a) Provision for impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2013 $'000	2012 $'000
Opening balance	**-**	(438)
Overprovision amounts reversed	**-**	419
Exchange differences	**-**	19
	-	-

The trade receivables and other debtors within receivables do not contain impaired assets and are not past due. Based on the credit history of these other debtors, it is expected that these amounts will be received when due.

Current receivables for 30 June 2013 do not include any amounts relating to Mt Muro. Mt Muro trade receivables and other debtors were fully written off during the period resulting in an impairment expense of $19.5 million.

The carrying amount of trade and other receivables approximate their fair values.

(b) Foreign exchange and interest rate risk

Refer to note 15 for an analysis of the Group's exposure to foreign currency risk in relation to trade and other receivables.

(c) Fair value risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(d) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 6 for more information on the risk management policy of the Group.

10 Current assets - Inventories

	2013 $'000	2012 $'000
Mining inventories		
Production supplies - at cost	**5,285**	14,102
Work in progress - at cost	**10,114**	13,289
	15,399	27,391

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2013 amounted to $40,200,000 (2012: $2,843,000). The expense has been included in 'cost of sales' in the income statement. The net realisable value inventory write-downs relate to the Mt Muro operations.

11 Current assets - Other financial assets

	2013 $'000	2012 $'000
Equity securities listed on Australian Stock Exchange (ASX listed companies)	**1,397**	13,423
Deferred consideration	**-**	1,736
	1,397	15,159

Changes in fair values of financial assets through profit or loss are recorded in other income or other expenses in the income statement.

All other financial assets at fair value through the income statement are denominated in the Australian currency. For an analysis of the sensitivity to price risk, refer to note 6.

Changes in the value of deferred consideration are recognised in other comprehensive income until the contractual conditions allowing recognition of a receivable have been met. Once recognised as a receivable, any amounts previously recognised in other comprehensive income are reclassified to the profit and loss statement and any further changes in value recognised in the income statement.

(a) Financial assets Classification

The carrying amounts of the above financial assets are classified as follows:

	2013 $'000	2012 $'000
Held for trading	**1,397**	13,423
Deferred consideration	**-**	1,736
	1,397	15,159

11 Current assets - Other financial assets (continued)

(b) Risk exposure and fair value measurements

Information about the Group exposure to equity price risk is provided in note 6.

12 Derivative financial instruments

	2013 $'000	2012 $'000
Current assets		
Forward currency contracts at fair value	**-**	-
Forward commodity contracts - cash flow hedges	**9,034**	178
Total current derivative financial instrument assets	**9,034**	178
Non-current assets		
Forward commodity contracts - cash flow hedges	**13,123**	3,431
Total non-current derivative financial instruments	**13,123**	3,431
Current liabilities		
Forward currency contracts at fair value	**-**	63
Forward commodity contracts - cash flow hedges	**-**	418
Total current derivative financial instrument liabilities	**-**	481
Non-current liabilities		
Forward commodity contracts - cash flow hedges	**-**	1,055
Total non-current derivative financial instrument liabilities	**-**	1,055
Total derivative financial instruments	**22,157**	2,073

(a) Instruments used by the group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and to movements in the prices of Copper and Gold in accordance with the Group's financial risk management policies (refer to note 6).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

The potential risk of counterparties to meet their obligations under the respective contracts of maturity exposes the Group and counterparties to credit risk. This risk arises on forward exchange contracts with unrealised gains and losses. When the resulting asset is measured at fair value, the maximum exposure to risk at the reporting date will equal the carrying amount.

12 Derivative financial instruments (continued)

(a) Instruments used by the group (continued)

(i) Forward exchange contracts - cash flow hedges
The majority of the Group's revenue is denominated in US dollars.

At the balance sheet date, the details of outstanding forward foreign exchange contracts are:

Tritton Copper Operation

Maturity	**Sell US dollars 30 June 2013 $'000**	Sell US dollars 30 June 2012 $'000	**Forward contracts A$/US$ rate 30 June 2013**	Forward contracts A$/US$ rate 30 June 2012
Less than one year	**Nil**	10,000	**Nil**	1.0293

Amounts disclosed above represent currency sold measured at the contracted rate.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit and loss when the hedged item is recognised. Any ineffective portion is recognised in profit and loss immediately. During the year ended 30 June 2013 the ineffective portion of hedges that was transferred to profit and loss was nil (2012: a loss of $40,070).

(ii) Forward gold contracts - cash flow hedges
The Group has exposure to gold commodity prices. To manage any adverse impact of movements in commodity prices, management determined it may be appropriate to protect the predicted financial outcomes by hedging the price of gold of Mt Muro's gold bullion sales. Anticipated gold sales are forecast after considering reserve calculations, mine production schedules and contractual commitments.

At the balance sheet date, the details of outstanding gold forward contracts are:

Mt Muro Operation

	Quantity hedged ounces		**Average price US$/ounce**	
Maturity	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Less than one year	**6,400**	25,002	**1,586**	1,586
More than one year but less than five years	**8,615**	37,494	**1,586**	1,586

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit and loss when the hedged item is recognised. Any ineffective portion is recognised in profit and loss immediately. During the year ended 30 June 2013 the ineffective portion of hedges that was transferred to profit and loss was a gain of $1,945,509 (2012: nil).

12 Derivative financial instruments (continued)

(a) Instruments used by the group (continued)

(iii) Forward copper contracts - cash flow hedges
A facility arrangement between Tritton Resources (a subsidiary of the Group) and Standard Chartered Bank (SCB) was entered into for a financial prepaid copper swap. The swap covers a notional volume of 16,202 tonnes of contained copper over 4.5 years commencing January 2012.

In accordance with accounting standards, the Group has recognised an embedded derivative in relation to the 16,202 tonnes of copper. The embedded derivative has been designated as a cash flow hedge of the highly probable forecast copper concentrate sales.

At the balance sheet date, the details of outstanding copper swap contracts are:

Tritton Copper Operation

	Quantity hedged tonnes		**Average price US$/tonne**	
Maturity	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Less than one year	**5,400**	839	**7,857**	7,888
More than one year but less than 5 years	**8,522**	13,922	**7,759**	7,791

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit and loss when the hedged item is recognised. Any ineffective portion is recognised in profit and loss immediately. During the year ended 30 June 2013 the ineffective portion of hedges that was transferred to profit and loss was nil (2012: nil).

(iv) Forward copper contracts - options
The Group has exposure to copper commodity prices. To manage any adverse impact of movements in commodity prices, management determined it may be appripriate to protect the predicted financial outcomes by hedging the price of copper from Tritton's sales by way of zero cost collar options. Anticipated copper sales are forecast after considering reserve calculations, mine production schedules and contractual commitments.

At the balance sheet date, the details of outstanding copper option contracts are:

Tritton Copper Operation

	Quantity hedged tonnes		**Average price US$/tonne**			
Maturity	**30 June 2013**	30 June 2012	**30 June 2013 Put option**	**30 June 2013 Call option**	30 June 2012 Put option	30 June 2012 Call option
Less than one year	**5,400**	839	**5,000**	**15,000**	5,050	8,000
More than one year but less than 5 years	**8,522**	13,922	**5,000**	**15,000**	5,050	8,000

The gain or loss from remeasuring the time value of the options at fair value is recognised in profit and loss immediately. In the period ended 30 June 2013 the time value portion of the options that was transferred to profit and loss was a gain of $504,000 (2012: $1,383,000).

(b) Risk exposures and fair value measurements

Information about the Group's exposure on its derivatives to interest rate, foreign exchange and commodity price risk is provided in note 6.

13 Current assets - Short term mine development

	30 June 2013 $'000	30 June 2012 $'000
Opening net book amount	**8,013**	3,804
Expenditure incurred during the year	**9,236**	9,022
Transfer from / (to) mine properties in use	**1,514**	-
Impairment loss	**(659)**	-
Amortisation for the year	**(9,256)**	(4,813)
Closing balance	**8,848**	8,013
Balance at reporting date		
Short term mine development - at cost	**21,421**	12,826
Accumulated amortisation	**(12,573)**	(4,813)
Net book value	**8,848**	8,013

14 Current assets - Assets and liabilities classified as held for sale and discontinued operation

(a) Assets classified as held for sale

	2013 $'000	2012 $'000
Disposal group held for sale (discontinued operation - see (c) below)	**-**	14,293
Plant and equipment	**-**	1,601
Exploration tenements	**1,889**	-
	1,889	15,894

(b) Liabilities directly associated with assets classified as held for sale

	2013 $'000	2012 $'000
Disposal group held for sale	**-**	4,307
	-	4,307

14 Current assets - Assets and liabilities classified as held for sale and discontinued operation (continued)

(c) Discontinued operation

Hillgrove Antimony/Gold Mine

(i) Description

On 4 February 2013, Straits Resources Ltd announced it had entered into a binding agreement for the divestiture of the Hillgrove Antimony/Gold Mine to Bracken Resources Ltd. Straits Resources Ltd finalised the sale of its Hillgrove Mine to Bracken Resources Ltd on 11 March 2013. The division is reported in this financial report as a discontinued operation in the consolidated income statement.

Financial information relating to the discontinued operation for the period is set out below.

Further information is set out in note 44 - Segment information.

(ii) Financial performance and cash flow information

	2013 $'000	2012 $'000
Revenue	**57**	20
Expenses	**(2,828)**	(3,517)
Loss before income tax	**(2,771)**	(3,497)
Income tax benefit	**717**	965
Loss after income tax of discontinued operation	**(2,054)**	(2,532)
Gain on sale of the division before income tax	**16,695**	-
Income tax expense	**(5,009)**	-
Gain on sale of the division after income tax	**11,686**	-
Profit / (loss) from discontinued operations	**9,632**	(2,532)
Net cash outflow from operating activities	**(2,397)**	(3,113)
Net cash outflow from investing activities	**(167)**	(330)
Net cash outflow from financing activities	**(282)**	(145)
Net decrease in cash generated by the division	**(2,846)**	(3,588)

14 Current assets - Assets and liabilities classified as held for sale and discontinued operation (continued)

(c) Discontinued operation (continued)

Hillgrove Antimony/Gold Mine (continued)

(ii) Financial performance and cash flow information (continued)

The carrying amounts of assets and liabilities as at the balance sheet date were:

	2013 $'000	2012 $'000
Current assets		
Receivables	**-**	9
Inventory	**-**	1,754
Assets classified as held-for-sale	**-**	226
Non-current assets		
Property plant and equipment	**-**	11,297
Mine properties in use	**-**	1,007
Total assets	**-**	14,293
Current liabilities		
Payables	**-**	235
Interest bearing liabilities	**-**	288
Provisions	**-**	129
Non-current liabilities		
Interest bearing liabilities	**-**	3
Provisions	**-**	3,652
Total liabilities	**-**	4,307
Net assets	**-**	9,986

(iii) Details of the sale of the division

	2013 $'000	2012 $'000
Consideration received or receivable:		
Cash	**27,000**	-
Carrying amount of net assets sold	**(10,305)**	-
Gain on sale before income tax	**16,695**	-
Income tax expense	**(5,009)**	-
Gain on sale after income tax	**11,686**	-

15 Non-current assets - Receivables

	2013 **$'000**	2012 $'000
Restricted cash*	**15,635**	21,547
Other receivables	**5,375**	11,957
	21,010	33,504

* *Restricted cash relates to cash held on deposit for security against bank guarantees.*

(a) Impaired receivables and receivables past due

Impairment of non-current external loans receivable of $3,945,000 and restricted cash for Mt Muro of $438,000 was recognised during the period. The fair value of receivables are not past due.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2013		2012	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loan Receivable	**5,375**	**5,375**	11,957	11,957
Restricted cash	**15,635**	**15,635**	21,547	21,547
	21,010	**21,010**	33,504	33,504

15 Non-current assets - Receivables (continued)

(c) Foreign currency risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

	2013 $'000	2012 $'000
Australian Dollar	**11,577**	26,430
US Dollar	**19,465**	25,246
Indonesian Rupiah	**-**	14,030
	31,042	65,706
Current receivables	**10,032**	32,202
Non-current receivables	**21,010**	33,504
	31,042	65,706

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 6.

(d) Credit risk

Refer to note 6 for more information on the risk management policy of the Group.

(e) Interest rate risk

The Group has various variable interest rate receivables including restricted cash and other loan receivables. For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 6.

16 Non-current assets - Other financial assets

Other financial assets include the following classes of financial assets:

	2013 **$'000**	2012 $'000
Unlisted Securities:		
Options	**359**	359
Unlisted Options Fair Value Adjustment	**(359)**	-
	-	359

(a) Unlisted securities

The Group holds unlisted options in Metallica Minerals Ltd which are valued at nil (2012: $358,649).

Unlisted options are traded in inactive markets. Their fair value is determined based on the present value of net cash inflows from expected future interest or dividends and subsequent disposal of the securities. The discount rate used to determine the present value of the net cash inflows was based on a market interest rate and the risk premium specific to the unlisted securities (2013 - n/a; 2012: - 4.5%). Refer to note 6 for further information about the methods used and assumptions applied in determining fair value.

(b) Impairment and risk exposure

Impairment of unlisted options of $358,649 was recognised during the period.

17 Non-current assets - Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
At 1 July 2011					
Cost or fair value	1,168	4,131	15,672	20,537	41,508
Accumulated depreciation	-	(67)	(344)	(2,106)	(2,517)
Net book amount	1,168	4,064	15,328	18,431	38,991
Year ended 30 June 2012					
Opening net book amount	1,168	4,064	15,328	18,431	38,991
Additions	-	435	10,650	2,012	13,097
Disposals	-	-	(415)	-	(415)
Transfer to assets held for sale	-	-	(332)	-	(332)
Depreciation charge	-	(183)	(2,714)	(3,647)	(6,544)
Reclassification	-	-	5,708	(5,708)	-
Exchange differences	-	-	354	-	354
Closing net book amount	1,168	4,316	28,579	11,088	45,151
At 30 June 2012					
Cost	1,168	4,565	33,516	14,931	54,180
Accumulated depreciation	-	(249)	(4,937)	(3,843)	(9,029)
Net book amount	1,168	4,316	28,579	11,088	45,151
Year ended 30 June 2013					
Opening net book amount	**1,168**	**4,316**	**28,579**	**11,088**	**45,151**
Additions	**156**	**50**	**6,892**	**-**	**7,098**
Transfer to assets held for sale	**-**	**-**	**739**	**-**	**739**
Depreciation charge	**-**	**(351)**	**(5,363)**	**(2,471)**	**(8,185)**
Impairment loss	**-**	**(331)**	**(9,116)**	**-**	**(9,447)**
Disposals	**-**	**-**	**(179)**	**(155)**	**(334)**
Exchange differences	**-**	**22**	**655**	**-**	**677**
Transfers	**-**	**2,475**	**(2,421)**	**(54)**	**-**
Closing net book amount	**1,324**	**6,181**	**19,786**	**8,408**	**35,699**
At 30 June 2013					
Cost	**1,324**	**6,656**	**27,066**	**14,567**	**49,613**
Accumulated depreciation	**-**	**(475)**	**(7,280)**	**(6,159)**	**(13,914)**
Net book amount	**1,324**	**6,181**	**19,786**	**8,408**	**35,699**

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2013 $'000	2012 $'000
Plant and equipment	**4,606**	9,810

17 Non-current assets - Property, plant and equipment (continued)

(b) Leased assets

Property and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2013 $'000	2012 $'000
Leased equipment		
Cost	**14,567**	14,931
Accumulation depreciation	**(6,159)**	(3,843)
Net book amount	**8,408**	11,088

(c) Non-current assets pledged as security

Refer to note 24 for information on non-current assets pledged as security by the Group.

18 Non-current assets - Exploration and evaluation, Mine properties in use

(a) Exploration and evaluation

	30 June 2013 $'000	30 June 2012 $'000
Opening net book amount	**27,172**	15,579
Transfer to assets held for sale	**(1,889)**	-
Expenditure incurred during the year	**7,583**	22,420
Transfer from / (to) mine properties in use	**(295)**	(8,420)
Impairment loss	**(5,969)**	-
Expenditure written off	**(822)**	(1,462)
Exchange differences	**374**	(945)
Closing balance	**26,154**	27,172

The recoverability of exploration and evaluation assets depends on successful developments or sale of tenement areas.

(b) Mine properties in use

	30 June 2013 $'000	30 June 2012 $'000
Opening net book amount	**144,766**	54,785
Expenditure incurred during the year	**47,673**	84,045
Impairment loss	**(108,937)**	-
Transfer from exploration	**295**	8,420
Adjustments to rehabilitation asset	**536**	7,423
Expenditure written off	**(332)**	-
Amortisation for the year	**(36,032)**	(10,523)
Mine properties written off	**-**	(359)
Exchange differences	**3,493**	975
Transfers (to)/from short term mine capital	**(1,514)**	-
Closing balance	**49,948**	144,766
Balance at reporting date		
Cost	**70,526**	158,096
Accumulated amortisation	**(20,578)**	(13,330)
Net book value	**49,948**	144,766

19 Non-current assets - Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Fixed assets, exploration and mine properties	**21,257**	13,681
Sundry	**7,536**	5,393
Investments	**631**	2,308
Total deferred tax assets	**29,424**	21,382
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,610)**	(3,568)
Net deferred tax assets	**17,814**	17,814
Deferred tax assets expected to be recovered within 12 months	**-**	-
Deferred tax assets expected to be recovered after 12 months	**17,814**	17,814
	17,814	17,814

19 Non-current assets - Deferred tax assets (continued)

Movements - Consolidated	Tax losses $'000	Investments $'000	Fixed assets, exploration and mine properties $'000	Other $'000	DTA/DTL net off $'000	Total $'000
At 1 July 2011	**-**	**-**	**17,260**	**5,051**	**(4,497)**	**17,814**
Debited/(credited) - to the income statement	**-**	**2,308**	**(3,579)**	**342**	**569**	**(360)**
Debited/(credited) - to other comprehensive income	**-**	**-**	**-**	**-**	**360**	**360**
Tax losses current losses	**47,891**	**-**	**-**	**-**	**-**	**47,891**
Tax losses not recognised	**(47,891)**	**-**	**-**	**-**	**-**	**(47,891)**
At 30 June 2012	**-**	**2,308**	**13,681**	**5,393**	**(3,568)**	**17,814**
Debited/(credited) - to the income statement	**-**	**(1,677)**	**7,576**	**2,143**	**(3,557)**	**4,485**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**-**	**(4,485)**	**(4,485)**
Tax losses current losses	**17,182**	**-**	**-**	**-**	**-**	**17,182**
Tax losses not recognised	**(17,182)**	**-**	**-**	**-**	**-**	**(17,182)**
At 30 June 2013	**-**	**631**	**21,257**	**7,536**	**(11,610)**	**17,814**

Net deferred tax assets amounting to $17,814,000 (2012: $17,814,000) have been recognised, recovery of this amount is based on the Group's probable future taxable income.

(a) Tax losses

	2013 $'000	2012 $'000
Unused tax losses and deductible temporary differences of the Australian tax consolidated group for which no deferred tax asset has been recognised	**262,655**	287,286
Potential tax benefit @ 30.0%	**78,797**	86,186

Prior year unused tax losses and deductible temporary differences of the Australian tax consolidated group for which no deferred tax asset has been recognised have been restated.

20 Current liabilities - Payables

	2013 $'000	2012 $'000
Trade payables	**67,661**	66,985
Other payables	**993**	1,451
	68,654	68,436

(a) Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2013 $'000	2012 $'000
Australian Dollar	**16,027**	23,794
US Dollar	**32,030**	31,112
Indonesian Rupiah	**20,566**	13,498
Other currencies	**31**	32
	68,654	68,436

(b) Risk exposure

Information about the Group exposure to foreign exchange risk is provided in note 6.

Due to short-term nature of current payables, their carrying value is assumed to approximate their fair value.

21 Current liabilities - Interest bearing liabilities

	2013 $'000	2012 $'000
Secured		
Bank loans	**58,962**	22,321
Lease liabilities	**3,486**	3,041
Other loans	**2,631**	649
Total secured current borrowings	**65,079**	26,011

(a) Security

Details of the security relating to each of the secured liabilities and further information on bank and other loans are set out in note 24.

21 Current liabilities - Interest bearing liabilities (continued)

(b) Risk exposures

Details of the Group's exposure to interest rate changes and foreign currency risk on interest bearing liabilities are set out in note 24.

(c) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 24.

22 Current liabilities - Provisions

	2013 $'000	2012 $'000
Employee benefits	**5,221**	3,928
Other provisions	**698**	334
	5,919	4,262

(a) Other

Provision is made for the estimated cost of some obligations (primarily professional fees), where there is a likelihood that an outflow will be required for settlement.

(b) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

2013	**Total $'000**
Current	
Carrying amount at start of year	334
Charged/(credited) to the income statement - additional provisions recognised	1,185
Charged/(credited) to the income statement - unused amounts reversed	(11)
Amounts used during the year	(810)
Carrying amount at end of year	698

23 Current liabilities - Deferred revenue

	2013 $'000	2012 $'000
Deferred revenue	**16,658**	21,920

The Group entered into a US$50 million silver advance payment with Credit Suisse in October 2011. Under the original agreement PT Indo Muro Kencana (a subsidiary of the Group) contracted to deliver a total of 1,958,053 ounces of silver to Credit Suisse over the period from January 2012 until December 2014. In return, Credit Suisse paid to PT Indo Muro Kencana US$50 million in advance. The receipt of the funds was recognised as deferred revenue and the Group recognises sales revenue in relation to the delivery of silver ounces as and when delivery is made, in accordance with the contract.

During the current year, two restructures (October 2012 and June 2013) of the silver advance payment facility with Credit Suisse were negotiated. Both restructures focused on re-profiling the delivery of silver ounces in exchange for various undertakings by Straits and PT Indo Muro Kencana and restructuring fees.

On 5 August 2013, Straits Resources Limited (Straits) announced that it had agreed indicative terms to restructure the silver advance payment facility with Credit Suisse. Completion of the restructure will result in a close out of the facility and deferred revenue, by way of silver deliveries, will no longer be delivered into the facility. On 20 August 2013 Straits announced that it its wholly owned subsidiary, PT Indo Muro Kencana, had entered into formal binding documentation with Credit Suisse in relation to the restructure of the facility (refer note 39).

The Group has classified deferred revenue as a current liability where delivery is expected within the next twelve months (as at balance date) with any remaining deliveries due more than twelve months from the end of the reporting year being classified as non-current deferred revenue (see note 27).

24 Non-current liabilities - Interest bearing liabilities

	2013 $'000	2012 $'000
Secured		
Bank loans	**52,350**	72,490
Lease liabilities	**5,277**	8,091
Other loans	**-**	2,102
Total secured non-current borrowings	**57,627**	82,683

24 Non-current liabilities - Interest bearing liabilities (continued)

(a) Secured interest bearing liabilities and assets pledged as security

The total secured interest bearing liabilities (current and non-current) are as follows:

	2013 $'000	2012 $'000
Bank overdrafts and bank loans	**111,312**	94,811
Lease liabilities	**8,763**	11,132
Other loans	**2,631**	2,751
Total secured liabilities	**122,706**	108,694

Residential housing loans provided are secured over the residential properties. These loans have no recourse to the parent entity or other members of the Group.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements and revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	2013 $'000	2012 $'000
Non-current			
Floating charge			
Receivables	15	**11,602**	10,459
Non-current			
First mortgage			
Freehold land and buildings		**1,324**	1,125
Plant and equipment		**22,964**	25,655
Mine properties		**48,209**	51,639
Exploration assets		**13,005**	7,757
		85,502	86,176
Finance lease			
Plant and equipment		**8,408**	11,088
Fixed charge			
Plant and equipment		**-**	2,511
Total non-current assets pledged as security		**93,910**	99,775
Total assets pledged as security		**105,512**	110,234

Total non-current assets pledged as security - mine properties for the current year have been restated from ($49,948,000) as reported in the preliminary financial report to ($48,209,000) and the prior year has been restated from ($59,652,000) to ($51,639,000). The carrying value of current year fixed charge assets pledged as security - plant and eqipment in the preliminary final report ($2,473,000) has been updated to Nil above.

Total non-current assets pledged as security and total assets pledged as security have also been restated from the preliminary final report.

24 Non-current liabilities - Interest bearing liabilities (continued)

(b) Lease liabilities

Certain vehicles and equipment acquired by the Group are funded by finance leases and hire purchase provided by a number of financial institutions. The leases are secured by the assets being financed.

(c) Other loans

An agreement between PT Indo Muro Kencana ("IMK") and Straits Marine and Infrastructure Pte Ltd ("Project Manager") dated 1 December 2006, required the project manager to build and deliver to IMK a coal fired power station for the Mt Muro Mine in Indonesia. The power plant was completed and delivered to IMK effective 30 June 2010.

The payment for the services provided by the project manager totalled US$3,300,000 comprised of a principal sum of US$1,800,000 payable in 20 quarterly installments and a balloon payment of US$1,500,000 to be paid in one installment on or before 30 June 2015. The loan is secured by way of a fixed charge over the coal fired power station.

Interest is payable at 9% per annum fixed for the duration of the agreement and is payable in 20 quarterly installments.

(d) Financing arrangements

The Group had access to the following borrowing facilities at the reporting date:

	2013 $'000	2012 $'000
Floating rate		
Bank project finance loan facilities and residential housing loans	**111,312**	94,811
Used at balance date		
Bank project finance loan facilities and residential housing loans	**111,312**	94,811
Unused at balance date		
Bank project finance loan facilities and residential housing loans	**-**	-

(i) Credit stand-by arrangements
The Group has a $16,072,192 (2012: $20,566,273) bank guarantee facility primarily in respect of its rehabilitation obligations. These guarantees are secured by $16,072,192 (2012: $20,566,273) in restricted cash.

(ii) Bank residential housing loans
The residential housing loans totalling $764,743 (2012: $793,000) (original principal $900,000) are repayable over 25 years at a current interest rate of 7.93%. (2012: 7.24%).

24 Non-current liabilities - Interest bearing liabilities (continued)

(e) Interest rate risk exposure

The following tables set out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise from liabilities bearing variable interest rates.

		Fixed interest rate			
2013	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**Non interest bearing**	**Total**
Bank overdrafts and loans (notes 21 and 24)	**111,312**	**-**	**-**	**-**	**111,312**
Trade and other creditors (note 20)	**-**	**-**	**-**	**68,654**	**68,654**
Lease and hire purchase liabilities (notes 21 and 24)	**-**	**3,486**	**5,277**	**-**	**8,763**
Other loans (notes 21)	**-**	**2,631**	**-**	**-**	**2,631**
Discontinued operations (note 14)	**-**	**-**	**-**	**-**	**-**
	111,312	**6,117**	**5,277**	**68,654**	**191,360**

		Fixed interest rate			
2012	Floating interest rate	1 year or less	Over 1 to 5 years	Non interest bearing	Total
Bank overdrafts and loans (notes 21 and 24)	94,811	-	-	-	94,811
Trade and other creditors (note 20)	-	-	-	68,436	68,436
Lease and hire purchase liabilities (notes 21 and 24)	-	3,041	8,091	-	11,132
Other loans (notes 21 and 24)	-	649	2,102	-	2,751
Discontinued operations (note 14)	-	288	3	-	291
	94,811	3,978	10,196	68,436	177,421

(f) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	2013		2012	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**111,312**	**111,312**	94,811	94,811
Other loans	**2,631**	**2,631**	2,751	2,751
Lease and hire purchase liabilities	**8,763**	**8,763**	11,132	11,132
	122,706	**122,706**	108,694	108,694

(i) On-balance sheet
The fair value of interest bearing liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates or liabilities with similar risk profiles.

(ii) Off-balance sheet
Certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 34. As explained in note 34, no material losses are anticipated in respect of any of those contingencies.

24 Non-current liabilities - Interest bearing liabilities (continued)

(g) Foreign exchange risk exposures

The carrying amounts of the Group's current and non-current interest bearing liabilities are denominated in the following currencies:

	2013			2012		
	US Dollar denominated $'000	**Australian Dollar denominated $'000**	**Total interest bearing liabilities $'000**	US Dollar Denominated $'000	Australian Dollar denominated $'000	Total interest bearing liabilities $'000
Bank overdrafts and loans	**110,547**	**765**	**111,312**	94,018	793	94,811
Lease and hire purchase liabilities	**8,236**	**527**	**8,763**	-	11,132	11,132
Other loans	**2,631**	**-**	**2,631**	2,751	-	2,751
Discontinued operations	**-**	**-**	**-**	-	291	291
Total	**121,414**	**1,292**	**122,706**	96,769	12,216	108,985

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 6.

25 Non-current liabilities - Deferred tax liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in the profit and loss		
Inventories	**1,605**	1,851
Mineral rights	**446**	605
Sundry	**4,425**	48
	6,476	2,504
Other		
Cash flow hedges	**5,134**	1,064
Total deferred tax liabilities	**11,610**	3,568
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,610)**	(3,568)
Net deferred tax liabilities	**-**	-

Movements - Consolidated	**Investments $'000**	**Inventories $'000**	**Mineral rights $'000**	**Cash flow hedges $'000**	**Other $'000**	**DTA net off $'000**	**Total $'000**
At 1 July 2011	**1,511**	**931**	**231**	**1,009**	**815**	**(4,497)**	**-**
Charged/(credited) - to the income statement	**(1,511)**	**920**	**374**	**415**	**(767)**	**569**	**-**
Charged/(credited) - to other comprehensive income	**-**	**-**	**-**	**(360)**	**-**	**360**	**-**
At 30 June 2012	**-**	**1,851**	**605**	**1,064**	**48**	**(3,568)**	**-**
Charged/(credited) - to the income statement	**-**	**(246)**	**(159)**	**(415)**	**4,377**	**(3,557)**	**-**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**4,485**	**-**	**(4,485)**	**-**
At 30 June 2013	**-**	**1,605**	**446**	**5,134**	**4,425**	**(11,610)**	**-**

26 Non-current liabilities - Provisions

	2013 $'000	2012 $'000
Provisions for employee benefits	**2,538**	2,429
Provision for rehabilitation and dismantling	**26,523**	23,317
	29,061	25,746

(a) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

2013	**Total Provision for rehabilitation and dismantling $'000**
Current	
Carrying amount at start of year	23,317
Unwinding of discounts on provisions	(1,181)
Additional provisions recognised during the year	2,984
Exchange differences	1,403
Carrying amount at end of year	26,523

(b) Rehabilitation and dismantling

Provision is made for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money and it does not reflect risks for which future cash flow estimates have been adjusted.

Provision is made for the estimated costs of dismantling and removing the item of plant and equipment and restoring the site on which it is located.

27 Non-current liabilities - Deferred revenue

	2013 $'000	2012 $'000
Deferred revenue	**18,205**	21,871

Refer to note 23 for the for the current portions of these deferred revenues.

28 Contributed equity

(a) Share capital

	Notes	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary shares	28(b), 28(c)				
Ordinary shares - fully paid		**1,156,159,133**	448,538,448	**353,300**	295,941
ESAP loans - contributed equity		**7,991,026**	7,991,026	**-**	-
		1,164,150,159	456,529,474	**353,300**	295,941

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$'000
1 July 2011	Opening balance		324,655,749		219,921
1 July 2011	Issue of shares under employee exempt plan		140,392	$0.780	109
18 July 2011	ESAP share loans repaid during the 2012 financial year		-		250
16 February 2012	Share issue		48,700,000	$0.600	29,220
23 March 2012	Share issue		26,300,000	$0.600	15,780
23 March 2012	Less: Transaction costs arising on share issue		-		(2,683)
26 March 2012	Share issue		2,412,546	$0.600	1,448
5 April 2012	Share issue		5,920,787	$0.600	3,552
17 May 2012	Share issue		48,400,000	$0.620	30,008
17 May 2012	Less: Transaction costs arising on share issue		-		(1,664)
30 June 2012	Balance		456,529,474		295,941
11 October 2012	Share issue		707,620,685	$0.085	60,148
11 October 2012	Less: Transaction costs arising on share issue		-		(2,789)
30 June 2013	Balance		1,164,150,159		353,300

28 Contributed equity (continued)

(c) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote. Upon a poll each holder of ordinary shares is entitled to one vote for each fully paid share held (pro-rated in the case of partly paid shares).

(d) Employee Share Acquisition Plan (ESAP)

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was approved by virtue of the approval of the demerger scheme at the Demerger Scheme Meeting on 21 January 2011. The purpose of the plan is to attract, retain, motivate and reward key executive employees. Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 43.

(e) Employee Exempt Plan

Under the Employee Exempt Plan, eligible employees may be offered fully paid ordinary shares in Straits Resources Limited for no cash consideration. The purpose of the plan is to attract, retain, motivate and reward employees.

(f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash.

The Group reviews the capital structure on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

The Group also reviews its gearing level. The Group's gearing ratio is calculated as net debt to net debt plus equity. Net debt is total interest bearing liabilities less cash and cash equivalents (excluding any restricted cash). Equity is equity as shown in the balance sheet (including minority interests). The gearing ratio at reporting date was as follows:

	Notes	**2013 $'000**	2012 $'000
Total interest bearing liabilities		**122,706**	108,694
Less: cash and cash equivalents	8	**(18,256)**	(12,892)
Net debt		**104,450**	95,802
Total equity		**(32,600)**	127,244
Total capital		**71,850**	223,046
Gearing ratio		**145.4%**	43.0%

The prior period has been restated.

29 Reserves

(a) Reserves

	2013 $'000	2012 $'000
Cash flow hedges	**21,158**	211
Share-based payments	**949**	540
Transactions with non-controlling interests	**(9,443)**	(9,443)
Foreign currency translation	**343**	(1,772)
	13,007	(10,464)

	Notes	2013 $'000	2012 $'000
Movements:			
Cash flow hedges			
Balance 1 July		**211**	2,353
Revaluation - gross		**28,887**	(2,698)
Transfer to net profit or loss - gross		**(3,455)**	196
Changes in the fair value of cash flow hedges		**25,432**	(2,502)
Deferred tax		**(4,485)**	360
Balance 30 June		**21,158**	211
Share-based payments			
Balance 1 July		**540**	130
Option expense	43	**409**	410
Balance 30 June		**949**	540
Transactions with non-controlling interests			
Balance 1 July		**(9,443)**	-
Acquisition of additional ownership in entity	37	**-**	(9,443)
Balance 30 June		**(9,443)**	(9,443)
Foreign currency translation			
Balance 1 July		**(1,772)**	(2,969)
Currency translation differences arising during the year		**2,115**	266
Exchange differences on translation discontinued operation		**-**	931
Balance 30 June		**343**	(1,772)

29 Reserves (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2013 $'000	2012 $'000
Balance at the beginning of the period	**(158,232)**	(19,009)
Net loss for the year	**(240,675)**	(139,224)
Balance 30 June	**(398,907)**	(158,233)

(c) Nature and purpose of other reserves

(i) Cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in equity, as described in note 1(n). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

(ii) Share-based payments
The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

(iii) Transactions with non-controlling interests
This reserve is used to record the differences described in note 1(b)(iii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iv) Foreign currency translation
Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

30 Non-controlling interests

The Group acquired the remaining 28.7% shareholding in Goldminco Corporation Limited during the prior year.

31 Dividends

(a) Dividends not recognised at the end of the reporting period

The Directors did not declare a dividend in either of the periods ending 30 June 2013 and 30 June 2012.

32 Key management personnel disclosures

(a) Directors

Details of Directors are disclosed in the Director's Report.

(b) Key management personnel compensation

	2013 **$**	2012 $
Short-term employee benefits	**2,472,911**	3,763,908
Post-employment benefits	**194,810**	354,007
Termination benefits	**728,943**	708,037
Share-based payments	**97,785**	270,682
	3,494,449	5,096,634

Detailed remuneration disclosures are provided in the Remuneration Report on pages 30 to 38.

(c) Equity instrument disclosures relating to key management personnel

(i) Share holdings
The number of shares in the Company held during the financial period by each Director of Straits Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2013 **Name**	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Directors of Straits Resources Limited				
Ordinary shares				
Alan Good**	**59,766**	**92,638**	**(152,404)**	**-**
Milan Jerkovic***	**9,344,474**	**14,487,050**	**(23,831,524)**	**-**
Susan Vearncombe****	**50,000**	**25,000**	**-**	**-**
Colin Wise*****	**82,000**	**-**	**(82,000)**	**-**
Other key management personnel of the Group				
Ordinary shares				
Matthew Smith	**48,766**	**86,576**	**-**	**135,342**
Ivan Jerkovic	**1,043,578**	**796,732**	**-**	**1,840,310**
Nic Earner******	**1,387,312**	**-**	**(1,387,312)**	**-**
Peter Storey*******	**1,449,547**	**-**	**(1,449,547)**	**-**
David Greenwood********	**1,071,240**	**-**	**(1,071,240)**	**-**
Scott Huffadine	**-**	**53,846**	**-**	**53,846**

32 Key management personnel disclosures (continued)

(c) Equity instrument disclosures relating to key management personnel (continued)

(i) Share holdings (continued)

2012	Issued on demerger	Issued and acquired*	Disposed	Balance at the end of the year
Name				
Directors of Straits Resources Limited				
Ordinary shares				
Alan Good**	34,766	25,000	-	59,766
Milan Jerkovic***	8,511,140	833,334	-	9,344,474
Gary Lowder	450,000	-	(450,000)	-
Michael Gibson	3,950,288	166,667	-	4,116,955
Susan Vearncombe****	50,000	-	-	50,000
Colin Wise*****	-	82,000	-	82,000
Other key management personnel of the Group				
Ordinary shares				
Ivan Jerkovic	1,043,578	-	-	1,043,578
Nic Earner******	1,387,312	-	-	1,387,312
Peter Storey*******	1,449,547	-	-	1,449,547
David Greenwood********	1,131,240	-	(60,000)	1,071,240
Gail Campbell	426,277	-	(426,277)	-

** Issued and acquired shares includes issues through ESAP and acquisition on the open market.*

*** Alan Good resigned as a Director on 29 November 2012.*

**** Milan Jerkovic resigned as a Director on 20 December 2012.*

***** Susan Vearncombe resigned as a Director on 31 July 2013.*

****** Colin Wise resigned as a Director on 24 August 2012.*

******* Nic Earner resigned as Executive General Manager Operations on 1 February 2013.*

******** Peter Storey left the Company on 18 September 2012.*

********* David Greenwood left the Company on 18 September 2012.*

Details relating to the ESAP shares are provided in the Remuneration Report.

32 Key management personnel disclosures (continued)

(d) Loans to key management personnel

Details of loans made to Directors of Straits Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

	Balance at the start of the year $	**Interest paid and payable for the year $**	**Interest not charged $**	**Balance at end of the year $**	**Number in Group at the end of the year**
2013					
Directors	**945,000**	**-**	**-**	**-**	**-**
Other key management personnel	**1,132,500**	**-**	**-**	**-**	**-**

All loans in the current year were forgiven.

	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at end of the year $	Number in Group at the end of the year
2012					
Directors	1,560,000	-	-	945,000	1
Other key management personnel	1,357,500	-	-	1,132,500	3

32 Key management personnel disclosures (continued)

(d) Loans to key management personnel (continued)

(ii) Individuals with loans above $100,000 during the year

2013	**Balance at the start of the year $**	**Interest paid and payable for the year $**	**Interest not charged $**	**Balance at the end of the year $**	**Highest indebtedness during the year $**
Directors					
Milan Jerkovic	**945,000**	-	-	-	**945,000**
Other key management personnel					
Peter Storey	**236,250**	-	-	-	**236,250**
David Greenwood	**236,250**	-	-	-	**236,250**
Nic Earner	**660,000**	-	-	-	**660,000**

All loans in the current year were forgiven.

2012	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
Directors					
Milan Jerkovic	945,000	-	-	945,000	945,000
Michael Gibson	615,000	-	-	-	615,000
Other key management personnel					
Peter Storey	236,250	-	-	236,250	236,250
David Greenwood	236,250	-	-	236,250	236,250
Gail Campbell	225,000	-	-	-	225,000
Nic Earner	660,000	-	-	660,000	660,000

All secured loans to Directors are interest free limited recourse loans advanced for the acquisition of shares under the terms of the Executive Share Acquisition Plan as approved by shareholders by virtue of approval of the Demerger Scheme at the Demerger Scheme meeting on 21 January 2011.

The above ESAP loans have not been recognised in the financial statements under AIFRS as they are accounted for as employee options as outlined in note 1(z)(iii).

33 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PwC Australia

	2013 $	2012 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**559,553**	481,460
Other assurance services - Due diligence services	**14,700**	-
Total remuneration for audit and other assurance services	**574,253**	481,460
Taxation services		
Tax compliance and advisory services, including review of company income tax returns	**-**	30,777
Total remuneration for taxation services	**-**	30,777
Total remuneration of PwC Australia	**574,253**	512,237

(b) Network firms of PwC Australia

	2013 $	2012 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**181,055**	117,797
Total remuneration for audit and other assurance services	**181,055**	117,797
Other services		
Tax compliance and advisory services	**149,578**	39,009
Total remuneration for other services	**149,578**	39,009
Total remuneration of network firms of PwC Australia	**330,633**	156,806

(c) Non-PwC Australia audit firms

	2013 $	2012 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**3,889**	3,837
Other advisory services	**3,269**	-
Total remuneration for audit and other assurance services	**7,158**	3,837
Total auditors' remuneration	**912,044**	672,880

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important. These assignments are principally for taxation advice.

34 Contingencies

The Group has contingencies at 30 June 2013 in respect of:

(a) Contingent liabilities

(i) Under a hire contract with Emeco Holdings Ltd, PT Indo Muro Kencana ("PT IMK") a subsidiary of the Group is responsible for covering the cost of demobilising hired equipment from PT IMK's site to Emeco's premises in Balikpapan, Indonesia. PT IMK has a contingent liability for organising the demobilisation of heavy equipment of US$850,000.

35 Commitments

(a) Capital commitments - property, plant and equipment

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2013 $'000	2012 $'000
Within one year	**115**	330
	115	330

(b) Lease commitments

(i) Exploration and mining leases

	2013 $'000	2012 $'000
Within one year	**4,563**	6,096
Later than one year but not later than five years	**7,355**	11,647
Later than five years	**9,482**	12,226
	21,400	29,969

(ii) Operating leases

	2013 $'000	2012 $'000
Within one year	**4,006**	16,234
Later than one year but no later than five years	**-**	1,279
	4,006	17,513

35 Commitments (continued)

(b) Lease commitments (continued)

(iii) Finance leases

	2013 $'000	2012 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**3,876**	3,902
Later than one year but not later than five years	**5,424**	8,548
Minimum lease payments	**9,300**	12,450
Future finance charges	**(537)**	(1,027)
Recognised as a liability	**8,763**	11,423
Total lease liabilities	**8,763**	11,423
Representing lease liabilities:		
Current (note 21)	**3,486**	3,041
Non current (note 24)	**5,277**	8,091
Liabilities held for sale - discontinued operations (note 14)	**-**	291
	8,763	11,423

Included in the commitments above was a discontinuing operation, Hillgrove Mines, which was contractually liable for leases with a total liability of Nil (2012: $291,000) at the balance sheet date. This liability was made up of a current liability of Nil (2012: $288,000) and a non-current liability of Nil (2012: $3,000). Future interest charges in relation to those leases is Nil (2012: $9,800).

36 Related party transactions

(a) Parent entities

The ultimate controlling entity and Australian parent entity within the Group is Straits Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 37.

(c) Transactions with other related parties

The following transactions occurred with related parties other than key management personnel or entities related to them:

	2013 **$**	2012 $
Loans entered into with Standard Chartered Bank *	**110,547,287**	94,017,618

* The full amount of the working capital and bonding facility has been updated in the prior year.

(d) Standard Chartered Bank

Mr Alastair Morrison is a non-executive director but does not fall within the ASX definition of “independent” as he is appointed by Standard Chartered Private Equity, which holds 18.4% of the issued capital in Straits.

To finance the Tritton offtake "buyout" in the previous year the Company's subsidiary Tritton Resources Pty Ltd and Standard Chartered Bank entered into a US$85 million prepaid copper swap. The swap covers a notional volume of 16,202 tonnes of copper over 4.5 years.

Tritton Resources Pty Ltd and Standard Chartered Bank also entered into a US$15 million Performance Bond and Working capital facility.

(e) Merrick Capital

Mr Adrian Redlich is a non-executive director but does not fall within the ASX definition of "independent" as he was appointed by Merrick Capital Pty Ltd, a substantial shareholder. Payments of $220,000 were made to Merrick Capital Pty Ltd during the year for consultancy fees. Mr Adrian Redlich resigned as a director on 19 April 2013.

(f) Hopgood Ganim

Mr Michele Muscillo, an independent non-executive director is a partner of HopgoodGanim. Invoices totalling $309,061 were received from HopgoodGanim during the year.

(g) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

37 Subsidiaries

(a) Significant investments in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ****	
			2013 %	2012 %
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**	100
Tritton Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Hillgrove Mines Pty Ltd*	Australia	Ordinary	**-**	100
Straits Indo Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Muro Offshore Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**99**	99
Kalteng Emas Pte Ltd	Singapore	Ordinary	**100**	100
PT Borneo Emas Perkasa	Indonesia	Ordinary	**100**	100
PT Bumi Bahari Nusantara Persada	Indonesia	Ordinary	**99**	99
Kalteng Minerals Pte Ltd	Singapore	Ordinary	**100**	100
Indo Muro Pty Ltd	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**1**	1
Straits Mine Management Pty Ltd	Australia	Ordinary	**100**	100
Canada Inc.	Canada	Ordinary	**100**	100
Goldminco Corporation Limited and its subsidiaries**	Canada	Ordinary	**100**	100
Goldminco Resources Pty Ltd	Australia	Ordinary	**100**	100
Templar Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**100**	100

Straits Mining Pty Ltd and Straits Resources Limited hold 25% and 75% respectively of the ordinary share capital of Tritton Resources Pty Ltd.

Straits Exploration (Australia) Pty Ltd, Canada Inc. and Straits Gold Pty Ltd hold 4.14%, 28.67% and 67.19% respectively (2012: 4.14%, 28.67% and 67.19% respectively) of the ordinary share capital of Goldminco Corporation Limited.

* *Straits (Hillgrove) Gold Pty Ltd changed its name to Hillgrove Mines Pty Ltd during the year. Hillgrove Mines Pty Ltd was sold on 11th March 2013 and has been reported within the Group's accounts as a discontinued operation.*

** *The reporting date of Goldminco Corporation Limited is 31 March.*

38 Interests in jointly controlled assets

(a) Jointly controlled assets

	% interest Held during the year 2013	% interest Held during the year 2012
Name and principal activity		
Torrens located in South Australia:		
Principal activity copper and gold exploration.	**70**	70
Canbelago located in NSW:		
Principal activity copper and gold exploration	**49**	49
Duchess located in QLD:		
Principal activity copper and gold exploration.	**30**	-

There was no expenditure incurred on the above interests included in capitalised exploration expenditure for the year (2012: Nil).

The prior period has been restated to include the % interest for Canbelago.

39 Events occurring after the reporting period

(a) Mt Muro Care and Maintenance

On 5 August 2013 Straits announced that as a result of a number of unforeseen challenges, including falling precious metal prices and the impact of illegal miners, the Board of Straits determined that Straits was no longer in a position to continue providing material funding support to the Mt Muro mine and as a consequence the Mt Muro mine was placed on care and maintenance as of 2 August 2013. The Board of Straits also announced that it is actively seeking to dispose of the asset as soon as possible. As of the date of this report the Mount Muro mine remains on care and maintenance.

(b) Mt Muro Debt Restructure

On 5 August 2013, Straits Resources Limited (Straits) announced that it had agreed indicative terms, subject to formal documentation, to restructure the silver advance payment facility with Credit Suisse. Completion of the restructure will result in a close out of the facility and Straits' position as a guarantor of the silver advance payment facility being removed, in exchange for a payment of $US7.5 million and the issue by Straits of US$7.0 million in convertible notes. On 20 August 2013 Straits announced that it its wholly owned subsidiary, PT Indo Muro Kencana, had entered into formal binding documentation with Credit Suisse in relation to the restructure of the facility. As a part of the debt restructure, the gold hedges were also closed out. A reliable estimate of the financial impact of this transacton cannot be made at this stage.

(c) Closure of Perth Office

As part of the ongoing restructure of the Straits Group, the corporate office will be relocated in September 2013 from Perth to Brisbane. The decision to relocate the corporate office was made by the Straits Board after the end of the reporting period and as such no provision for the costs of closing the Perth Office have been included in the accounts for the reporting period. The costs for closing the Perth office, including termination of employees, is estimated at $1.3 million.

39 Events occurring after the reporting period (continued)

(d) Tritton Debt Restructure

On 9 September 2013 Straits announced that it had reached agreement with Standard Chartered Bank (SCB) for an interim restructure of the Company's existing pre-paid copper swap facility for the nine months from August 2013 to April 2014. Under the revised terms, the monthly repayments will be reduced from 450 tonnes to 69.9 tonnes of copper. At the end of the nine month period the remaining facility is intended to be restructured over a 5 year term instead of the current 3 years, subject to further negotiation between the parties. As a condition of the restructure, Straits is required to undertake a resource to reserve upgrade to prove-up an additional 50kt of JORC certified copper reserves by 15 May 2014 and hedge 8,114 tonnes of its copper (or approximately 50% of production) during the period of the interim restructure. In furtherance of this condition, Straits has entered into the forward sale of this amount of production for the next nine months at a copper price of $AUD7,800 per tonne.

40 Reconciliation of loss before income tax to net cash outflow from operating activities

	2013 $'000	2012 $'000
Loss before income tax - continuing operations	**(259,084)**	(135,347)
Finance costs net of interest income	**13,518**	9,641
Loss on held-for-trading financial assets	**705**	12,337
Unrealised exchange and foreign exchange hedging (gains)/losses	**13,888**	(1,309)
Depreciation and amortisation	**53,473**	21,880
Employee share based payment	**409**	546
Profit on sale of fixed assets	**(1,848)**	(2,856)
Unrealised gain on time value of options	**(504)**	(1,383)
Exploration expenditure written off	**822**	1,462
Mineral rights written off	**-**	359
Impairment loss	**159,791**	2,839
Option fees received on sale of Hillgrove	**(3,000)**	-
Assets written off / damaged	**607**	-
Movements in commodity hedging	**2,066**	-
(Increase) / decrease in trade and other receivables	**(1,074)**	(9,796)
(Increase) / decrease in inventories	**12,859**	(2,998)
Increase / (decrease) in trade and other payables	**351**	27,826
Increase / (decrease) in provisions	**2,949**	2,317
Increase / (decrease) in deferred revenue	**(12,209)**	43,014
Interest received	**2,159**	1,345
Interest paid *	**(8,285)**	(9,164)
Net cash outflow from operating activities of discontinued operations	**(2,397)**	(3,113)
Net cash outflow from operating activities	**(24,804)**	(42,400)

* Interest paid in the prior period has been updated to include a reclassification of $5,544,000 from repayments of borrowings in financing activities to repayment of interest in relation to the SCB pre-paid copper swap facility.

41 Non-cash investing and financing activities

	2013 $'000	2012 $'000
Acquisition of plant and equipment by means of finance leases	**-**	2,012
Increase in restricted cash by means of financing facilities	**-**	10,459
Disposal of exploration tenements in exchange for listed and unlisted securities	**-**	1,859
In specie distribution of options from Malachite Resources Limited	**-**	4
	-	14,334

There were no non-cash investing and financing activities in the period ended 30 June 2013.

42 Earnings per share

(a) Basic earnings per share

	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the company	**(25.9)**	(38.2)
From discontinued operation	**1.0**	(0.7)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(24.9)**	(38.9)

(b) Diluted earnings per share

	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the company	**(25.9)**	(38.2)
(Profit) / loss from discontinued operation	**1.0**	(0.7)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(24.9)**	(38.9)

42 Earnings per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	2013 $'000	2012 $'000
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(250,307)**	(136,672)
Attributed to non-controlling interests	**-**	(20)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(250,307)**	(136,692)
From discontinued operation	**9,632**	(2,532)
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(240,675)**	(139,224)

(d) Weighted average number of shares used as denominator

	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**966,404,105**	358,075,719

43 Share-based payments

(a) Employee Exempt Share Plan

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by Directors in the period ended 30 June 2011. All Australian resident permanent employees (excluding executive Directors) who have been continuously employed by the Group for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be offered up to $1,000 worth of fully paid ordinary shares in Straits Resources Limited annually for no cash consideration.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment by the Group. In all other respects the shares rank equally with other fully paid ordinary shares on issue (refer to note 28(c) and 28(e)).

The number of shares issued to participants in the scheme is the offer amount divided by such amount as is determined by the Board, being an amount not less than the Market Value on the date of issue.

The following table sets out the number of shares issued to participants in the scheme during the reporting period:

	2013	2012
Number of shares issued under the plan to participating employees	**-**	140,392

43 Share-based payments (continued)

(b) Employee Share Acquisition Plan (ESAP)

The ESAP plan was approved by virtue of approval of the International Coal Holdings Limited (formerly Straits Resources Limited) Demerger Scheme at the company's Demerger Scheme Meeting on 21 January 2011. The purpose of the plan is to attract, retain, motivate and reward executive employees.

The plan operates by allowing participants to obtain shares in the Company at market price. The shares are subject to performance hurdles and if met are vested with the Company providing an interest free loan. The shares are held in trust and a holding lock is then placed over the shares in the Company until the loan is repaid in full.

The performance hurdle criteria required that the Company's total shareholder return be equal to or greater than the 50 percentile of total shareholder returns of the S&P/ASX 300 Metals and Mining Index at the expiry of a three year period and which compares the Company's performance against its peer group.

The Company may only require a participant to repay the loan in accordance with the plan rules, and will not be entitled to have recourse to any assets of the participant other than the plan shares held by that participant. There is no other risk to the participant.

The following table sets out the number of shares issued to participants in the scheme during the reporting period:

	2013	2012
Number of shares issued under the plan to participating employees	**-**	-

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2013 **$**	2012 $
Employee Share Acquisition Plan	**433,202**	546,379

44 Segment information

(a) Description of segments

Business segments

Management has determined the operating segments based on the reports reviewed by the directors of Straits Resources Limited that are used to make strategic decisions. The consolidated entity is organised on a global basis into the following divisions by product and service type.

Base metals
Consists of the Tritton copper mine and exploration assets owned by Templar Resources Pty Ltd and Goldminco Resources Pty Ltd.

Precious Metals
Consists of the Mt Muro gold and silver mine operated by PT Indo Muro Kencana in Indonesia, Straits Indo Gold Pty Ltd, Muro Offshore Pty Ltd and Indo Muro Pty Ltd.

The Group's business segments are Base Metals, Precious Metals and Other (not material to be classified as a separate segment). Other includes greenfield exploration not specifically attributable to an operating mine, or not specifically stated in a segment above.

Discontinued operations
During the year the Group disposed of the Hillgrove Antimony/Gold Mine. The prior period also includes the non-core Hillgrove Antimony/Gold Mine asset which was on care and maintenance.

Geographical segments

Management has determined the operating segments based on the reports reviewed by the Directors of Straits Resources Limited that are used to make strategic decisions. There has been no impact on the reportable segments presented for the consolidated entity. The consolidated entity is organised on a global basis into the following divisions by product and service type.

Australia
Consists of the Tritton copper mine.

South East Asia
Principal activities in this region comprise the Mt Muro gold operation.

Segment results

Included in the 30 June 2013 segment results is the discontinued operations segment relating to the Hillgrove Antimony/Gold Mine which was sold on 11 March 2013. This was also included as a disposal group classified as held for sale in the prior period.

44 Segment information (continued)

(b) Segment information provided to the board of directors

2013	Base Metals $'000	Precious Metals $'000	Other $'000	Total continuing operations $'000	Discontinued operations (note 14) $'000	Total $'000
Sales to external customers	168,149	91,979	-	260,128	-	260,128
Total segment revenue	168,149	91,979	-	260,128	-	260,128
Other revenue	1,001	28	6,818	7,847	16,752	24,599
Total revenue	169,150	92,007	6,818	267,975	16,752	284,727
Unallocated revenue	12	5	1,894	1,911	-	1,911
Consolidated revenue	169,162	92,012	8,712	269,886	16,752	286,638
Adjusted EBITDA	36,892	(43,119)	(15,919)	(22,146)	14,507	(7,639)
Segment assets	253,323	7,223	65,072	325,618	-	325,618
Intersegment elimination	-	-	-	(114,829)	-	(114,829)
Unallocated assets	-	-	-	17,814	-	17,814
Total assets	253,323	7,223	65,072	228,603	-	228,603
Segment liabilities	221,004	105,204	21,699	347,907	-	347,907
Intersegment liabilities	-	-	-	(114,829)	-	(114,829)
Unallocated liabilities	-	-	-	28,125	-	28,125
Total liabilities	221,004	105,204	21,699	261,203	-	261,203
Other segment information						
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	29,603	37,485	4,502	71,590	-	71,590
Depreciation and amortisation	25,643	27,553	277	53,473	-	53,473

44 Segment information (continued)

(b) Segment information provided to the board of directors (continued)

2012	**Base Metals** $'000	**Precious Metals** $'000	**Other** $'000	**Total continuing operations** $'000	**Discontinued operations (note 14)** $'000	**Total** $'000
Sales to external customers	196,238	54,217	-	250,455	-	250,455
Total segment revenue	196,238	54,217	-	250,455	-	250,455
Other revenue	372	170	5,849	6,391	20	6,411
Total revenue	196,610	54,387	5,849	256,846	20	256,866
Unallocated revenue	-	-	-	2,112	-	2,112
Consolidated revenue	196,610	54,387	5,849	258,958	20	258,978
Adjusted EBITDA	23,442	3,169	(20,115)	6,496	(3,307)	3,189
Segment assets	243,356	115,746	135,924	495,026	14,293	509,319
Intersegment elimination	-	-	-	(143,117)	-	(143,117)
Unallocated assets	-	-	-	17,814	-	17,814
Total assets	243,356	115,746	135,924	369,723	14,293	384,016
Segment liabilities	232,441	124,725	23,736	380,902	4,307	385,209
Intersegment liabilities	-	-	-	(143,117)	-	(143,117)
Unallocated liabilities	-	-	-	14,680	-	14,680
Total liabilities	232,441	124,725	23,736	252,465	4,307	256,772
Other segment information						
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	46,270	85,879	3,527	135,676	332	136,008
Depreciation and amortisation	17,204	4,393	283	21,880	-	21,880

Templar Resources Pty Ltd and Goldminco Resources Pty Ltd segment information in the prior period have been transferred to the base metals segment as the pre-dominant commodity being explored for by these entities is copper.

44 Segment information (continued)

(b) Segment information provided to the board of directors (continued)

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment and other non current segment assets	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Australia	**168,149**	196,238	**203,566**	250,456	**34,105**	50,129
South East Asia	**91,979**	54,217	**7,223**	115,746	**37,485**	85,879
	260,128	250,455	**210,789**	366,202	**71,590**	136,008
Unallocated assets	**-**	-	**17,814**	17,814	**-**	-
Total assets	**260,128**	250,455	**228,603**	384,016	**71,590**	136,008

Segment revenues are allocated based on the country in which the assets are located. Segment assets and capital expenditure are allocated based on where the assets are located.

The segment breakdown for segment assets and acquisitions of property, plant and equipment and other non current segment assets in the prior period has been restated.

(c) Other segment information

(i) Segment revenue
The revenue from external parties reported to the Directors is measured in a manner consistent with that in profit and loss.

44 Segment information (continued)

(c) Other segment information (continued)

(i) Segment revenue (continued)
Segment revenue reconciles to total revenue from continuing operations as follows:

	2013 $'000	2012 $'000
Total segment revenue	**260,128**	250,455
Management fees	**-**	3
Interest revenue	**1,911**	2,110
Other revenue	**549**	1,232
Total revenue from continuing operations (note 2)	**262,588**	253,800

(ii) Adjusted EBITDA
The Directors of Straits Resources Limited assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment.

A reconciliation of adjusted EBITDA to operating loss before income tax from continuing operations is provided as follows:

	2013 $'000	2012 $'000
Adjusted EBITDA (continuing operations)	**(22,146)**	6,496
Finance costs	**(15,470)**	(11,751)
Depreciation	**(53,473)**	(21,880)
Unrealised financial instrument losses	**(10,592)**	(1,122)
Sempra contract buyout expense	**-**	(105,634)
Mark to market valuation of option collars	**504**	1,383
Impairment of other assets	**(159,791)**	(2,839)
Unrealised ineffective hedge gains	**1,946**	-
Other	**(62)**	-
Loss before income tax from continuing operations	**(259,084)**	(135,347)

(iii) Segment assets
The amounts provided to the Directors with respect to total assets are measured in a manner consistent with that of the balance sheet. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	2013 $'000	2012 $'000
Segment assets	**325,618**	495,026
Intersegment eliminations	**(114,829)**	(143,117)
Discontinued operation	**-**	14,293
Unallocated: deferred tax assets	**17,814**	17,814
Total assets as per the Consolidated Balance Sheet	**228,603**	384,016

44 Segment information (continued)

(c) Other segment information (continued)

(iv) Segment liabilities
The amounts provided to the Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings are not considered to be segment liabilities but rather managed by the Group's treasury function (excluding the Standard Chartered Bank pre-paid copper swap facility).

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2013 $'000	2012 $'000
Segment liabilities	**347,907**	380,902
Intersegment eliminations	**(114,829)**	(143,117)
Discontinued operation	**-**	4,307
Unallocated:		
Current borrowings	**5,988**	10,985
Non-current borrowings	**22,137**	3,695
Total liabilities as per the Consolidated Balance Sheet	**261,203**	256,772

45 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**64,514**	149,981
Non-current assets	**87,628**	84,762
Total assets	**152,142**	234,743
Current liabilities	**2,324**	3,904
Non-current liabilities	**4,707**	801
Total liabilities	**7,031**	4,705
Shareholders' equity		
Contributed equity	**353,300**	295,941
Reserves		
Reserves - Share-based payments	**949**	540
Retained earnings	**(209,138)**	(66,443)
	145,111	230,038
Loss for the year	**(142,695)**	(55,125)
Total comprehensive income	**(142,695)**	(55,125)

(b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of performance bonds for work commitments on mining and mineral exploration tenements, for the parent company and its subsidiaries secured by cash deposits amounting to $3,811,120. Other cash backed financial guarantees total $327,048. Total guarantees for the prior period were $10,107,466.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2013 or 30 June 2012.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 40 to 127 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Andre Labuschagne
Director

26 September 2013

Independent auditor's report to the members of Straits Resources Limited

Report on the financial report

We have audited the accompanying financial report of Straits Resources Limited (the company), which comprises the balance sheet as at 30 June 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Straits Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T +61 8 9238 3000, F +61 8 9238 3999, www.pwc.com.au

Independent auditor's report to the members of Straits Resources Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Straits Resources Limited is in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the consolidated entity incurred a net loss after tax of $240.7 million during the year ended 30 June 2013 and, as of that date, the consolidated entity's liabilities exceeded its assets by $32.6 million. These conditions, along with other matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 30 to 38 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Straits Resources Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
26 September 2013

SHAREHOLDER INFORMATION – 30 JUNE 2013

ISSUED CAPITAL:

Fully paid ordinary shares	1,164,150,159
Employee options	Nil
Total Issued Capital	**1,164,150,159**

DISTRIBUTION OF HOLDERS:

Range			Total Holders	Units	%
1	-	1,000	943	351,919	0.03
1,001	-	5,000	1,122	2,893,769	0.25
5,001	-	10,000	405	3,035,129	0.26
10,001	-	100,000	795	30,425,092	2.61
100,001	and over		404	1,127,444,250	96.85
			3,669	**1,164,150,159**	**100.00**

UNMARKETABLE PARCELS:

Shareholders holding less than a marketable parcel 2,942
(Minimum $500 parcel at $0.013 per share)

SUBSTANTIAL SHAREHOLDERS:

Shareholder	Units	%
Standard Chartered Private Equity Limited	214,663,735	18.43
Glencore Finance (Bermuda) Ltd	131,513,135	11.30
Merricks Capital Pty Ltd	68,595,180	5.89
Aurora Funds Management Limited	64,000,000	5.50

VOTING RIGHTS:

At a general meeting:

1. On a show of hands, every member present has one vote; and
2. On a poll, every member present has one vote for each share held by the member and in respect of which the member is entitled to vote except in respect of partly paid shares, each of which will confer on a poll only a fraction of one vote which the amount paid up on the share bears to the total issue price of the share.

TOP TWENTY SHAREHOLDERS:

	Name	Number	%
1.	JP Morgan Nominees Australia Limited	224,658,413	19.30
2.	Glencore Finance (Bermuda) Ltd	131,513,135	11.30
3.	National Nominees Limited	100,656,500	8.65
4.	HSBC Custody Nominees (Australia) Limited	84,422,785	7.25
5.	Merricks Capital Pty Ltd	68,595,180	5.89
6.	Aurora Funds Management Limited	64,000,000	5.50
7.	Merricks Capital Special Opportunity Fund Limited	54,603,581	4.69
8.	Citicorp Nominees Pty Limited	37,881,690	3.25
9.	Zero Nominees Pty Ltd	32,579,179	2.80
10.	J P Morgan Nominees Australia Limited	22,733,320	1.95
11.	Mr Milan Jerkovic	15,987,562	1.37
12.	Pershing Australia Nominees Pty Ltd (Argonaut A/C)	12,805,737	1.10
13.	ABN Amro Clearing Sydney Nominees Pty Ltd	10,976,093	0.94
14.	HSBC Custody Nominees (Australia) Limited – A/C 2	8,508,357	0.73
15.	BNP Paribas Noms Pty Ltd	8,224,064	0.71
16.	Fentarian Pty Ltd	7,510,000	0.65
17.	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	6,885,099	0.59
18.	Inkese Pty Ltd	6,000,000	0.52
19.	HSBC Custody Nominees (Australia) Limited	5,759,819	0.49
20.	Greatside Holdings Pty Ltd	5,200,000	0.45
Top 20 holders of fully paid ordinary shares		**909,500,514**	**78.13**
Total Remaining Holders Balance		**254,649,645**	**21.87**

GLOSSARY

$ or A$	Australian dollar
Ag	silver
ASX	Australian Securities Exchange
Au	gold
AuEq	gold equivalent – gold plus silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices
Board	Board of Directors of Straits Resources Limited
Company or company	Straits
Cu	copper
CuEq	copper equivalent – copper plus gold expressed in % copper using a conversion ratio dependent on prevailing copper and gold prices
for the year	12 months to 30 June 2013
FY	Financial year
g	gram
Goldminco	Goldminco Corporation, a company incorporated in Canada and holder of exploration tenements in New South Wales, in which Straits has 100% ownership
Group	Straits and its subsidiaries
Injury Statistics	Lost Time Injury (LTI) - An injury (including a fatality or permanent disability) that results in a minimum of one full shift absence from work. Restricted Work Injury (RWI) - An injury resulting in a person not returning to his/her complete range of normal duties. Medical Treatment Injury (MTI) - An injury requiring external/professional medical treatment (not first aid treatment only). Total Recordable Injury (TRI) = LTI + RWI + MTI. Frequency Rate (for LTIFR and TRIFR) - The number of occupational injuries expressed as a rate per million man hours worked. Usually calculated as a rolling 12 month average. Calculated as: Number of injuries (LTI or TRI) x 1,000,000/number of hours worked
kt	thousands of metric tonnes
M	million
Mo	Molybdenum
Bcm	bank cubic metres
oz	ounces
Straits	Straits Resources Limited, ABN 30 147 131 977
tpa	tonnes per annum
t	metric tonnes
US$	United States dollar