Positioned for Growth

ANNUAL REPORT 2011

Straits

Annual General Meeting I The First Annual General Meeting of Straits Resources Limited will be held at 11:00 am on Thursday 17 November 2011 at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

Positioned for Growth

Following our successful listing in February, Straits is now well positioned for growth in copper and gold production and exploration. We are focused on realising the full potential of our Tritton Copper and Mt Muro Gold Mines. We believe both have good exploration and production upside.

The capital and site works at Tritton Copper Mine are mostly complete to maintain a minimum 25,000 tpa copper production rate. Initial capital works at Mt Muro Gold Mine are in progress for a production increase over the next 12 months. Both operations are well positioned to achieve sustainable production rates over the long-term.

We are continuing to explore the existing mine and greenfield sites in our portfolio. In March 2011 we announced an increase of 56% in attainable resource at Mt Muro, representing a significant extension to the life of this mine. In addition we have excellent exploration assets. We have announced our move to 100% ownership of the Goldminco copper and gold tenement package in New South Wales, and we hold a number of exploration projects in South Australia, including the right to earn 70% of the Torrens project.

Straits intends to retain a strong balance sheet to support existing operating assets and to fund exploration, and we are confident our focused strategy will deliver significant value over the coming years.

Overview I Straits was formed through the demerger of our metal assets from diversified resource company Straits Resources Limited (renamed International Coal Holdings Ltd), and was listed on the Australian Stock Exchange on 2 February 2011 (ASX Code: SRQ).

Highlights

23,9

After restarting operations in February 2011, Mt Muro produced 11,617oz AuEq in the June 2011 quarter and a total of 31,108 oz AuEq for the year.

3

$74

million cash and liquid assets

36 tonnes Cu*

Tritton produced 23,936 tonnes of copper during the year. The two quarters ending in March and June 2011 achieved annualised production in excess of 25,000 tonnes per year.

1,108 oz AuEq*

At the end of June 2011, Straits had cash (including restricted cash) and listed investments of $74 million.

***Note** | Represents the results of operations for the full year 1 July 2010 to 30 June 2011.

An effective Strategy

Our Strategy

Our purpose is to create sustainable earnings and long-term value for our shareholders through the discovery, development, acquisition and the efficient operation of mines.

Straits has a well established and growing base metals and precious metals business. We have advanced our re-investment into our core mining operations at Tritton and Mt Muro and our short-term goal is to attain optimum production from both Tritton and Mt Muro through these recapitalisation programmes. At the same time we are continuing to create further value through the realisation of additional resources from promising exploration under way at both operations. Our exploration strategy at Tritton and Mt Muro continues to focus on resource and reserve definition drilling to extend the life of these assets.

Straits' greenfields exploration is concentrating on the Temora and Blayney exploration tenements in New South Wales and exploration projects (including Torrens) in South Australia. These targets have significant promise and have the potential to be world class mineralised systems.

There is continuing uncertainty in the global economy with a growing US deficit and financial uncertainty in the EU casting a shadow over the potential for a short-term global recovery. However the continuing ability of China to sustain strong growth without overheating will be the main factor influencing the resources industry in the short to medium term. If China and India continue to grow at current levels the outlook for commodity markets in the medium to long term remains positive, with prices for most products expected to remain above long-term averages. In this context Straits is well positioned for a range of outcomes through our exposure to copper, gold and silver.

In the meantime we are continuing to simplify our balance sheet by divesting our non-core assets. At the end of the financial year 2011 Straits retains a strong balance sheet, with $74 million in cash (inclusive of restricted cash) and listed investments, to support our existing operating assets, to fund our capital enhancement programmes, to finance our exploration programmes and any potential future acquisitions.

Delivering Results
Tritton

Following re-capitalisation, Tritton has reached 25,000 tonnes per annum of copper in concentrate production and through exploration has increased the reserve base to approximately seven years at June 2011.

The re-capitalisation of Tritton, included a change in mining method to transverse mining and the construction of a pastefill plant which has increased extraction rates. We are also in the process of changing over to owner operator mining and have brought in new underground mining equipment.

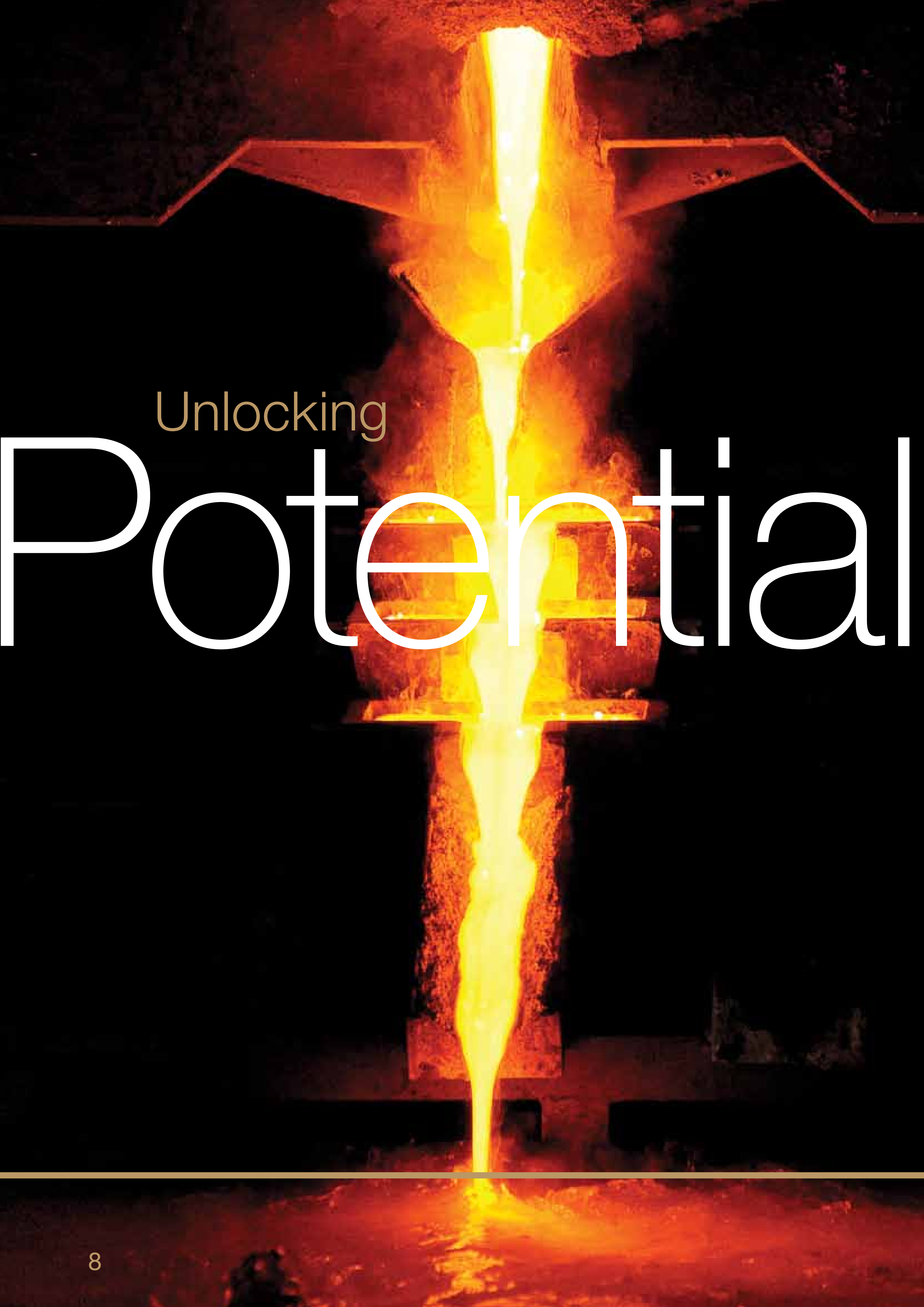
The transition to full owner operator commenced with the purchase of a new fleet over the last 12 months and the transition of some personnel. The remainder of the personnel are expected to transition in the first quarter of the new financial year. This transition is expected to yield productivity improvements and cost reductions.

We are now starting to see the benefits of this investment in terms of stable production. We remain very confident of maintaining a 25,000 tpa copper in concentrate production rate and of maintaining this as the minimum repeatable production for the mine.

Geologically we are confident about further increasing the resource/reserve base at Tritton beyond the current seven year mine life. This effectively creates a minimum five-year mine life beyond our contracted delivery under our current off-take agreement.

Most of the capital investment has been made. There will be some additional working capital required over the medium term but there should be no significant new short-term capital investment required to exploit these reserves.

Meeting Targets



Unlocking Potential

Delivering Results
Mt Muro

Our Mt Muro operation increased its total resource base by 74% in financial year 2011 and drilling continues with the intention of increasing reserves and resources further in 2012.

The recapitalisation of Mt Muro is in progress with the current cutback to develop the Serujan pit ongoing. As a result we will increase production and reduce unit costs significantly in 2012. Straits remains committed to the production and recapitalisation plan for Mt Muro. Production is currently ramping up and the mine is targeting to produce approximately 70,000oz AuEq in FY 2012.

We have discovered the greatest immediate potential is around the vein systems under the old pits. These systems are large and are "open pitable" to substantial depth given the grade and volume of mineralisation. Our ongoing programme of systematic drilling continues to produce substantial additional data, which we believe could see further resource and reserve upgrades going forward.

Mt Muro has previously produced well in excess of 200,000oz AuEq per annum. We have adequate installed capital at Mt Muro to handle large production volumes and initial pit modelling indicates the mine has the potential to increase production significantly over the next two to three years.

Delivering Results
Exploration

This year significant exploration programmes were recommenced at the Tritton and Mt Muro Mine sites. At both operations the key focus has been to add value near the existing operations through the conversion of known resources to reserves in addition to the identification of new untested geological potential.

At Mt Muro, work is well advanced with the systematic drill testing of known gold structures. During the year a number of resources upgrades have taken place and it is expected that similar resource and reserve upgrades will continue with the work committed by the company to date.

At Tritton, considerable work has been undertaken to understand the mineralised systems. Exploration has commenced on the wider regional tenement holdings.

Our tenements in New South Wales have demonstrated an extensive low-grade copper and gold mineralised system at Temora.

In 2011 we completed a drill programme in the Temora area with the aim of expanding the current large resource envelope. A new resource will be calculated for Temora in 2012. Drilling in the Blayney tenements will target Cadia style mineralisation at the Ferndale prospect, as well as a number of prospective induced polarisation (IP) anomalies.

In South Australia, we are involved in joint ventures with two companies. We are working on a number of prospects where we expect to start field-work and drilling in the near future. At the Torrens project we are appealing the decision of the Environment, Resource and Development Court disallowing exploration. We are working with the government to resolve the issues around starting an exploration programme.

Exciting Prospects

Achieving Excellence

Delivering Results
Our People

Our people have always represented Straits' greatest strength and collectively hold the key to achieving and maintaining a successful enterprise. We recognise that the new Straits must have and hold the right mix of skills, experience and energy to sustain existing operations and carry us forward to new initiatives and opportunities.

We are committed to developing work environments that encourage individuals to contribute to the best of their ability and in which teamwork can flourish. Our aim is to support and foster commitment with policies and programmes that ensure people are recognised, valued and rewarded for what they do and achieve, as well as the level of skills and competence they attain.

Both locally and globally the competition for good people in our industry continues to be fierce, so we are particularly attentive to creating an attractive, positive workplace culture of productive relationships and high trust.

In terms of the Straits 'employment value proposition' we are very market-competitive. But importantly we are also intently working to develop and strengthen our 'human capital' – the accumulation of knowledge, skills and capability that our people possess and which over time becomes identifiably "Straits' expertise".

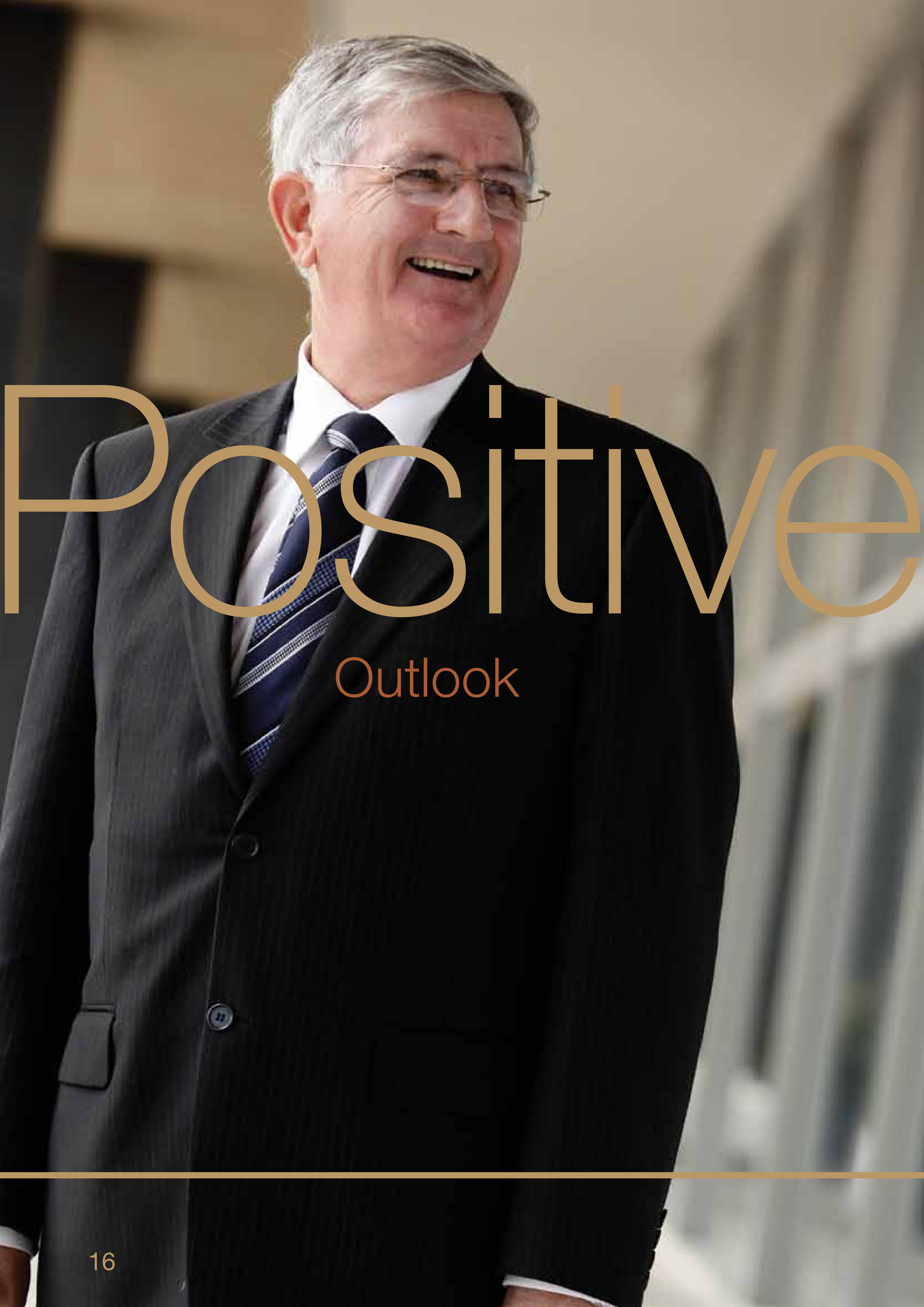
Financial

& Other Information

Financial & Other Information

		5 months to 30 June 2011*
Profitability		
Mining revenue	$'000	**121,911**
Total Sales Revenue	$'000	**163,646**
Operating profit/(loss) after tax	$'000	**(19,044)**
Earnings profit/(loss) per share (undiluted) from continuing operations	Cents	**(5.1)**
Cash Flow		
Cash outflow from operations	$'000	**(550)**
Balance Sheet		
Total shareholders' equity	$'000	**204,409**
Net tangible asset backing per share	$0	**0.53**
Ratios		
Return on shareholders' funds	%	**(9.3)**
Gearing	%	**9.2**
Market Capitalisation		
Share price at 30 June 2011	$	**0.80**
Shares on issue (fully paid)	Million	**324.7**
Market capitalisation	$'M	**260.0**

***Note** I This represents the reporting period commencing from Demerger on 1 February 2011.


Positive
Outlook

Chairman's Statement

Dear Shareholder,

2011 has been an extremely busy year for your company. Straits was formed through the demerger of the metal assets from diversified resource company Straits Resources Limited (renamed International Coal Holdings Ltd) and was listed on the Australian Stock Exchange on 2 February 2011 (ASX Code: SRQ).

Following the successful listing in February, Straits as a company is now focused on unlocking value in our Tritton Copper and Mt Muro Gold Mines, and exploring aggressively at existing mine and greenfield sites. We continue to divest our remaining non-core assets. Straits intends to retain a strong balance sheet to support existing operating assets and to fund exploration.

Operationally your company has performed well in 2011 with both Tritton and Mt Muro substantially advancing their re-capitalisation programmes, putting each operation in a position to achieve sustainable production rates over the long term.

Production from the Tritton Mine in the 12 months to June 2011 was 23,936 tonnes of copper in concentrate and as cement, a significant increase on the previous year. The financial performance of Tritton continues to be hampered by the concentrate off-take agreement which has approximately two years to run from the end of calendar year 2011. Our key focus for Tritton is to maintain a minimum sustainable 25,000 tonnes per annum of copper in concentrate and to extend the mine life through exploration success. With regard to the latter, an intensive reserve definition drilling programme was completed in August 2011.

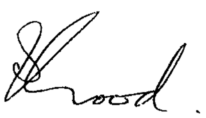
Mt Muro produced 31,108 Au equivalent ounces in the 12 months to June 2011. We have embarked on a new production plan based around the development of the Serujan open pit and gold production is forecast to increase significantly over the next 12 months. As previously announced, our three year plan is to deliver more than 300,000oz AuEq at target average total costs of approximately US$850 per ounce.

Post year end Straits reached an agreement with Ancoa NL for the sale of Hillgrove, subject to a successful capital raising and initial public offering (IPO) by Ancoa for $40 million in cash and shares. Straits is to receive $20 million of this consideration in cash and the balance of $20 million in shares at the IPO price upon the successful completion of Ancoa's IPO.

Post year end Straits announced that we had divested Magontec to Advanced Magnesium Limited (AML – ASX Code: ANM) a leading magnesium alloy manufacturer. The total consideration for the sale was US$6 million payable to Straits as a combination of equity and a convertible note in AML. Existing shareholder loans of A$12.8 million remain on foot and repayable to Straits over three years. The sale of Magontec continues to simplify our structure, allowing us to focus on our copper and gold assets.

Globally the US and European financial markets continue to see-saw between subdued optimism for an emerging recovery to pessimism related to further financial shocks on the horizon. The growing US deficit and the debt positions of a number of European Union countries continue to cast a shadow over the potential for any short-term global recovery. The ability of China to sustain strong growth without overheating is probably the major factor influencing the resources industry in the short to medium term. If China and India continue to grow at current levels the outlook for commodity markets in the medium to long term remains positive with prices for most products expected to remain above long term averages. We are very well positioned for a range of outcomes through our exposure to copper, gold and silver.

The future outlook for Straits is very positive with an emerging copper and precious metals business and a quality exploration portfolio.



Alan Good
Chairman
31 August 2011

Board of Directors

LEFT TO RIGHT

Dr Susan Vearncombe
Non-executive Director

Milan Jerkovic
Chief Executive Officer

Alan Good
Chairman

Michael Gibson
Executive Director
Corporate & Finance

Alastair Morrison
Non-executive Director

Executive Committee

CLOCKWISE FROM TOP LEFT

David Greenwood
Executive General Manager
External Affairs & Exploration

Gail Campbell
Chief Financial Officer

Peter Storey
Executive General Manager
Strategy & Business Development

Nic Earner
Executive General Manager
Operations

Chief Executive Officer's Review

Background

Following the demerger of the Group's metal assets and subsequent sale of its coal interests Straits has focused its attention on its metal assets. In 2011 we have stabilised production at Tritton at a 25,000 tpa copper in concentrate rate following a major re-capitalisation programme, and are currently increasing production at the Mt Muro Gold Mine. Exploration at both these sites has focused on reserve and resource definition to extend their mine lives.

The process of asset consolidation and disposing of non-core assets has continued. Post the year end we have made a successful bid for the minorities in Goldminco and both Magontec and Hillgrove have been sold.

Operations

Production from the Tritton Copper Mine totalled 23,936 tonnes of copper in concentrate and cement for the twelve month period to 30 June 2011.

Cash costs (excluding TC/RC's) for the year totalled US$2.13 per pound. During the year Tritton invested in fundamental changes to its operations, including a change in mining method to transverse mining and the construction of a pastefill plant to increase extraction rates. Tritton has also initiated a move to become owner-operator which will be finalised in the first quarter FY 2012.

In the second half of FY 2011 we began to see the benefits of the investments made during the year when Tritton achieved stable production of approximately 25,000 tpa. We are confident of maintaining this as a minimum production rate moving forward. Financial performance at Tritton is still encumbered by the existing off-take agreement which has approximately two years to run under the current terms. Options to restructure this contract are being considered. In addition to this, an aggressive reserve definition drilling programme will be completed in early FY 2012, with our stated aim of expanding the reserve base to a minimum eight year mine life. This would create a six year mine life beyond the contracted delivery of our existing off-take agreement.

In FY 2011 Mt Muro commenced a significant re-capitalisation plan around the redevelopment of the Serujan open pit. The processing plant was stopped for a period in FY 2011 while pre-stripping occurred at Serujan and was restarted in late February. Mt Muro produced a total of 31,108oz AuEq at a cash cost of US$1,674/ounce for the year. Production is currently ramping up and the mine is forecast to produce approximately 70,000oz AuEq in FY 2012. An ongoing programme of systematic drilling below the old pits has resulted in major resource and reserve upgrades in 2011. Resources now stand at 2 million oz AuEq and reserves at over 600,000oz AuEq. Definition drilling continues and the resource base is expected to grow further in 2012.

Post year end, Magontec was sold to Advanced Magnesium Ltd for US$6 million plus repayment of outstanding loans to Straits of A$12.8 million over 3 years, and Straits offered CAD$0.10 for all the outstanding shares not already owned in Canadian listed Goldminco Corporation.

The strong focus on exploration within the Group will continue in FY 2012 with drill programmes at Tritton concentrating on regional targets and at Mt Muro concentrating on reserve/resource definition. Non mine site exploration will continue on the Goldminco ground in New South Wales and iron oxide copper gold targets in South Australia.

Financial Performance

The Group recorded a loss before minorities and after tax to 30 June 2011 of $19.0 million. The strengthening of the Australian dollar during the period and the re-capitalisation expenditure and redevelopment of the Serujan open pit were the main factors impacting this financial result.

Outlook

Straits has an exciting future ahead of it. The copper and gold assets are now well positioned to deliver sustainable production rates over the longer term.

Milan Jerkovic
Chief Executive Officer
31 August 2011

Review of Operations & Activities
Financial Results

The Group recorded a loss before minorities and after tax for the 5 month period to 30 June 2011 of $19.0 million.

The June 2011 financial result for the Group was impacted by a number of key factors, including:
- An fx loss of $1.1 million for the period due to the Australian dollar strengthening from 99.64 US cents to 107.17 US cents at year end;
- Transition to owner operated mining at Tritton;
- The recapitalisation plan and redevelopment of the Serujan open pit; and
- A mark to market valuation reduction of held for trading investments of $3.9 million.

Additionally, the Directors have determined in accordance with AASB 112 Income Taxes the financial result for the period will not give rise to a taxable profit. The financial period movement in deferred tax assets for temporary differences and unused tax losses and the associated income tax benefit of $12.9 million have not been recognised.

Sales Revenue	5 months to 30 June 2011 $m
Base metals – Tritton	104.3
Precious metals – Mt Muro	17.6
Sales revenue from mining activities	**121.9**
Revenue from discontinued operations	41.7
Total sales revenue	**163.6**

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to negative $10.0 million, made up of the following:

EBITDA	5 months to 30 June 2011 $m
Base metals – Tritton (including hedges)	1.7
Precious metals - Mt Muro	0.9
FX losses	(1.1)
Investments held for trading	(3.9)
Administration and support	(3.6)
Other items	(3.4)
Total EBITDA continuing operations	**(9.4)**
Profit from discontinued operations	(0.6)
TOTAL EBITDA	**(10.0)**

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

Profit/(loss)	5 months to 30 June 2011 $m
Tritton	(4.8)
Mt Muro	(0.4)
FX Losses	(1.1)
Investments held for trading	(3.9)
Administration and support	(3.6)
Other items	(2.7)
Loss from ongoing activities	**(16.5)**
Discontinued operations	(2.5)
Total Profit/(loss)	**(19.0)**

Review of Operations & Activities
Financial Position

The Group's net asset position at 30 June 2011 was $204.4 million including net assets of $23.7 million for the metals business and Hillgrove classified as held for sale.

Net tangible asset backing per ordinary share at 30 June 2011 is $0.53.

At 30 June 2011, Straits' cash and liquid assets included cash $36.7 million, investments $26.2 million and $11.5 million of restricted cash.

The Group's net cash outflow from operating activities during the period was $0.5 million with net outflows in investing of $35.7 million and financing of $5.4 million which excludes demerger related cash and restricted cash. Foreign exchange revaluations amounted to a negative $1.4 million on cash and cash equivalents.

Base Metals

Tritton Copper

Production

During the year to June 2011 we have largely completed and delivered on the capital reinvestment programme at Tritton Copper Mine.

We have completed the change of the mining method to a transverse primary and secondary open stoping technique utilising pastefill, with secondary stopes against pastefill now in production. The recommenced North East operations are producing at designed levels.

These improvements have led to a total production of 23,936 tonnes of copper in concentrate and cement over the 12 month period, with the last two quarters producing at above a 25,000 tonnes per annum rate.

Our transition to full owner operator commenced with the purchase of a new mining fleet over the last 12 months, and the transition of some personnel. The remainder of our personnel is expected to transition in the first quarter of the new financial year. This transition is expected to yield further productivity improvements and cost reductions.

Production for the period was:

		Feb – Jun 2011
Development	Metres	**2,835**
Ore Mined	Tonnes	**504,575**
	Grade (%)	**2.06**
	Cu Tonnes	**10,418**
Ore Milled	Tonnes	**518,511**
	Grade (%)	**2.04**
	Cu Tonnes	**10,583**
Recovery	%	**95.4**
Concentrate	Tonnes	**40,729**
	Cu %	**24.8**
	Cu Tonnes	**10,093**
Cement	Cu Tonnes	**275**

Outlook
Straits considers the Tritton region as having significant geological potential, and continues to be positive concerning the long term growth potential of Tritton. Financial performance at Tritton is still encumbered by the existing off-take agreement which has approximately two years to run under the current terms. Options to restructure this contract are being considered.

There has been a strong focus on near-mine and regional exploration to prove up additional copper resources. A number of geophysical techniques have been employed to evaluate near to current mines and within the prospective regional stratigraphic units, a number of significant new targets have been identified. An intensive drilling programme has been initiated to evaluate those targets. This exploration programme is on-going.

In addition to the near-mine exploration programme:
– at Tritton in-mine deep diamond drilling has confirmed the down dip extensions of the main Tritton ore body, clearly demonstrating potential to further increase the mine life.
– at Murrawombie mine a re-evaluation of the ore body has indicated increased tonnages and grades over what was previously known, and evaluation work is continuing.
– the North East ore body remains open at depth.

Tritton has delivered on the investment to produce in excess of 25,000 tonnes per annum rate. Tritton expects to increase production above 27,000 tonnes per annum from existing reserves, with long term potential for further exploration to achieve an annual production rate above that level.

Hillgrove

Subsequent event
Straits announced on 26 August 2011 that it had reached an agreement with Ancoa NL (previously Court Resources Pty Ltd) for the sale of Hillgrove, subject to a successful capital raising and IPO by Ancoa, for $40 million in cash and shares.

Straits is to receive $20 million of this consideration in cash and the balance of $20 million in shares at the IPO price, upon the successful completion of Ancoa's IPO.

Straits understands that Ancoa's IPO prospectus will be lodged with ASIC on or about 3 October 2011.

Mt Muro Gold

Production

During 2011 Mt Muro commenced a significant recapitalisation plan around the redevelopment of the Serujan open pit. This included placing the plant on care and maintenance for approximately three months whilst pre-stripping occurred at Serujan. The processing plant was restarted in late February and has ramped up in line with early ore mining from the pit. Mt Muro produced a total of 31,108oz AuEq for the year.

Mining operations outside of Serujan were scaled back to focus on the redevelopment. As a result mining at the Tasat-Rabu pits was completed, and the underground operation at Soan suspended. The mining fleet was reduced in size and then ramped up to meet the redevelopment of Serujan.

An ongoing programme of systematic drilling below the old pits has resulted in major resource and reserve upgrades in 2011. Resources now stand at 2 million oz AuEq and reserves at over 600,000oz AuEq. Definition drilling continues and the resource base is expected to grow further in 2012.

Production for the period was:

		Feb – Jun 2011
Overburden movement	Bcm	**2,277,041**
Ore mined	Tonnes	**186,865**
Ore feed to plant	Tonnes	**167,493**
Gold grade	g/t	**1.93**
Silver grade	g/t	**52.46**
Gold recovery	%	**95.0**
Silver recovery	%	**77.6**
Gold production	Oz	**9,278**
Silver production	Oz	**203,858**

Outlook
Straits remains committed to the production and recapitalisation plan for Mt Muro. Production is steadily increasing and the mine is planning to produce approximately 70,000oz AuEq in FY 2012.

Significant increases in resources and reserves were announced earlier in 2011, with exploration continuing. Mt Muro is well established on a trajectory to deliver a stable, capitalised operating platform capable of delivering in excess of 100,000oz AuEq per annum at a targeted total cost of less than US$850 per AuEq oz.

Straits complies with its obligations under the Mt Muro Contract of Work. The Contract of Work is a long term contract and contains an obligation to offer 51% of the Mt Muro holding company for purchase for fair market value by the Indonesian Government or Indonesian nationals. Straits complies with this requirement each year, but has not received any proposal to date.

Magontec

Subsequent event
Divestment of Magontec Group.

On 4 July 2011, Straits announced that it had entered into an agreement for the divestiture of the Magontec Group to Advanced Magnesium Limited (AML – ASX Code: ANM), a leading magnesium alloy manufacturer.

The total consideration for the sale was US$6 million payable to Straits as a combination of equity and a convertible note in AML. Existing loans of A$12.8 million from Magontec to Straits remain on foot and repayable over three years.

The combination of the magnesium companies is seen as extremely positive for Straits, Magontec and AML, with the transaction producing a vertically integrated magnesium alloy manufacturing and technology business.

Exploration

During the 2011 FY significant exploration programmes recommenced at the Tritton and Mt Muro Mine sites. At both operations the key focus has been to add value near the existing operations through the discovery of new resources and the conversion of known resources to reserves. At Mt Muro work is well advanced with the systematic drill testing of known fertile gold structures. During the year a number of resources upgrades have been made and further upgrades are targeted in the future. In addition to near mine exploration Straits is exploring for copper and copper/gold through its subsidiary, Goldminco, for large porphyry targets in the Lachlan Fold Belt of New South Wales, and in South Australia Straits is also earning into the Torrens and Stuart Shelf Joint Ventures with excellent potential to find Olympic Dam or Prominent Hill style deposits.

Mt Muro, Kalimantan Indonesia

The Mt Muro mine is located in central Kalimantan, Indonesia (Figure 1). The epithermal systems being mined are high level, low sulphidation Au-Ag vein systems. The veins and mineralised breccias are dominated by well-developed crustiform to locally colloform banding, interspersed with periodic episodes of vein brecciation. Later stages of deposition in open spaces and fractures include quartz, amethystine, kaolinite and calcite. Typical alteration products include pyrite, illite, chlorite, montmorillonite, carbonate and epidote. Evidence of high level deposition includes carbonized trees and mineralized sediments. Host rocks are dominated by andesite to andesitic breccias. A footwall basalt unit is common for most deposits and in the case of Serujan, a late shallow basalt flow has preserved the vein system at the eastern end.

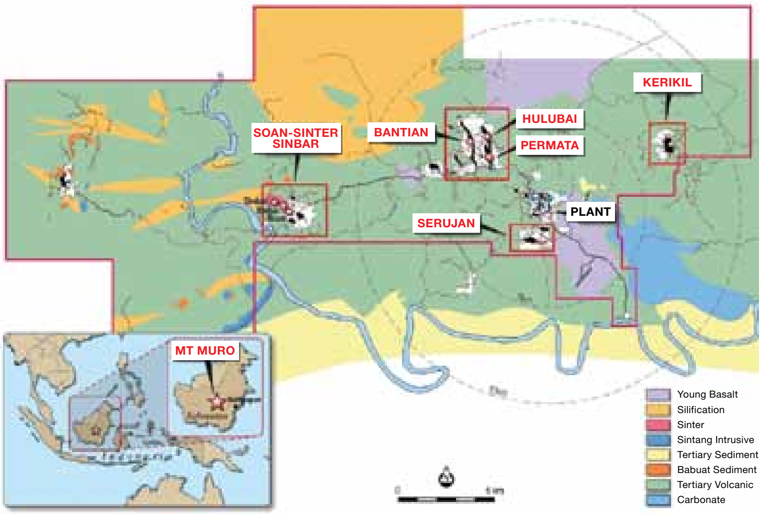


Figure 1: Mt Muro location map with project areas.

The major vein systems have a cumulative strike length in excess of 8 km which in many instances remains open at shallow depths with robust grade and width persisting. In addition, the depth potential of the field, as indicated by Soan, Sinbar and Sinter deposits (drill tested to 400 metres below surface), suggests that the major ore bearing structures have significant potential to continue at depth. Work over the past 12 months has focused on the Serujan and Bantian pits whilst resources at Permata, Hulubai and Kerikil define a substantial "project pipeline" within the Mt Muro volcanic complex and remain to be tested.

Recent exploration and resource studies have increased the resource base to a JORC compliant 2.0 Moz AuEq (gold equivalent) of which 1.4 Moz AuEq is in the indicated category (please refer to ASX:SRQ release 15 July 2011 for details). New resources are close to existing mine infrastructure and are likely to be amenable to open pit mining. Current life of mine studies are evaluating a number of production scenarios based upon the current resource upgrade.

Total historic production combined with current resources for the Mt Muro Volcanic complex are in excess of 4.0 Moz AuEq, establishing Mt Muro as a significant epithermal province (please refer to ASX:SRQ release 16 March & 15 July 2011). In this context it is clear that Straits is in the early days of fully defining and evaluating the endowment of the mineralised field. An aggressive 12 to 18 month systematic exploration programme is currently underway. Exploration drilling continues utilising five drill rigs testing the major open pit projects at shallow/moderate depths whilst strategic drill programmes will test the deeper potential of these systems.

The exploration programme continues at Mt Muro, testing one of the most fertile gold exploration terrains in Indonesia. Significant exploration potential exists on the Mt Muro Contract of Work even after 20 years of activity.

New South Wales

Tritton

Straits have placed considerable effort into understanding the geological setting of the Girilambone and Tritton deposits. The Tritton deposit is a large tabular sheet with a down dip length of approximately 1,800 metres and strike extent of around 300 metres. The large sheet has a variable thickness from 3 to 5 metres near the upper most portion of the deposit to 100 metres thick at the deepest point drilled to date. The deposit thins at its lateral extents and remains open at depth. The deposits have all the characteristics of, and appear to be analogous to, the Besshi deposits of Japan.

Recent drilling aided by the reinterpretation of historical data at Tritton has enabled the construction of a +1,200 metre thick stratigraphic column which has the potential to host the Tritton (Besshi) style mineralisation.

A systematic review of the Girilambone mineral field has been underway since June 2009. This review has taken into account current known systems in addition to new targets that have been derived from geological first principles and geophysical targeting. The Girilambone/Tritton field is a well-endowed copper district and Straits believes that there is considerable upside for extensions of known mineralization, and for the discovery of new as yet un-discovered mineralised systems.

Deep surface diamond drilling re-commenced during the September 2009 quarter (following a hiatus in exploration post the financial crisis in 2008), this drilling was planned to evaluate the down dip potential of the Tritton orebody below the current resource/reserve, targeting the down plunge extension (+200 metres) of the Tritton resource system. This initial 4 drillhole programme has been subsequently expanded into a 29 drillhole programme with completion in August 2011.

Results for the drilling at Tritton to date have confirmed the depth continuity of the mineralised system, which remains open at depth. Additional geophysical surveys designed to test around the Tritton mine site and the corridor between the Girilambone North and Murrawombie mineralisation have commenced with significant IP (induced polarisation) anomalies identified, which will require drill testing.

The exploration programme continues with the aim of proving up reserves for a minimum 8 year mine life by the end of the 2nd quarter FY2012, and increasing resources beyond the resource upgrade announced during the June 2010 quarter. The focus of drilling has been at Tritton Deeps, Murrawombie and the North-East mineralised systems. Commencing in 2012 FY a number of regional geophysical and geological targets will be drill tested.

Exploration

Hillgrove

Exploration activities at Hillgrove have been limited to definition and near mine exploration drilling of the Metz mining center, focused on the Syndicate, Black Lode and Cox's Lode deposits.

Goldminco

Goldminco holds exploration tenements in the highly prospective Lachlan Fold Belt of New South Wales. The tenements contain a range of projects targeting gold and copper-gold mineralisation.

At Temora a large low grade copper-gold resource has been defined over a number of years (the last resource was calculated in 2008) and in 2011 a drill programme was completed in the Temora area with the aim of expanding the resource envelope. A new resource will be calculated for Temora in 2012. Drilling in the Blayney tenements will target Cadia style mineralisation at the Ferndale prospect, as well as a number of prospective IP anomalies hosted within the Ordovician Blayney Volcanics close to the Newmont/Alkane McPhillamy's discovery.

South Australia

Torrens

The Torrens Joint Venture (Torrens EL 4296) is between Argonaut Resources NL (ASX: ARE) and Straits Resources Limited (Straits earning a 70% interest).

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 Torrens Project is located near the eastern margin of South Australia's Gawler Craton region (Stuart Shelf), within 50 kilometres of Teck Cominco's Carrapateena copper-gold discovery and 75 kilometres from BHP Billiton's Olympic Dam mine.

In early July 2010 the Torrens Joint Venture announced that its application under s23 of the *Aboriginal Heritage Act 1988* in South Australia in respect of the Torrens Project (EL4296) had been approved by the Minister for Aboriginal Affairs and Reconciliation. A judicial review of this decision was dismissed on 17 March 2011 in the Supreme Court of South Australia (Justice Sulan), ensuring that the original s23 authorisation stands. An appeal against this decision will be heard before the full court of the Supreme Court on 12 September 2011.

On 17 January 2011 Argonaut Resources (ASX: ARE) announced that the Environment, Resource and Development Court (ERD Court) of South Australia (Justice Tilmouth) determined that Mining (exploration) Operations may not be conducted, pursuant to s 63S(2)(a) of the *Mining Act 1971* (SA) on EL4296.

The parties to the Torrens Joint Venture had two independent avenues of appeal available:

1. The Minister for Mineral Resources Development has a discretionary power to overrule the determination of the ERD Court within two months of that determination where the Minister considers it to be "in the interests of the State" to do so (s 63W of the *Mining Act 1971* (SA)); and
2. The Respondents can make application to the full court of the Supreme Court pursuant to s30 of the *Environment, Resources and Development Court Act 1993* (SA) within 21 days of the ERD Court determination.

The Minister for Mineral Resources Development chose not to exercise his discretionary power to overrule the determination of the ERD Court in this case. The Minister has indicated that he and his department will provide the necessary assistance for the parties to negotiate an agreement that, with the authorisation of the ERD Court, could displace the earlier existing determination of the ERD Court (Justice Tilmouth).

The Torrens Joint Venture is appealing the ERD Court decision of Justice Tilmouth in the full court of the Supreme Court pursuant to s30 of the *Environment, Resources and Development Court Act 1993* (SA). The appeal is set down for 10 October 2011.

Straits remains hopeful that an arrangement with the traditional owners can be reached to allow access for exploration activities without the need for further legal action.

Straits Regional

In March 2010, Straits made application for seven Exploration Licences in the Stuart Shelf and Mount Woods regions of South Australia. To date three of these licences have been granted with target identification well advanced. Work programmes are planned for the second half of calendar year 2011.

Stuart Shelf Joint Venture

The Stuart Shelf Joint Venture is between UXA Resources Limited (ASX Code:UXA) and Straits (Straits earning a 70% interest). The joint venture includes nine tenements located in South Australia for a total of 3,300km2.

Geophysical evaluation of the highest priority targets within the tenement package is now complete and heritage surveys are expected to be undertaken during the coming quarter. Delays have been experienced with the granting of leases by the relevant South Australian department in addition to the securing heritage clearance. Drilling activities are planned to commence during the September 2011 quarter.

Goldminco Corporation

Subsequent event

In June 2011 Straits made an offer to acquire all of the issued and outstanding common shares of Goldminco Corporation (TSX-V: GCP) (Goldminco) that it did not already own at an offer price of CAD$0.10 in cash per share. Full details of the offer were included in a formal offer and take-over bid circular which was mailed to Goldminco shareholders on 7 June 2011.

On 5 July 2011 an independent committee of Goldminco Directors unanimously recommended that Goldminco shareholders accept the offer.

On 26 July 2011 Straits announced that it had acquired 97.5% of the issued and outstanding shares in Goldminco and had moved to compulsory acquisition of the remaining shares.

Human Resources

Our people represent Straits' greatest strength and collectively hold the key to the Company achieving and maintaining a successful enterprise. Straits must have and hold the right mix of skills, experience and energy to sustain our existing operations and carry us forward to new initiatives and opportunities.

In the context of a highly competitive and mobile labour market it is especially important that we take a considered strategic approach to ensuring we attract, develop and retain a workforce with the right capabilities. Key elements around the developing strategy include:

- *Remuneration* – we know the markets in which we recruit and position ourselves competitively within them.
- *Development* – opportunities for continuous learning and career development are valued highly - they enable employees to reach their potential and to maximise their contribution at work.
- *Leadership* – effective leaders are critical to job satisfaction and commitment, and we invest accordingly in developing these skills in our people.
- *Fairness* – our people practices are characterised by fairness and respect for the individual.
- *Communication* – at all levels we practise open and effective communication in engaging, informing and recognising our people.

Our goal in building workforce capability over the longer term is to develop a distinctive, resilient Straits culture – one that positively differentiates us from our many competitors and helps us mark out a reputation as a great employer.

Our Workforce

As of 30 June 2011 Straits had a combined workforce of 1,426 staff and contractor-engaged personnel across our Australian and Indonesian locations:

Location	Staff	Contractors	Total
Tritton	165	279	444
Mt Muro	618	319	937
Hillgrove	6	0	6
Corporate	39	0	39
Total	828	598	1,426

Diversity

In 2011 new obligations under Australian law required employers to report formally, to the Equal Opportunity for Women in the Workplace Agency, on employment practices and workforce characteristics. The data-gathering and analysis carried out for this purpose has yielded a timely opportunity to consider the strategic value of a positive programme to improve diversity within Straits.

In a competitive global market, our ability to consistently attract and retain the best individuals from the widest possible talent pool will be critical to our plans for building a successful enterprise.

We have initiated and continue to develop a suite of activities and programmes in support of the Straits' commitment to ensuring inclusive workplaces. In May the Board approved the Company's formal policy on Diversity, which is available from the Corporate Governance section of the Company's website.

Measurable Objectives
In accordance with our Diversity Policy we have established a number of measurable objectives against which we will report annually. We are continuing to refine current measures in use and are working to broaden the range of measures to improve the relevance and quality of our reporting in this area.

1. *Procedural / Structural*
   - Formal Diversity Policy adopted by the Board and communicated throughout the Company.
   - Review of Human Resources policies to ensure inclusion of key indicators of diversity, such as composition of interview panels and candidate shortlists.
   - Enhanced Human Resources system capability to enable superior reporting and analysis of workforce characteristics.

2. *Key indicators*
   - Workforce demographics – a gender analysis of workforce is reported to Board monthly.
   - Further development of Human Resources system reporting and analytic capability. This will facilitate a wider range of performance indicators for diversity.

3. *Initiatives and programmes*
   - Employee survey - a pilot survey on Employment of Women and diversity was conducted in May 2011. We are currently refining the survey instrument for wider use.
   - Site presentations on diversity and related Human Resources policies and programmes are continuing.
   - Strategy for attraction, recruitment and retention of women which includes investigation of options for employment that widen Straits' appeal in less traditional areas of the labour market.

Australian workforce gender profile at 30 June 2011

Role type	Women	Men	Total	% Women
Board	1	5	6	17%
Senior Executive*	1	6	7	14%
Manager/Supervisory	6	40	46	13%
Professional/Trades	10	51	61	16%
Operations/Support	21	70	91	23%
All	**39**	**172**	**211**	**18%**

* additional to Executive Directors on Board

Health, Safety and Environment

Straits is committed to providing a safe workplace and environment for our employees, contractors, visitors and the communities in which we operate.

Over the last twelve months Straits has focused its health, safety and environmental (HSE) programmes at the operations level, with resources applied to strengthen the ability of operations to manage their respective HSE responsibilities.

As part of this focus, the Straits Corporate HSE Management System Standards have been externally reviewed and simplified as part of a wider strategy to produce an entrenched culture of HSE awareness and compliance throughout the Company with increased emphasis on leadership and HSE based engagement with the entire workforce.

Leading into 2011/12, the Environmental and Safety Performance Standards will also be reviewed, particularly in light of the new harmonised Work, Health and Safety legislation that is expected to come into force on 1 January 2012.

Straits uses a proactive approach with a mix of leading and lagging indicators to drive the improvement of the site HSE systems, ultimately to reduce the likelihood of incidents that may occur. The operating leading indicators are specific to each site and are mainly based on:

- risk assessments;
- hazard reporting;
- incident reporting and investigation;
- management led inspections and task observations;
- completion of actions to mitigate risks;
- procedural reviews; and
- leadership and supervisory training.

The industry standard lagging indicators (see definitions in the Glossary) of Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) supplement the leading indicators and provide a measure of past performance and trends.

During the year to 30 June 2011, across six operating sites in three countries, a total of five LTI's were incurred, with three at Mt Muro and a single LTI at each of the Magontec operations at Bottrop in Germany and Xi'an in China. Regrettably, an employee was also fatally injured in an accident at Mt Muro.

Tritton Copper Mine, New South Wales

Straits has continued to embed HSE culture via behavioural based programmes across all areas at Tritton, complemented by external review of site systems, standards and management plans to drive continual improvement.

The year has seen a continued strong leadership and site safety awareness focus to improve the health and safety of Straits employees and this has been reflected in the reduction of the LTIFR from 8.1 to zero over the reporting period.

Straits is committed to ensuring environmental integrity and sustainability through leadership and the implementation of set standards, which were reviewed and re-issued during this financial period.

Associated activities included the review and submission to appropriate Government agencies of specific management plans including the Mine Closure Plan, Groundwater and Surface Water Management Plan and the Tailings Management Plan.

In addition, the year saw the preparation of a revised Mining Operations Plan for Tritton. Approved by the New South Wales Government in January, this plan sets out a clear path for the mine's direction through to 2015.

The year also saw the introduction to the Murray Darling water basin debate. In line with sustainability and water conservation values, Straits is working to the New South Wales Government initiatives to reduce water demands and minimise losses.

Mt Muro Gold/ Silver Mine, Indonesia
A safety awareness programme commenced in 2010/11 has been strengthened, and 2011/12 will focus on proactive initiatives including a Hazard Observation Programme with involvement from all employees, and broader training in risk assessment and control measures. This includes key learning's from the fatality earlier this year.

These behavioural programmes will supplement a process of review and integration of the Straits HSE Management System with local Government regulations to develop a site specific system that is aligned with the requirements of the Company and the various levels of the Indonesian Government.

Environmental management is a prime focus of the Mt Muro operation, particularly due to its proximity to local waterways and surrounding villages. Mt Muro conducts a rigorous environmental monitoring and reporting programme to ensure that the operation is able to identify any environmental risks to the surrounding communities and to ensure compliance with the Government regulations and threshold limits for all environmental indicators including water quality and land management.

Land reclamation is carried out in all areas upon the completion of mining activities, and the site plant nursery stocks many thousands of seedlings of both native plant species and fruit or production plants. In 2010 our Mt Muro Environmental Department was awarded the Gold Category for its Nursery Programme from the Indonesian Mines Department.

Hillgrove Antimony Project, New South Wales
LTI and TRI frequency rates at Hillgrove reduced to zero as the site continued in care and maintenance mode. Despite not being operational and having reduced staff it continued to focus on maintaining a safe workplace and managing environmental issues, with emphasis on reducing risk and maintaining compliance through the care and maintenance period. Major projects included the removal of remaining dangerous goods and the clean-up of historical waste, as well as rehabilitation of areas unlikely to be disturbed by future mining operations. Co-operation with the University of New England in Armidale continued as Straits again provided support for further research into historical environmental issues.

Community

Straits believes in fostering good community relations, which embodies mutual understanding and benefit, respect and transparency to develop open, long-term relationships with the communities and stakeholders in the areas in which we operate.

The Company is an active participant in the economic and social wellbeing of our local communities, commensurate with the economic opportunities particular to each location.

We are committed to helping preserve local customs and cultural heritage, and all development works are implemented to avoid or minimise the impact to significant cultural sites as a first principle.

The Company continues to pursue and implement ways to improve the fundamentals of the community's economic and social wellbeing in areas such as education, employment, training, commerce and health.

Tritton Copper Mine, New South Wales
For some 18 years, Straits has developed meaningful and sustained involvement with the Nyngan, Hermidale and Girilambone communities.

Straits is a major employer in the Nyngan region requiring permanent staff and support service providers. Straits is proud of the fact that in a challenging environment where the majority of mines are turning to fly in – fly out or drive in – drive out employment arrangements, our preference for residential based employment has resulted in half of the workforce choosing to reside in the local community, in turn contributing to the local economy and community fabric.

Throughout 2010/11 as it has done for many years, Tritton has provided support to local community groups in the area of sport and recreation, education and health including:

- Community groups such as the Nyngan Show Society, the Hermidale Cracker Night (fireworks show and camp oven dinner) and the Nyngan Men's Shed.
- The Nyngan High School (exchange programme to China sister city) and the Girilambone School, as well as school-based apprenticeships with the Nyngan High School.
- Western Studio of Performing Arts Parents Committee – Dance Around the World.
- Sporting groups such as the Mid-Western Equestrian Club – Eventing Championship, Nyngan Football Club and Tritton Netball Team.
- Long Ride for Cancer and the Nyngan Golf Charity Day - proceeds divided amongst the local school Parents and Citizens Committees.
- Specialised equipment to a disadvantaged member of the community.

Mt Muro Gold/Silver Mine, Indonesia

The Mt Muro mine is located in a community of many small villages with a total population of more than 15,000 people within the mine operating areas. Since the start of Straits management of Mt Muro and as the major commercial enterprise in the region, the Company has pursued a policy of assisting the communities and their development.

Programmes focussed on improved self-reliance such as small business partnering and start-up, skills training, employment, education and education support have been delivered for many years, complementing capacity building programmes that have delivered schools, police stations, roads and bridges.

Specific activities and programmes over the last 12 months have covered the following areas:

- Working with and financially supporting the Dayak Custom Council, as the formal representative of the local Dayak Tribes, to assist with the preservation of local Dayak culture through the construction and donation of a traditional Dayak long-house.
- Support to the local Regency Government on key local road construction and maintenance programmes, which have resulted in better access for eight villages.
- Coordination of and support for programmes with the relevant authorities to improve local health awareness on various issues including tuberculosis and mercury. The Mt Muro mine also provides emergency services to communities adjacent to our operation.
- A clean water project, which has resulted in the construction of infrastructure to deliver clean water to our neighbouring villages utilising local materials and labour. To date, approximately 5,500 people in eight surrounding villages have benefited from this programme.
- Support for broader environmental programmes has continued through the involvement of local people in land reclamation projects, environmental monitoring activities and daily water sampling. Mt Muro, through the provision of facilities and logistical assistance since 2006, has continued to support the Orangutan Translocation Project in co-operation with the Borneo Orangutan Survival Foundation.
- Fostering the establishment of Community Self-Help Groups in the areas of savings, micro-finance and local business. These in turn have assisted the mine through the local provision of non-core activities and the servicing of mine requirements (such as local production of exploration sample bags and local production of lime for the process plant).

Mineral Resource Statement

Copper

Region	Project	Reported Cut-off	Commodity	Measured	Indicated	Inferred	Total
Tritton Copper Operation	Tritton Underground	Variable Cu	Tonnes (kt) Cu (%)	1,760 2.5	10,330 1.6	4,150 1.3	**16,240** **1.6**
	Tritton Pillars (Recoverable)	Variable Cu	Tonnes (kt) Cu (%)	490 2.6	300 3.8		**790** **3.0**
	Murrawombie	0.6% Cu	Tonnes (kt) Cu (%)		6,240 1.4	1,190 1.2	**7,430** **1.4**
	North East	0.6% Cu	Tonnes (kt) Cu (%)	370 2.1	550 1.6	120 2.8	**1,040** **1.9**
	Larsens	0.6% Cu	Tonnes (kt) Cu (%)		810 1.8		**810** **1.8**
	Budgerygar	0.8% Cu	Tonnes (kt) Cu (%)			1,610 1.5	**1,610** **1.5**
	Budgery	0.5% Cu	Tonnes (kt) Cu (%)		1,720 1.1	270 0.9	**1,990** **1.1**
Grand Total (Tritton Operations)		**Variable Cu**	**Tonnes (kt)** **Cu (%)**	**2,620** **2.5**	**19,950** **1.5**	**7,340** **1.4**	**29,910** **1.6**

Precious Metals

Region	Project	Reported Cut-off	Commodity	Measured	Indicated	Inferred	Total
Mt Muro Gold Operation	Serujan	0.5 g/t AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		4,170 2.6 71	630 2.5 46	**4,800** **2.6** **68**
	Bantian	0.5 g/t AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		3,660 1.4 35	770 1.6 32	**4,430** **1.4** **34**
	Permata-Hulubai	0.5 g/t AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		660 2.7 104	580 2.9 111	**1,240** **2.8** **107**
	Soan	0.5 g/t AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		770 4.2 57	30 1.1 30	**800** **4.1** **56**
	Other	0.5 g/t AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		2,100 1.7 23.7	4,530 1.8 23.9	**6,630** **1.8** **24**
	Sub Total Projects	Variable AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		11,360 2.2 52	6,540 2.0 35	**17,900** **2.1** **46**
	Tailings	Variable AuEq	Tonnes (kt) Au (g/t) Ag (g/t)		7,700 0.2 30	2,000 0.1 17	**9,700** **0.2** **27**
Grand Total (Mt Muro Operations)		**Variable AuEq**	**Tonnes (kt)** **Au (g/t)** **Ag (g/t)**		**19,060** **1.4** **43**	**8,540** **1.6** **31**	**27,600** **1.4** **39**

Precious Metals

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

Region	Project	Reported Cut-off	Commodity	Measured	Indicated	Inferred	Total
Blayney	Discovery Ridge	0.5 g/t Au	Tonnes (kt)		4,900	9,100	**14,000**
			Au (g/t)		1.3	1.1	**1.2**
	Bald Hill	0.3 g/t Au	Tonnes (kt)			37,000	**37,000**
			Au (g/t)			0.50	**0.5**

Copper – Gold

Region	Project	Reported Cut-off	Commodity	Measured	Indicated	Inferred	Total
Temora	Temora Porphyry Gold Copper Projects	0.25% CuEq	Tonnes (kt)		21,000	121,000	142,000
			Au (g/t)		0.5	0.2	0.3
			Cu (%)		0.4	0.3	0.3

Strategic Metals – Antimony/Gold

Region	Project	Reported Cut-off	Commodity	Measured	Indicated	Inferred	Total
Hillgrove Antimony/ Gold Operation	Metz	3.0 g/t AuEq	Tonnes (kt)	387	966	676	**2,029**
			Au (g/t)	3.5	3.4	3.4	**3.4**
			Sb (%)	3.4	1.7	1.9	**2.1**
	Brackin's Spur	3.0 g/t AuEq	Tonnes (kt)	23	446	524	**993**
			Au (g/t)	6.7	5.6	5.2	**5.4**
			Sb (%)	0.4	1.3	1.8	**1.5**
	Eleanora	3.0 g/t AuEq	Tonnes (kt)	554	1,382	506	**2,442**
			Au (g/t)	6.6	4.7	4.0	**5.0**
			Sb (%)	1.0	0.8	0.8	**0.9**
	Other	3.0 g/t AuEq	Tonnes (kt)	3	746	82	**831**
			Au (g/t)	4.1	2.6	6.7	**3.0**
			Sb (%)	3.0	2.4	2.4	**2.4**
	Stockpiles	3.0 g/t AuEq	Tonnes (kt)	54	0	0	**54**
			Au (g/t)	2.0	0.0	0.0	**2.0**
			Sb (%)	2.2	0.0	0.0	**2.2**
Grand Total (Hillgrove Operations)		**3.0 g/t AuEq**	**Tonnes (kt)**	**1,021**	**3,540**	**1,788**	**6,349**
			Au (g/t)	**5.1**	**4.0**	**4.3**	**4.3**
			Sb (%)	**1.9**	**1.5**	**1.6**	**1.6**

Mineral Resource Statement

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 style of mineralisation, type of deposit 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 Operation

The VMS massive sulphide mineralised systems at the Tritton Copper Operation were defined by geologically logged and assayed diamond drill core and rock chips from percussion drilling. Mineral resource limiting envelopes were developed using geological interpretation at a nominal copper cut-off grade of 0.5%.

All Mineral Resources reported for the Tritton Copper Operation 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$1,300 for gold and US$28 for silver. Metallurgical recoveries have not been applied to the AuEq values. Historical gold and silver recoveries for Mt Muro range from 90 to 93% for gold and 65 to 75% for silver.

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

The category "Other" combines Mineral Resources from the Kerikil, Langantihan, Anak Dua, Dua Lugi, Sinbar and Sintar deposits.

Drummond Basin, Blayney and Temora

The Temora, Discovery Ridge and Bald Hill assets of Goldminco are, as of 30 June 2011, 98% owned by Straits Resources Limited, which is moving to 100% ownership.

Mineral Resources prepared by Goldminco in 2009 for the above assets have been reviewed and accepted by the Competent Person as being compliant with the provisions the JORC Code 2004.

Mineralisation at these 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.

The Discovery Ridge (Blayney) Mineral Resource estimates were developed using a nominal 0.3 Au g/t grade envelope. Mineral Resource estimates estimated for Bald Hill (Blayney) and the Temora Mineral Resource estimates were based on geological constraints. The Copper equivalent (CuEq) reported for the Temora projects is based on a US$8,064/tonne copper price and a US$874/oz gold price. Differential metallurgical recoveries of 90% recovery for copper and 80% recovery for gold have been applied. At Yandan (Drummond Basin), mineral resource estimates reported is based on material that only occurs within the geologically interpreted "non-refractory" vein envelopes.

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

Hillgrove Antimony and Gold Operation

The vein and lode systems at Hillgrove were defined by geologically logged and assayed diamond drill core, and underground mapping, and for Clarks Gully both percussion and diamond drill core were used. Mineral resource limiting envelopes representing the vein systems were developed using geological interpretation and cut-off grades at a nominal 3.0 g/tonne Au equivalent (AuEq). AuEq values were based on a US$5,500/tonne antimony price and a US$1,000/oz gold price. Metallurgical recoveries have not been applied to the AuEq calculations.

The Hillgrove mineral resources were estimated, using a variety of techniques. For the Metz and Eleanora deposits Ordinary Kriging, a geostatistical block modelling technique applicable for this deposit style was used. For the Braken's Spur deposit Inverse distance to the power of 2 was used. For the "Other" classification a range of classical non geostatistical techniques were used.

The "Metz" Mineral Resource classification includes the Syndicate, Blacklode, Cox's Reef and Prendergasts deposits.

The "Other" Mineral Resources classification includes the Freehold, Smiths, Bakers Creek, Clarks Gully, Cosmopolitan, Damifino, and Lady Hopetoun deposits.

Ore Reserve Statement

Copper

Region	Project	Reported Cut-off	Commodity	Proved	Probable	Total
Tritton Copper Operation	Tritton Underground	Variable Cu	Tonnes (kt)	1,400	6,520	**7,920**
			Cu (%)	2.4	1.7	**1.8**
			Cu recovered (t)	32,000	102,000	**134,000**
	Murrawombie Underground	Variable Cu	Tonnes (kt)		1,490	**1,490**
			Cu (%)		1.6	**1.6**
			Cu recovered (t)		23,000	**23,000**
	North East	Variable Cu	Tonnes (kt)	270	410	**680**
			Cu (%)	1.9	1.5	**1.6**
			Cu recovered (t)	5,000	6,000	**11,000**
	Larsens	Variable Cu	Tonnes (kt)		310	**310**
			Cu (%)		1.5	**1.5**
			Cu recovered (t)		4,000	**4,000**
Grand Total (Tritton Operations)		**Variable Cu**	**Tonnes (kt)**	**1,670**	**8,730**	**10,400**
			Cu (%)	**2.3**	**1.6**	**1.8**
			Cu recovered (t)	**37,000**	**135,000**	**172,000**

Precious Metals – Gold and Silver

Region	Project	Reported Cut-off	Commodity	Proved	Probable	Total
Mt Muro	Seurujan	Variable AuEq	Tonnes (kt)		3,170	**3,170**
			Au (g/t)		2.6	**2.6**
			Ag (g/t)		73	**73**
			Au recovered (oz)		244,000	**244,000**
			Ag recovered (oz)		5,380,000	**5,380,000**
	Bantian	Variable AuEq	Tonnes (kt)		1,800	**1,800**
			Au (g/t)		1.5	**1.5**
			Ag (g/t)		37	**37**
			Au recovered (oz)		80,000	**80,000**
			Ag recovered (oz)		1,500,000	**1,500,000**
	Other Pits	Variable AuEq	Tonnes (kt)		440	**440**
			Au (g/t)		2.8	**2.8**
			Ag (g/t)		44	**44**
			Au recovered (oz)		34,000	**34,000**
			Ag recovered (oz)		440,000	**440,000**
	Soan Underground	Variable AuEq	Tonnes (kt)		520	**520**
			Au (g/t)		5.2	**5.2**
			Ag (g/t)		64	**64**
			Au recovered (oz)		80,000	**80,000**
			Ag recovered (oz)		740,000	**740,000**
Grand Total (Mt Muro)		**Variable AuEq**	**Tonnes (kt)**		**5,930**	**5,930**
			Au (g/t)		**2.5**	**2.5**
			Ag (g/t)		**59**	**59**
			Au recovered (oz)		**438,000**	**438,000**
			Ag recovered (oz)		**8,060,000**	**8,060,000**

Ore Reserve Statement

Strategic Metals – Antimony/Gold

Region	Project	Reported Cut-off	Commodity	Proved	Probable	Total
Hillgrove Antimony/ Gold Operation	Metz	Variable AuEq	Tonnes (kt)	202	435	**637**
			Au (g/t)	2.5	3.2	**3.0**
			Sb (%)	3.2	2.2	**2.5**
			Au recovered (oz)	13,500	37,200	**50,700**
			Sb recovered (t)	5,400	8,000	**13,400**
	Other	Variable AuEq	Tonnes (kt)	130	1,374	**1,504**
			Au (g/t)	6.1	4.0	**4.2**
			Sb (%)	1.1	2.0	**1.9**
			Au recovered (oz)	21,200	146,600	**167,800**
			Sb recovered (t)	1,200	23,200	**24,400**
	Stockpiles	Variable AuEq	Tonnes (kt)	54		**54**
			Au (g/t)	2.0		**2.0**
			Sb (%)	2.2		**2.2**
			Au recovered (oz)	2,900		**2,900**
			Sb recovered (t)	1,000		**1,000**
Grand Total (Hillgrove)		**Variable AuEq**	**Tonnes (kt)**	**386**	**1,809**	**2,195**
			Au (g/t)	**3.6**	**3.8**	**3.8**
			Sb (%)	**2.4**	**2.1**	**2.1**
			Au recovered (oz)	**37,600**	**183,800**	**221,400**
			Sb recovered (t)	**7,600**	**31,200**	**38,800**

Notes on the Ore Reserves:

The information in this report that relates to Ore Reserves is based on information compiled by Peter Storey, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Storey is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity which he is 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 Storey 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 Operation

Commodity prices adopted for the estimation of Tritton Copper Operation ore reserves are Cu: US$ 4.00/lb and a USD:AUD foreign exchange rate of 1:0.90.

A metallurgical recovery of 94.0% has been applied to estimate copper metal recovered.

The mining method at Tritton is primarily transverse long hole open stoping with paste fill. Ore reserves for all other mines assume the planned use of long hole open stoping with pillars. Proven and Probable Ore Reserves at the Tritton Copper Operation are defined by designing mining excavations based on mine cut-off grades of 1.0 to 1.2 % Cu, incorporating planned dilution to achieve final stope and development designs.

Mine design factors are applied subject to orebody geometry and characteristics, and are summarised below.

	Planned Dilution	*Mine Recovery*
Tritton and NE Proven	*5 to 10% subject to geometry*	*95%*
Tritton and NE Probable	*0.5 m Footwall, 1.0 m Hangingwall*	*95%*
Murrawombie Probable	*1.0 m Footwall, 1.0 m Hangingwall*	*93%*
Larsons Probable	*1.0 m Footwall, 1.0 m Hangingwall*	*80%*

Tritton and North East Reserves are based on the development and stoping positions as at 30 June 2011.

Mt Muro Gold Operation

Commodity prices adopted for the estimation of the Mt Muro Gold Operation ore reserves were US$1,300 / Au ounce and US$28 / Ag ounce for the Serujan and Bantian deposits.

Commodity prices adopted for Soan and "Other", which comprises the Langantihan, Anak, Dua and Hulubai deposits and whose ore reserves were estimated during 2010, were USD$1,000 / oz and USD$15 / oz for gold and silver respectively.

Open pit ore reserves for Bantian and Serujan were based on pit designs from Whittle Four-X optimised pit shells. Mining dilution is applied at the resource modeling phase and 5% ore loss was applied when optimising. Metallurgical recoveries were based on historical averages of 93% recovery for gold and 72% recovery for silver.

Open pit ore reserves for deposits within the "Other" classification were based on pit designs from Whittle Four-X optimised pit shells. Mining dilution and mine recoveries were related to vein widths and have been applied at between 10 to 50% and 85 to 95% respectively. Metallurgical recoveries were based on 90 to 92% recovery for gold and 65 to 72% recovery for silver.

Underground ore reserves for the Soan deposit were estimated by constructing mine excavation designs using a 3.00 g/tonne Au cut-off grade. Final stope designs incorporate 15% mining dilution. Mine recoveries of 95% were applied, and metallurgical recoveries of 91% recovery for gold and 70% recovery for silver were applied based on metallurgical testwork.

Where gold equivalent (AuEq) is quoted the gold to silver ratio is based on US$1,300 for gold and US$28 for silver. Processing recoveries for the AuEq cut off values have not been applied.

Hillgrove Antimony and Gold Operation

Commodity prices adopted for the estimation of the Hillgrove Gold Operation ore reserves were AU$1,000 / oz Au and AU$5,500 / tonne antimony.

Hillgrove ore reserves were estimated based on the use of long hole open stoping as the primary mining method. Using the above pricing, resource models were expanded where required to the minimum mining width of 1.8 metres, before a 5.0 g/tonne AuEq cut-off grade was applied to generate preliminary stope designs.

Final stope designs incorporate 0.25 metres of planned dilution to both hangingwall and footwall.

Mine recoveries of 98% and metallurgical recoveries of 84% for antimony in concentrate and 83% for gold in concentrate were applied.

Hillgrove, "Other" ore reserves represents the Brackins Spur, Bakers Creek, Smiths-Freehold and Eleanora mining centres (Upper and Lower), whilst the "Metz" classification represents the Syndicate, Blacklode, Cox's Reef, Prendergasts and Austins deposits.

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 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 five months to the year ended 30 June 2011, 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 five 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. The initial performance cycle will span the 17 month period to 30 June 2012.

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 structure of the Board does not comply with ASX Recommendation 2.1 as a 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 five directors of which Dr Susan Vearncombe and Mr Alan Good, the Chairman, are considered independent within the ASX's definition. Dr Garry Lowder, considered an independent director, resigned on 1 July 2011. 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 18.82% of the issued capital in Straits. The Board has determined to appoint an additional independent non-executive director and is currently seeking a suitably qualified person.

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 Board established a Nomination Committee which comprises:
– Mr Alan Good, Chair, appointed 30 June 2011.
– Dr Susan Vearncombe appointed 30 June 2011.
– Mr Milan Jerkovic appointed 30 June 2011.

The Board adopted a Nomination Committee Charter in August 2011 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
Due to the short reporting period, a performance evaluation for the Board, its committees and directors has not taken place. The Board intends to develop a further performance evaluation process applicable for the Board, its committees and individual directors.

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, as Senior Management are prevented from trading in the Company's shares two weeks prior to the announcement of the quarterly, half-yearly and the full-year reports.

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 and on an annual basis report on these outcomes. The policy is available from the Corporate Governance section of the Company's website.

The measurable objectives for achieving gender diversity, the progress towards achieving them and the proportion of women employees in the Australian Company Group, women in senior executive positions and women on the Board are set out in the Human Resources section on page 32 to 33.

Principle 4 – Safeguard Integrity in Financial Reporting

Audit Committee
The Audit Committee members are:
- Dr Susan Vearncombe, appointed 23 May 2011, Chair from 1 July 2011.
- Mr Alan Good.
- Mr Alastair Morrison.
- Dr Garry Lowder, Chair until retirement on 1 July 2011.

Dr Vearncombe, Mr Good and Dr Lowder are considered independent within the ASX's definition.

All members of the Audit Committee are financially literate and have an appropriate understanding of the industries in which the Company operates. One member, Mr Good, has relevant qualifications and experience by virtue of being a former partner of a major accounting firm. All other details of the members' qualifications and number of meetings held 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 procedure 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 the Risk Management Policy and Guidelines replacing the Risk Management Statement. 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 a financial certification questionnaire has been implemented for all operating subsidiaries. An internal audit function is outsourced to an external audit firm and there is a Treasury Committee. In addition to external and internal 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 Board has established a Remuneration Committee comprising:

- Mr Alan Good, Chairman.
- Dr Susan Vearncombe, appointed 23 May 2011.
- Mr Alastair Morrison, appointed 23 May 2011.
- Dr Garry Lowder, retired 1 July 2011.

Mr Good, Dr Vearncombe and Dr Lowder are considered independent within the ASX's definition. The Remuneration Committee held one meeting during the period under review. 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 5 months to 30 June 2011.

Directors

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

Director	Experience	Special Responsibilities	Appointed/ Resigned	Classification
Alan James Good B.Com (UWA), F.C.A.	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	Non-executive Chairman of the Company. Chairman of Remuneration Committee and Nomination Committee Member of Audit Committee	10 December 2010	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	Chief Executive Officer Member of the Nomination Committee	1 November 2010	Executive
Garry George Lowder Ph.D (U.C. Berkeley), B.Sc (Hons) (Syd), F.Aus.I.M.M, M.A.I.C.D	Dr Lowder is a geologist with over 40 years experience in research, mineral exploration and senior management, in both the mining industry and state government. Credited with key roles in several major ore discoveries. Former Director General of the New South Wales Department of Mineral Resources, where he established the Discovery 2000 exploration incentive programme Dr Lowder has been Chairman of Malachite Resources Limited since February 1997	Non-executive Director	10 December 2010 Retired on 1 July 2011	Independent

Directors' Report

Director	Experience	Special Responsibilities	Appointed/ Resigned	Classification
William Edward Alastair Morrison M.A Oxon M.Phil Oxon	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	Non-executive Director Member of Audit Committee and Remuneration Committee	10 December 2010	Not Independent
Dr Susan Vearncombe BSocSci, MSc (Hons), PhD, MAIG, RPGeo	Dr Vearncombe is a highly experienced geologist in the mining and exploration industry and currently Managing Director of Silver Swan Group Limited. 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	Non-executive Director Chairman of the Audit Committee Member of the Remuneration Committee and Nomination Committee	23 May 2011	Independent
Michael George Gibson B.A LLB LLM	Mr Gibson holds a degree in Arts and Law from Macquarie University and a Masters of Law degree from the University of Sydney. He was a partner for 12 years with a leading Australian law firm specialising in advising resource companies on major mine acquisitions, disposals and joint ventures, and on the development of mining and infrastructure projects. Mr Gibson has previously been a non-executive director of Singapore Securities Exchange listed Straits Asia Resources Limited	Executive Director	1 November 2010	Executive

Company Secretary

Mark Hands – B.Juris, LLB.
Mr Hands joined Straits Resources Limited in February 2011 as Company Secretary and General Counsel.
Mr Hands has over 10 years experience as a Company Secretary.

Principal Activities

The principal activities of the consolidated entity during the five month period to 30 June 2011 were the production and sale of, copper and gold and the exploration for copper and gold. Other than the foregoing and as referred to on pages 22 to 43, there were no significant changes in those activities during the financial period.

Dividends
There was no dividend paid during the period.

Review of Operations and Future Developments
A review of the operations and financial position of the consolidated entity during the five month period to 30 June 2011, including details of the results of operations, changes in the state of affairs and the likely developments in the operations of the consolidated entity in subsequent financial years, are set out on pages 22 to 43.

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity and the likely results of those operations would, in the opinion of the directors, be speculative and/or prejudice the interest of the consolidated entity.

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.

Dividend determined
There has been no dividend determined for the period to 30 June 2011.

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. Such licences and project legal obligations include requirements specific to the relevant site.

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 five months to 30 June 2011 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 5 month period to 30 June 2011 were as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Milan Jerkovic	4	4	–	–	–	–
Garry Lowder	4	4	–	–	1	1
Alan Good	4	4	–	–	1	1
Alastair Morrison[i]	4	3	–	–	–	–
Michael Gibson	4	4	–	–	–	–
Susan Vearncombe	2	2	–	–	–	–

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.*

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
Limited recourse interest free loans have been provided by the Company to the Chief Executive Officer and Executive Director Corporate and Finance for shares issued pursuant to the Employee Share Acquisition Plan (ESAP).

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* in the five month period to 30 June 2011 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 period.

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 (PwC) for audit and non-audit services provided during the period are set out in Note 31 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 31 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;
- 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 64.

Rounding of Amounts to Nearest Thousand Dollars
The Company is of a kind referred to in Class Order 98/0100 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

Remuneration Principles and Overview

In establishing the executive reward framework as part of the creation of the Group from the Demerger, the Board has adopted a remuneration strategy that is 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
- 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
- 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.

Establishing Initial Remuneration Packages

The Company was extremely fortunate that the majority of Directors and key management personnel commencing with the Company in February 2011 were previously employed by International Coal Holdings Limited (formerly Straits Resources Limited – SRL), which provided significant advantages in terms of bringing knowledge and expertise of the Company's business activities and provided for a seamless transition of ownership from SRL to Straits.

In establishing base salaries in February 2011 the following applied:

- The proposed base cash salaries and employment terms for the two Executive Directors, Mr Jerkovic and Mr Gibson were incorporated into the Demerger Scheme Booklet which was considered and approved by shareholders.
- The base cash salaries for the other key management personnel were established in line with general market rates for the roles being undertaken and the level of experience and expertise of the individual.

Those Directors and key management personnel who joined the Company in February 2011 did so under terms and conditions which were generally significantly less than the terms and conditions that had applied at SRL.

Their reduced terms and conditions of employment were reflected in:

– For the Executive Directors the reduction from their previous terms and conditions of employment with SRL included:
  - a 20% reduction in their base salaries.
  - a reduction in employer superannuation contributions from 12.5% of base salary to 10% of base salary.
  - a reduction in long service leave benefits from 1.714 weeks per year of service to 1.3 weeks per year of service.
  - a reduction in the maximum termination payment from 36 months salary to 12 months salary.

– For the key management personnel the reduction from their previous terms and conditions of employment with SRL included:
  - reductions in base salaries of up to 20%.
  - reduction in employer superannuation contributions from 12.5% of base salary to 10% of base salary.
  - a reduction in the maximum severance payments from 24 months to 16 weeks salary.

Those Executive Directors and key management personnel who were previously employed by SRL were terminated by SRL and their subsequent employment by Straits was totally separate and unrelated to their employment with SRL. There were no entitlements or continuity of service arising from their prior employment with SRL.

Key Management Personnel

Directors of the Company during the period, including experience, qualification and special responsibilities are set out on pages 49 to 50.

The key management personnel of the Company is defined as any Director of the Company and those executives that report directly to the Chief Executive Officer or Executive Director. The key management personnel are:

Name	Position
Michael Gibson	Executive Director Corporate & Finance
Nic Earner	Executive General Manager Operations
Gail Campbell	Chief Financial Officer
David Greenwood	Executive General Manager External Affairs & Exploration
Peter Storey	Executive General Manager Strategy & Business Development

All of the above persons were key management personnel during the period ended 30 June 2011. Set out on page 60 are the five highest remunerated executives of the Company and the Group whose remuneration must be disclosed pursuant to the *Corporations Act 2001*.

Executive Remuneration

Remuneration packages are based around a combination of the following:

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

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 includes:

– Base salary
– Leased motor vehicle
– Superannuation
– Coverage for death and total and permanent incapacity
– 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. In the current competitive market the Board is pleased to report that the Company has retained a stable executive team.

There were no changes to base salaries or benefits during the period and it is not intended to conduct a general review of executives' fixed remuneration until after the 2011/12 financial and operational results are determined.

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 STI 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 between 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 international operations successfully
– 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 Committee ensures that these elements clearly reflect the factors deemed critical to the Group's strategic and business plans for the relevant period.

Determination of STI outcomes

At the end of a performance cycle the Committee determines the award of STIs to the Senior Executive team based on assessed performance relative to the goals established. The 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 period. First consideration under the STI Plan will be made in November 2012, based on the Committee's assessment of performance for the full period from Demerger and Listing of the Company (on 1 February 2011) through to 30 June 2012. Subsequent STI Plan cycles will operate on a financial year basis.

Awards for performance under the STI Plan will be determined and paid only after Group audited financial results are available, which will generally be 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). Details of the Company's ESAP were set out in the Demerger Scheme Booklet.

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. The performance hurdle criteria that apply to shares issued under the ESAP in 2011 are:

- the shares are 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
- other than in limited circumstances (such as takeover), the executive shares shall vest when:
    - the executive completes three years' service following the issue of the shares
    - 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% and 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.

Currently shares issued to employees under the ESAP would (if full vesting conditions were met) constitute 2.46% of the Company's capital.

Executive Directors
The Demerger Scheme Booklet set out the terms of a proposed grant of shares under and subject to the LTI Scheme to Mr Jerkovic and Mr Gibson. The shares were issued at market price and funded by way of an interest free non-recourse loan. The number of shares issued to each executive director was based on the weighted average sales price of Straits shares traded on the ASX over the period of five trading days immediately prior to the date of issue and being equivalent to the value of one times their respective base salary. Other than in limited circumstances (such as takeover), all shares issued under the LTI Scheme are subject to vesting conditions and the shares issued to Mr Jerkovic and Mr Gibson will be eligible to vest on the third anniversary of acquisition of the shares in accordance with the following vesting conditions:

- provided the executive remains employed with the Company at the time of vesting
- 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% and 100% on a pro rata basis
Straits shares TSR is equal to or greater than the 75th percentile of the Index	100%

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.

The Executive Directors being the Chief Executive Officer and the Executive Director Corporate and Finance have their employment terms and conditions formalised in service agreements. The major provisions of the agreements relating to remuneration are set-out below.

Remuneration and other terms of employment for key management personnel are formalised in common law employment contracts in the form of a letter of appointment. The major provisions of the contracts are set out below.

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.

Alan Good

Non-Executive Chairman

Mr Alan Good was appointed on the 1 February 2011. Mr Good's appointment does not contemplate a fixed term for Mr Good's appointment as a Director.

As Non-Executive Chairman, Mr Good is paid a fee of $150,000 per annum plus a superannuation contribution equivalent to 10% of the annual fee.

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

Milan Jerkovic

Chief Executive Officer

Mr Milan Jerkovic entered into a service agreement which commenced on the 1 February 2011. The agreement is not for a fixed term but provides that after 30 months Mr Jerkovic and the Board will enter good faith discussions on succession planning which may have the intent of arranging an orderly transition to a successor as CEO of the Company or may have the intent of affirming the continuation of Mr Jerkovic's appointment for a further mutually agreed period.

Mr Jerkovic's package consists of a base salary of $945,000, a Company superannuation contribution of 10%, a maintained motor vehicle, spouse travel and telephone expenses. The service agreement also provides for an at risk variable annual short-term incentive, subject to recommendation of the Remuneration Committee and approval of the Board of Directors. Should Mr Jerkovic be terminated by the Company (other than for serious or wilful misconduct) there is an entitlement amounting to a maximum of twelve months salary should Mr Jerkovic have completed at least one year's service.

The base salary provided by the agreement is reviewed by the Remuneration Committee in November each year (commencing 2012) and such review takes into account cost of living increases, performance of the individual and Company performance.

Susan Vearncombe
Non-Executive Director
Dr Vearncombe was appointed to the Board effective 23 May 2011. Dr Vearncombe's 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.

Garry Lowder
Non-Executive Director
Dr Garry Lowder was appointed on 1 February 2011. As Non-Executive Director, Dr Lowder was paid a fee of $110,000 per annum plus a superannuation contribution equivalent to 10% of the annual fee.

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

Subsequent Event
Dr Garry Lowder retired as Non-Executive Director of Straits as at 1 July 2011.

Michael Gibson
Executive Director Corporate & Finance
Mr Michael Gibson entered into a service agreement which commenced on the 1 February 2011. The agreement is not for a fixed term but provides that after 30 months Mr Gibson and the Board will enter good faith discussions on succession planning which may have the intent of arranging an orderly transition to a successor as a Director of the Company or may have the intent of affirming the continuation of Mr Gibson's appointment for a further mutually agreed period.

Mr Gibson's package consists of a base salary of $615,000, a Company superannuation contribution of 10%, a maintained motor vehicle, spouse travel and telephone expenses. The service agreement also provides for an at risk variable annual short-term incentive, subject to recommendation of the Remuneration Committee and approval of the Board of Directors. Should Mr Gibson be terminated by the Company (other than for serious or wilful misconduct) there is an entitlement amounting to a maximum of twelve months salary should Mr Gibson have completed at least one year's service.

The base salary provided by the agreement is reviewed by the Remuneration Committee in November each year (commencing 2012) and such review takes into account cost of living increases, performance of the individual and Company performance.

Alastair Morrison
Non-Executive Director
Mr 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.

Gail Campbell
Chief Financial Officer
Ms Gail Campbell entered into an employment arrangement with the Company which commenced on 1 February 2011. Ms Campbell's package consists of a base salary of $300,000, superannuation of 10% of base salary, a motor vehicle allowance of $32,080 (which is subject to PAYG taxation), participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Ms Campbell is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Ms Campbell'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.

David Greenwood
Executive General Manager
– External Affairs & Exploration
Mr David Greenwood entered into an employment arrangement with the Company which commenced on 1 February 2011. Mr Greenwood's package consists of a base salary of $315,000, superannuation of 10% of base salary, a motor vehicle allowance of $32,080 (which is subject to PAYG taxation), participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Greenwood is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Greenwood 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.

Peter Storey
Executive General Manager
– Strategy & Business Development
Mr Peter Storey entered into an employment arrangement with the Company which commenced on 1 February 2011. Mr Storey's package consists of a base salary of $315,000, superannuation of 10% of base salary, the provision of a maintained motor vehicle, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Storey's is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Story'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.

Nic Earner
Executive General Manager Operations
Mr Nic Earner entered into an employment arrangement with the Company which commenced on 1 February 2011. Mr Earner's package consists of a base salary of $330,000, superannuation of 10% of base salary, a motor vehicle allowance of $32,080 (which is subject to PAYG taxation), participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP. Mr Earner is also covered by the Company's Group Life Plan and Salary Continuance Plan.

Mr Earner'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.

Details Of Remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid specified executives of the Company and 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.

Key management Personnel of the group.

2011	Short-term benefits			Post-employment		Share based payments	
	Cash salary and fees	Short-term incentive	Non-cash benefits	Super annuation	Sub total	Amortised over 3 years	TOTAL
	(A)	(B)	(C)	(D)		(E)	
Directors							
Non Executives							
Alan Good	62,500	–	–	6,250	68,750	–	68,750
Garry Lowder	45,833	–	–	4,583	50,416	–	50,416
Susan Vearncombe	8,333	–	–	833	9,166	–	9,166
Alastair Morrision	–	–	–	–	–	–	–
Subtotal Non-executive Directors	**116,666**	**–**	**–**	**11,666**	**128,332**	**–**	**128,332**
Executives							
Milan Jerkovic	393,750	–	9,210	39,375	442,335	26,850	469,185
Michael Gibson	256,250	–	68,682	25,625	350,557	17,474	368,031
Subtotal Executive Directors	**650,000**	**–**	**77,892**	**65,000**	**792,892**	**44,324**	**837,216**
Subtotal Directors	**766,666**	**–**	**77,892**	**76,666**	**921,224**	**44,324**	**965,548**
Other Key Management Personnel							
Nic Earner^	128,750	–	13,367	12,875	154,992	18,752	173,744
Peter Storey^	131,250	–	20,173	13,125	164,548	6,713	171,261
David Greenwood^	131,250	–	13,367	13,125	157,742	6,713	164,455
Gail Campbell^	125,000	–	13,367	12,500	150,867	6,393	157,260
Ivan Jerkovic^	100,000	–	13,367	10,000	123,367	5,114	128,481
Subtotal other key management personnel	**616,250**	**–**	**73,641**	**61,625**	**751,516**	**43,685**	**795,201**
Totals by category		**1,534,449**		**138,291**	**1,672,740**	**88,009**	**1,760,749**

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

Name	Fixed remuneration	At risk – short term Incentive	At risk – equity
	2011	2011	2011
Directors			
Alan Good	100%	–	–
Garry Lowder	100%	–	–
Susan Vearncombe	100%	–	–
Alastair Morrison	–	–	–
Milan Jerkovic	94.28%	–	5.72%
Michael Gibson	95.25%	–	4.75%
Other Key Management Personnel			
Nic Earner	89.21%	–	10.79%
Peter Storey	96.08%	–	3.92%
Dave Greenwood	95.92%	–	4.08%
Gail Campbell	95.93%	–	4.07%
Ivan Jerkovic	96.02%		3.98%

Notes to tables:

^ *Denotes one of the five highest paid executives of the group and the company during the year ended 30 June 2011, as required to be disclosed under the Corporations Act 2001.*

(A) Includes cash salary and Directors' fees.

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

(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% and 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 approved ESAP Plan has been determined using a binomial option pricing model for the option value and a Monte-Carlo simulation in regards to calculating 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 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.

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. The shares are subject to performance hurdles and if met, are vested. The shares continue to be held in trust and a holding lock is then placed over the shares in the Company until the loan is repaid in full.

Additional Information

Equity instrument disclosures relating to 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	–	2014	nil	219,539
Michael Gibson	2011	160,349	nil	–	2014	nil	142,875
Nic Earner	2011	172,081	nil	–	2014	nil	153,329
Peter Storey	2011	61,597	nil	–	2014	nil	54,885
David Greenwood	2011	61,597	nil	–	2014	nil	54,885
Gail Campbell	2011	58,664	nil	–	2014	nil	52,271
Ivan Jerkovic	2011	46,931	nil	–	2014	nil	41,817

(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	Issued upon demerger 2 February 2011	Issued and Acquired*	Disposed	Balance at 30 June 2011
Directors				
Alan Good	13,564	21,202	–	34,766
Garry Lowder	450,000			450,000
Alastair Morrison	–	–	–	–
Susan Vearncombe	50,000	–	–	50,000
Milan Jerkovic	6,828,385	1,689,914	–	8,518,299
Michael Gibson	2,862,703	1,099,785	–	3,962,488
Other key management personnel				
Nic Earner	207,055	1,180,257		1,387,312
Peter Storey	1,027,069	422,478	–	1,449,547
David Greenwood	793,762	422,478	(85,000)	1,131,240
Gail Campbell	723,867	402,360	(700,000)	426,227
Ivan Jerkovic	721,690	321,888		1,043,578

* *Issued and acquired shares include issues through, ESAP and acquisitions on the open market.*

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.

Milan Jerkovic
Director

Perth
31 August 2011

Auditor's Independence Declaration

As lead auditor for the audit of Straits Resources Limited for the period ended 30 June 2011, 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.

David J Smith
Partner
PricewaterhouseCoopers

Perth
31 August 2011

PricewaterhouseCoopers
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Consolidated Financial Report

30 JUNE 2011

Consolidated Financial Report

30 June 2011

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Straits Resources Limited

ABN 30 147 131 977

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. Its registered office and principal place of business is:

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

Effective 1 February 2011, Straits Resources Limited ("the Company") ceased to be a subsidiary of International Coal Holdings Limited (formerly Straits Resources Limited) and became a separate listed entity on the Australian Securities Exchange (ASX) on 2 February 2011. As required for statutory reporting purposes, the consolidated financial statements for the Company have been presented from the date of incorporation on 1 November 2010 to 30 June 2011 and from the 1 February 2011 to 30 June 2011 for its controlled entities.

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 22 to 48 and in the Directors' report on pages 49 to 63, both of which are not part of this financial report. The financial statements were authorised for issue by the directors on 30 August 2011. 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.

Consolidated Income Statement

For the period ended 30 June 2011

	Notes	Consolidated 30 June 2011 $'000
Revenue from continuing operations		
Sales revenue	3	**121,911**
Other revenue from ordinary activities	3	**2,291**
		124,202
Other income	4	**1,458**
Expenses		
Cost of goods sold	5	**(128,895)**
Other expenses from ordinary activities		
Marketing		**(71)**
Exploration expense	5	**(1,729)**
Administration and support expense	5	**(6,193)**
Other	5	**(4,703)**
Finance costs	5	**(1,585)**
Loss before income tax		**(17,516)**
Income tax benefit	6	**1,012**
Loss from continuing operations		**(16,504)**
Loss from discontinued operations	15	**(2,540)**
Loss for the period		**(19,044)**
Loss is attributable to:		
Owners of Straits Resources Limited		**(19,009)**
Non-controlling interest		**(35)**
		(19,044)

		Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:		
Basic earnings per share	39	**(5.9)**
Diluted earnings per share	39	**(5.9)**

		Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	39	**(5.1)**
Diluted earnings per share	39	**(5.1)**

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2011

	Notes	Consolidated 30 June 2011 $'000
Loss for the period		**(19,044)**
Other comprehensive income		
Changes in the fair value of cash flow hedges	28	**3,362**
Exchange differences on translation of foreign operations		**(2,214)**
Exchange differences on translation of discontinued operations		**(931)**
Income tax relating to components of other comprehensive income	6(c)	**(1,009)**
Other comprehensive income for the period, net of tax		**(792)**
Total comprehensive income for the period		**(19,836)**
Total comprehensive income for the period is attributable to:		
Owners of Straits Resources Limited		**(19,625)**
Non-controlling interest		**(211)**
		(19,836)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 30 June 2011

	Notes	Consolidated 30 June 2011 $'000
ASSETS		
Current assets		
Cash and cash equivalents	9	**36,716**
Receivables	10	**32,952**
Inventories	11	**23,750**
Other financial assets	12	**27,904**
Derivative financial instruments	13	**3,384**
Short term mine development	14	**3,804**
		128,510
Assets classified as held-for-sale	15	**65,823**
Total current assets		**194,333**
Non-current assets		
Receivables	16	**3,732**
Property, plant and equipment	17	**38,991**
Deferred tax assets	19	**17,814**
Exploration and evaluation	18(a)	**15,579**
Mine Properties in use	18(b)	**54,785**
Total non-current assets		**130,901**
Total assets		**325,234**
LIABILITIES		
Current liabilities		
Payables	20	**42,248**
Interest bearing liabilities	21	**8,276**
Provisions	23	**2,616**
Non-Interest bearing liabilities	22	**250**
		53,390
Liabilities classified as held-for-sale	15	**38,007**
Total current liabilities		**91,397**
Non-current liabilities		
Interest bearing liabilities	24	**12,307**
Deferred tax liabilities	25	**–**
Provisions	26	**17,121**
Total non-current liabilities		**29,428**
Total liabilities		**120,825**
Net assets		**204,409**
EQUITY		
Contributed equity	27	**219,921**
Reserves	28(a)	**(486)**
Retained earnings	28(b)	**(19,009)**
Capital and reserves attributable to owners of Straits Resources Limited		**200,426**
Non-controlling interests		**3,983**
Total equity		**204,409**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

For the period ended 30 June 2011

Consolidated	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 November 2010		–	–	–	–	–	–
Amounts recognised in profit and loss		–	–	(19,009)	(19,009)	(35)	(19,044)
Amounts recognised in other comprehensive income		–	(616)	–	(616)	(176)	(792)
Total comprehensive income for the period		**–**	**(616)**	**(19,009)**	**(19,625)**	**(211)**	**(19,836)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	27	219,921	–	–	219,921	–	219,921
Employee share options – value of employee services	28	–	130	–	130	–	130
Non-controlling interests on acquisition of subsidiary	2	–	–	–	–	4,194	4,194
Balance at 30 June 2011		**219,921**	**(486)**	**(19,009)**	**200,426**	**3,983**	**204,409**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the period ended 30 June 2011

	Notes	Consolidated 30 June 2011 $'000
Cash flows from operating activities		
Loss before tax – continuing operations		**(17,516)**
Finance costs net of interest income		**748**
Loss on held-for-trading financial assets		**3,886**
Unrealised exchange losses		**972**
Depreciation and amortisation		**6,372**
Employee share based payment		**130**
Profit on sale of fixed assets		**(1,344)**
Profit on in-specie distribution received		**(54)**
Exploration expenditure written off		**448**
Changes in operating assets and liabilities excluding discontinued operations		
Decrease in inventories		**7,195**
Increase in trade and other receivables		**(2,545)**
Increase in trade and other payables		**3,695**
Increase in provisions		**668**
Interest received		**937**
Interest paid		**(843)**
Net cash outflow from operating activities of discontinued operations	15	**(3,299)**
Net cash outflow from operating activities		**(550)**
Cash flows from investing activities		
Cash upon demerger		**48,737**
Proceeds from sale of property, plant and equipment		**4,709**
Payments for property, plant and equipment and mine properties		**(25,373)**
Net cash settlement post demerger		**19,192**
Payments for exploration expenditure		**(11,504)**
Proceeds from sale of investment in shares and other securities net of transaction costs		**549**
Cash of discontinued operations transferred to held-for-sale		**(2,539)**
Net cash outflow from investing activities of discontinued operations	15	**(1,584)**
Net cash inflow from investing activities		**32,187**
Cash flows from financing activities		
Repayment of borrowings		**(1,030)**
Lease payments		**(3,420)**
Restricted cash		**11,825**
Net cash outflow from financing activities of discontinued operations	15	**(923)**
Net cash inflow from financing activities		**6,452**
Net increase in cash and cash equivalents		**38,089**
Cash and cash equivalents at the beginning of the financial period		**–**
Effects of exchange rate changes on cash and cash equivalents		**(1,341)**
Effects of exchange rate changes on cash and cash equivalents of discontinued operations	15	**(32)**
Cash and cash equivalents at end of period	9	**36,716**
Financing arrangements	24	
Non-cash financing and investing activities	38	

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
30 June 2011

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the 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*.

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

Refer to note 2 which describes the impact on the reported results of the Group arising from the transactions and restructuring activities undertaken as part of the demerger from International Coal Holdings Limited (formerly Straits Resources Limited).

(i) Compliance with IFRS

The consolidated financial statements of the Straits Resources Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share based Payment Transactions*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19,*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period and is not likely to affect future periods.

(iii) Early adoption of standards

The Group has elected to apply the following pronouncements to the reporting period beginning 1 November 2010:

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period and is not likely to affect future periods.

(iv) Historical cost convention

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

(v) 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 8.

1 Summary of significant accounting policies (continued)

(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 2011 and the results of all subsidiaries for the period 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.

Intercompany transactions, balances and unrealised gains on transactions between consolidated 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 (refer to note 1(i)).

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 the joint venture are set out in note 36.

(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 remeasured to its fair value with the change in carrying amount recognised in profit or loss. 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 profit or loss.

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 profit or loss 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.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(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 profit or loss, 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 income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

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 profit or loss are recognised in profit or loss 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 (none of which has the currency of a hyperinflationary economy) 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 income statement and 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 operations, 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, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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.

(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:

(i) risk has been passed to the customer;

(ii) the quantity of the product can be determined with reasonable accuracy;

(iii) the product has been dispatched to the customer and is no longer under the physical control of the company;

(iv) the selling price can be determined with reasonable accuracy.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)
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 on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being estimated future cash flows 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) Dividend
Dividends are recognised as revenue when the right to receive payments is established.

(e) Cash and cash equivalents
For the purpose of presentation in the 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 balance sheet.

(f) Trade receivables
Trade receivables and other receivables are initially recorded 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 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 the income statement.

When a trade receivable for which an impairment allowance had 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 revenue 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, the 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.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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.

Current and deferred tax is recognised in profit or loss, 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.

Straits Resources Limited and its wholly-owned Australian 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.

(i) Investment allowances

Companies within the consolidated entity may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The consolidated entity accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(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 (note 17). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non current interest bearing liabilities. Each lease payment is allocated between the liability and finance costs. 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 33). Operating lease payments are charged to the income statements in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(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, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity 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 as a bargain purchase.

1 Summary of significant accounting policies (continued)

(i) Business combinations (continued)

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.

(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 have previously been impaired, are reviewed for possible reversal of impairment each reporting date.

(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.

Metals trading or distribution inventories are recorded at their mark-to-market value when such a value is observable. If no market price is available inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The changes in the market value, where applicable, are accounted for in the income statement.

(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 derecognition.

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 balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the 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 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 profit or loss, 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 profit or loss
Financial assets at fair value through profit or loss 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 receivables (note 10) and (note 16) in the balance sheet.

(iii) Available-for-sale investments
Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They 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 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 profit or loss 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 profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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 profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss 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 7.

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.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(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 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 note 1(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 13. Movements in the hedging reserve in shareholders' equity are shown in note 28.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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 statement of comprehensive income.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit and loss over the period to maturity.

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(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 expense.

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 hedges

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.

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 profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

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.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated on a straight line basis to write off the net cost over its expected useful life to the consolidated entity. The expected useful lives are as follows:

- Buildings	20 years
- Plant and equipment	6 – 20 years
- Computer equipment	3 – 5 years
- Furniture and fittings	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 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.

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 (r) 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.

1 Summary of significant accounting policies (continued)

(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 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.

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 financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(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.

1 Summary of significant accounting policies (continued)

(w) Borrowings (continued)
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 are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

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 employees' 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 40.

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.

1 Summary of significant accounting policies (continued)

(z) Employee benefits (continued)

(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.

(ab) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ac) 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 period.

(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.

(ad) 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.

1 Summary of significant accounting policies (continued)

(ae) Intangible assets
An intangible asset is only recognised if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and (b) the cost of the asset can be measured reliably.

(i) Other intangible assets
Other intangible assets that are acquired are stated at cost, less accumulated amortisation and impairment losses. If they arise from a business combination they are stated at fair value at the date of the acquisition. They have a finite useful economic life and amortisation is calculated on the straight line basis over the shorter of estimated useful lives and period of contractual right.

(af) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and 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)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and is likely to affect the Group's accounting for its financial assets and financial liabilities. The standard is not applicable until 1 January 2013 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 or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such 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.

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 or on foreseeable future transactions.

(ag) Parent entity financial information
The financial information for the parent entity, Straits Resources Limited, disclosed in note 42 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 profit or loss, 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.

1 Summary of significant accounting policies (continued)

(ag) Parent entity financial information (continued)

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.

(ah) 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 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.

(ai) 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 Straits Resources Limited Demerger

Demerger of Straits Resources Limited and its controlled entities from International Coal Holdings Limited

On 11 November 2010, International Coal Holdings Limited (formerly Straits Resources Limited) announced its intention to demerge the base metals, precious metals and specialty metals segments of the business ("Metals Businesses") from the investment in PTTAPM ("Coal Businesses"). In preparation for the demerger Straits Resources Limited (formerly Straits Metals Limited) was incorporated on 1 November 2010 to be the holding company for the demerged Metals Businesses. Refer to Subsidiaries (note 35).

On 21 January 2011 the shareholders of International Coal Holdings Limited approved the demerger at the Demerger Scheme Meeting. The demerger was then approved by the courts on 31 January 2011 and became effective on 1 February 2011.

The directors of ICH assessed the fair value less cost to distribute of the Metals Businesses based on the volume weighted average price (VWAP) of Straits Resources shares as traded on ASX over the first five trading days after 1 February 2011.

These values then became the book values of the assets and liabilities for the metals business, which represents the opening consolidated balance sheet of the Group.

2 Straits Resources Limited Demerger (continued)

The assets and liabilities recognised as a result of the demerger of the consolidated entity are as follows:

	$'000
Cash and cash equivalents	48,737
Receivables	71,469
Inventories	58,443
Other financial assets	31,875
Derivative financial instruments	3,434
Assets classified as held-for-sale	969
Non-current receivables	6,415
Property, plant and equipment	34,739
Exploration and evaluation	13,794
Mine properties in use	33,516
Deferred tax assets	22,701
Payables	(46,003)
Interest bearing liabilities	(18,671)
Non-interest bearing liabilities	(125)
Provisions	(2,917)
Current tax liabilities	(402)
Non-current interest bearing liabilities	(4,793)
Non-current non-interest bearing liabilities	(250)
Non-current provisions	(24,588)
Deferred tax liabilities	(4,228)
Net assets	**224,115**
Non-controlling interest in assets of the Group (i)	(4,194)
Net assets attributable to Shareholders of Straits Resources Limited	**219,921**

(i) Non-controlling interest
In accordance with the accounting policy in note 1(i), the Group elected to recognise the non-controlling interest at its proportionate share of the acquired net assets.

3 Revenue

	Consolidated 30 June 2011 $'000
From continuing operations	
Sales revenue	
Mining activities	**121,911**
Other revenue	
Management fees	**14**
Interest	**838**
Other revenue from ordinary activities	**1,439**
	124,202

A portion of the Group's revenue from mining activities in foreign currencies and copper 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:

	Consolidated 30 June 2011 $'000
Forward currency in the money contracts – cash flow hedged	**2,670**
	2,670

4 Other income

	Consolidated 30 June 2011 $'000
Net gain on disposal of property, plant and equipment	**1,432**
Net gain on foreign currency derivatives – ineffective hedges (note 13)	**26**
	1,458

5 Expenses

	Consolidated 30 June 2011 $'000
Loss before income tax includes the following specific expenses:	
Cost of production	
Mining activities	**122,724**
Depreciation	
Plant and equipment	**771**
Plant and equipment under finance leases	**2,014**
Total depreciation	**2,785**
Amortisation	
Mine properties	**3,386**
Total cost of goods sold	**128,895**
Exploration costs	
Exploration expenditure	**1,281**
Exploration written off	**448**
	1,729
Finance costs – net	
Interest and finance charges paid/payable	**1,007**
Unwinding of discounts on provisions	**578**
	1,585
Other	
Unrealised loss on financial assets at fair value through profit and loss	**3,886**
Net foreign exchange losses	**817**
	4,703
Administration and support	
Asia	**320**
Australia	**5,873**
	6,193
Included within the above functions are the following:	
Employee benefits expense	**11,752**
Superannuation expense	**306**

6 Income tax benefit

	Consolidated 30 June 2011 $'000
(a) Income tax benefit	
Current tax expense	**268**
Deferred tax benefit	**(774)**
	(506)
Income tax (benefit)/expense is attributable to:	
Loss from continuing operations	**(1,012)**
Loss from discontinued operations	**506**
	(506)
Deferred income tax benefit included in income tax benefit comprises:	
Decrease in deferred tax assets (note 19)	**238**
Decrease in deferred tax liabilities (note 25)	**(1,012)**
	(774)
(b) Numerical reconciliation of income tax benefit to prima facie tax receivable	
Loss from continuing operations before income tax benefit	**(17,516)**
Loss from discontinued operations before income tax expense	**(2,034)**
	(19,550)
Tax at the Australian tax rate of 30%	**(5,865)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
Non deductible expenses	**86**
Non deductible items discontinued operations	**513**
Tax losses not recognised	**12,992**
Recognition of previously unrecognised temporary differences	**(8,272)**
Share-based payments	**39**
Sundry items	**1**
Income tax benefit	**(506)**
(c) Tax expense relating to items of other comprehensive income	
Cash flow hedges (note 28(a))	**1,009**
	1,009

7 Financial risk management

The Group's activities expose it to market risk (including currency risk, commodity price 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 and commodity contracts to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation 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.

(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 United States 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 16 and 20 respectively.

Group sensitivity

Based on the financial instruments held at 30 June 2011, 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 $240,000 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 $3,981,000 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 note13(a).

(ii) Interest rate risk

Interest rate risk arises as a result of the repricing of investments, interest bearing receivables and borrowings and is affected by the length of the repricing period.

The significance and management of the risks to the Group are dependant 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 and their term;
- maturity dates of investments and borrowings;
- 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.

7 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Group sensitivity

At 30 June 2011, 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 $167,000 higher/lower, mainly as a result of lower/higher interest from cash and cash equivalents and finance leases.

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

	Consolidated
	30 June 2011 $'000
6 months or less	–
6 – 12 months	22
1 – 5 years	798
	820

* The Group was also exposed to interest bearing liabilities at balance sheet date that have exposure to interest rate changes at the contractual repricing dates which were held by the Magontec Group and are reported as held-for-sale (see note 15). These liabilities totaled $13,369,000 at balance sheet date.

(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, gold and silver. This risk is managed through contractual arrangements with customers and use of derivative instruments such as forward contracts.

For a subsidiary company, copper price risk has been managed by fixing the short term future sales with the offtaker.

At 30 June 2011, trade debtors in relation to sale of commodities are not subject to further price adjustments. As such any fluctuation in commodity prices at that date would not have impacted on the Group's profit and loss.

(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	
30 June 2011	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Consolidated	240	3,981	(240)	(3,981)	(167)	–	167	–

(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.

7 Financial risk management (continued)

(b) Credit risk (continued)

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. 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 10. 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 10.

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. At the reporting date the Group held deposits at call of $7,564,000 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.

To the extent the Group has liabilities on its cash flow hedges, the Group expects to produce sufficient copper from its operations to deliver into its committed hedge contracts.

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 2011	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Non-derivatives			
Non-interest bearing	**42,248**	–	–
Variable interest rate instruments	**79**	317	1,219
Other fixed interest loans	**710**	2,995	–
Lease and hire purchase liabilities	**8,903**	9,872	–
Total non-derivative financial liabilities	**51,940**	13,184	1,219

Liabilities of the discontinued operations have not been included as they no longer represent a liquidity risk to the Group at balance date.

7 Financial risk management (continued)

(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 2011.

Group as at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets				
Trading securities	26,168	–	–	26,168
Other (deferred consideration) (i)	–	–	1,736	1,736
Derivatives used for hedging	–	3,384	–	3,384
Total assets	26,168	3,384	1,736	31,288

(i) The level 3 balances were taken up at demerger and no movements have occurred during the period.

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 risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held both for strategic and trading purposes. Refer to note1(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 inputs to the valuation model had been 10% higher/lower while all other variables were held constant:

- net loss for the Group would decrease/increase by $1,832,000 as a result of the changes in fair value of other financial assets held-for-trading.

8 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 year 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 in acquisitions
- deferred mining expenditure and capitalisation of underground development costs
- units of production method of depreciation and amortisation

(ii) Exploration and evaluation expenditure
Expenditure which does not form part of the Cash Generating Units assessed for impairment has been carried forward in accordance with Note 1 (q) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. 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 the decision is made.

(iii) 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.

(iv) 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 note1(p) to 1(s). 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. These calculations require the use of estimates and judgements.

(v) 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.

Deferred tax assets have been recognised based on the Group's probable future taxable income.

8 Critical accounting estimates and judgements (continued)

(vi) *Available-for-sale financial assets*
Investments in listed marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets unless management intends to retain ownership for more than 12 months from the end of the reporting period. Investments are revalued to market at the end of each reporting period and movements in the market value recognised in the profit and loss for the period.

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.

9 Current assets – Cash and cash equivalents

	Consolidated
	30 June 2011 $'000
Cash at bank and on hand	**29,152**
Deposits at call	**7,564**
	36,716

(a) Cash at bank and on hand
Cash at bank accounts are interest bearing attracting normal market interest rates.

(b) Fair value
The carrying amount for cash and cash equivalents equals the fair value.

10 Current assets – Receivables

	Consolidated
	30 June 2011 $'000
Trade debtors	**5,765**
Other debtors*	**10,170**
Loans to non related parties	**1,866**
Prepayments	**3,609**
Restricted cash**	**11,542**
	32,952

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

** *Restricted cash relates to cash held on deposit for security against bank guarantees. Refer to note 24(d).*

10 Current assets – Receivables (continued)

(a) Provision for impairment of receivables
The average credit period on sales is within 30 days. No interest is charged on trade receivables.

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

	Consolidated
	30 June 2011 $'000
Balance at beginning of the period	–
Provision for impairment recognised during the period	**(634)**
Transferred to assets held for sale (note 15)	**178**
Exchange differences	**18**
	(438)

The 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.

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

(b) Foreign exchange risk
Refer to note 16 for an analysis of 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 current receivables, their carrying amount is assumed to approximate their fair value.

(d) Credit risk
Information concerning the credit risk of both current and non-current receivables is set out in the non-current receivables note 16.

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 7 for more information on the risk management policy of the Group.

11 Current assets – Inventories

	Consolidated
	30 June 2011 $'000
Mining inventories	
Production supplies	
– at cost	**15,999**
Work in progress	
– at cost	**7,751**
	23,750

There were no write downs of inventories to net realisable value recognised as at 30 June 2011.

12 Current assets – Other financial assets

	Consolidated 30 June 2011 $'000
Equity securities listed on Australian Stock Exchange (ASX listed companies)	**26,168**
Fair value of deferred consideration on disposal of Whim Creek	**1,736**
	27,904

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

All other financial assets at fair value through profit or loss are denominated in the Australian currency. For an analysis of the sensitivity to price risk, refer to note 7.

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 profit and loss.

(a) Classification
The carrying amounts of the above financial assets are classified as follows:

	Consolidated 30 June 2011 $'000
Held for trading	**26,168**
Available for sale	**1,736**
	27,904

(b) Risk exposure
Information about the Group's exposure to equity price risk is provided in note 7.

13 Derivative financial instruments

	Consolidated 30 June 2011 $'000
Current assets	
Forward currency contracts at fair value	**3,384**
Total current derivative financial instrument assets	**3,384**

13 Derivative financial instruments (continued)

(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 in accordance with the Group's financial risk management policies (refer to note 7).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the income statement by the related amount deferred in equity.

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.

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

In order to protect against exchange rate movements, as they impact on the Tritton copper operations, the Group has entered into forward exchange contracts to sell US dollars.

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

Tritton Copper Operation

Buy AUD dollars	Sell US dollars 30 June 2011 $'000	Forward contracts A$/US$ rate 30 June 2011
Maturity		
Less than one year	**57,250**	**0.9994**

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

The gain or loss from remeasuring 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 in the income statement. Any ineffective portion is recognised in the income statement immediately. In the period ended 30 June 2011 the ineffective portion of hedges that was transferred to profit and loss was $26,254.

(b) Risk exposures
Information about the Group's exposure to derivatives to interest rate, foreign exchange and commodity price risk is provided in note 7(a)(iv).

14 Current assets – Short term mine development

	Consolidated 30 June 2011 $'000
Deferred mining expenditure – underground operations	**3,804**

15 Assets classified as held for sale

(a) Current assets classified as held for sale

	Consolidated 30 June 2011 $'000
Plant and equipment	**4,108**
Disposal group held for sale (discontinued operation – see (c) below)	**61,715**
	65,823

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

Disposal group held for sale (discontinued operation – see (c) below)	**38,007**
	38,007

(c) Discontinued operations

Discontinued Operation No. 1

(i) *Description*
On 4 July 2011, Straits Resources Ltd announced it had entered into an agreement for the divestiture of the Magontec business to Advanced Magnesium Limited. The division is reported in this financial report as a discontinued operation in the consolidated income statement and reported as a disposal group held for sale in the consolidated balance sheet.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 37 - events occuring after the balance sheet date.

(ii) *Financial performance and cash flow information*
The financial performance and cash flow information presented are for the five months ended 30 June 2011.

	Consolidated 30 June 2011 $'000
Revenue	**42,201**
Expenses	**(42,437)**
Loss before income tax	**(236)**
Income tax expense	**(506)**
Loss after income tax from discontinued operation	**(742)**
Net cash outflow from operating activities	**(2,133)**
Net cash outflow from investing activities	**(1,348)**
Net cash outflow from financing activities	**(923)**
Effects of exchange rate changes on cash and cash equivalents	**(32)**
Net decrease in cash generated by the division	**(4,436)**

15 Assets classified as held for sale (continued)

(c) Discontinued operations (continued)

Discontinued Operation No. 1 (continued)

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

The carrying amounts of assets and liabilities as at 30 June 2011 were:

	30 June 2011 $'000
Current assets	
Cash and cash equivalents	2,538
Receivables	20,417
Inventories	20,383
Non-current assets	
Receivables	470
Property plant and equipment	3,482
Deferred tax assets	424
Intangible assets	4
Total assets	47,718
Current liabilities	
Payables	11,488
Interest bearing liabilities	15,538
Income tax payable	554
Provisions	847
Non-current liabilities	
Provisions	5,480
Total liabilities	33,907
Net assets	13,811

Discontinued Operation No. 2

(i) Description
The Hillgrove Mine remains a non-core asset as the Group focuses on its natural strengths in copper and gold production and exploration. Hillgrove is an antimony/gold resource and whilst recent work shows it can be reconfigured to operate profitably as a concentrate producer, it is on a smaller scale than the copper and gold operations that are the focus of the Group.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 41 – segment information.

15 Assets classified as held for sale (continued)

(c) **Discontinued operations** (continued)

Discontinued Operation No. 2 (continued)

(ii) *Financial performance and cash flow information* (continued)
The financial performance and cash flow information presented are for the five months ended ended 30 June 2011.

	30 June 2011 $'000
Revenue	**83**
Expenses	**(1,881)**
Loss before income tax	**(1,798)**
Income tax benefit	**–**
Loss after income tax of discontinued operation	**(1,798)**
Net cash outflow from operating activities	**(1,166)**
Net cash outflow from investing activities	**(236)**
Net decrease in cash generated by the division	**(1,402)**

The carrying amounts of assets and liabilities as at 30 June 2011 were:

	30 June 2011 $'000
Cash and cash equivalents	**1**
Receivables	**42**
Inventories	**1,757**
Assets classified as held-for-sale	**226**
Non-current assets	
Property, plant and equipment	**10,964**
Mine properties in use	**1,007**
Total assets	**13,997**
Payables	**143**
Interest bearing liabilities	**145**
Provisions	**87**
Non-current liabilities	
Interest bearing liabilities	**291**
Non-current provisions	**3,434**
Total liabilities	**4,100**
Net assets	**9,897**

15 Assets classified as held for sale (continued)

(d) Aggregate loss attributable to owners of the parent entity

	30 June 2011 $'000
Aggregated loss attributable to owners of the parent entity relates to:	
Aggregate loss from continuing operations	(16,469)
Aggregate loss from discontinued operations	(2,540)
	(19,009)

16 Non-current assets – Receivables

	Consolidated
	30 June 2011 $'000
Loan receivable	3,732

(a) Impaired receivables and receivables past due
None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values
The fair values and carrying values of non-current receivables are as follows:

	Carrying amount $'000	Fair value $'000
Loan receivable	3,732	3,732
	3,732	3,732

(c) Foreign currency risk
The carrying amounts of the Company's current and non-current receivables are denominated in the following currencies:

	Consolidated
	30 June 2011 $'000
US Dollar	8,615
Indonesian Rupiah	7,069
Canadian Dollar	35
Australian Dollar	20,965
	36,684
Current receivables	32,952
Non-current receivables	3,732
	36,684

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 7.

16 Non-current assets – Receivables (continued)

(d) Credit risk

There is minimal exposure to credit risk at the reporting date for each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 7 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 7.

17 Non-current assets – Property, plant and equipment

Consolidated	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Period beginning 1 November 2010					
Opening net book amount	–	–	–	–	–
Additions (Note 2)	1,615	6,351	25,370	1,403	34,739
Additions through the period	590	205	9,340	19,639	29,774
Disposals	–	–	(3,792)	(119)	(3,911)
Transfer to assets held for sale	(1,028)	(2,442)	(13,387)	(380)	(17,237)
Depreciation charge	–	(76)	(1,545)	(2,198)	(3,819)
Reclassification	–	–	(86)	86	–
Exchange differences	(9)	26	(572)	–-	(555)
Closing net book amount	1,168	4,064	15,328	18,431	38,991
At 30 June 2011					
– Cost	1,168	4,131	15,672	20,537	41,508
Accumulated depreciation and impairment	–	(67)	(344)	(2,106)	(2,517)
Net book amount	1,168	4,064	15,328	18,431	38,991

(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:

	Consolidated 30 June 2011 $'000
Plant and equipment	**8,151**
Total assets in the course of construction	**8,151**

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

(b) Leased assets

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

	Consolidated 30 June 2011 $'000
Leased equipment	
Cost	20,537
Accumulated depreciation	(2,106)
Net book amount	18,431

(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, development and mine properties

(a) Exploration and evaluation

	Consolidated 30 June 2011 $'000
Opening balance	–
Additions (note 2)	13,794
Expenditure incurred	11,606
Transfer to mine properties in use	(8,641)
Expenditure written off	(613)
Exchange differences	(567)
Closing balance	15,579

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

18 Non-current assets – Exploration and evaluation, development and mine properties (continued)

(b) Mine Properties in use

	Consolidated 30 June 2011 $'000
Mine properties in use – cost	
Opening balance	–
Additions (note 2)	**33,516**
Transfer from exploration	**8,641**
Transfer to assets held-for-sale	**(1,432)**
Additions to rehabilitation asset	**786**
Expenditure during the period	**16,703**
Exchange differences	**(536)**
Closing balance	**57,678**
Accumulated depreciation	
Opening balance	–
Amortisation for the period	**(3,362)**
Transfer to assets held-for-sale	**425**
Exchange differences	**44**
Closing balance	**(2,893)**
Net book value	**54,785**

19 Non-current assets – Deferred tax assets

	Consolidated
	30 June 2011 $'000
The balance comprises temporary differences attributable to:	
Fixed assets, exploration and mine properties	**17,260**
Sundry	**5,051**
Total deferred tax assets	**22,311**
Set off of deferred tax liabilities pursuant to set-off provisions	**(4,497)**
Net deferred tax assets	**17,814**
Deferred tax assets expected to be recovered within 12 months	**–**
Deferred tax assets expected to be recovered after more than 12 months	**17,814**
	17,814

Movements – Consolidated	Tax losses $'000	Fixed assets, exploration and mine properties $'000	Other $'000	DTA/DTL net off $'000	Total $'000
At 1 November 2010	–	–	–	–	–
Additions(See note 2)	–	17,650	5,051	(4,228)	18,473
(Debited)/credited					
– to profit or loss	–	34	–	740	774
– to other comprehensive income	–	–	–	(1,009)	(1,009)
Tax losses current losses	12,992	–	–	–	12,992
Tax losses not recognised	(12,992)	–	–	–	(12,992)
Transferred to assets held-for-sale (See Note: 15)	–	(424)	–	–	(424)
At 30 June 2011	–	17,260	5,051	(4,497)	17,814

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

Deductible temporary differences and carried forward tax losses amounting to $143,833,000 which would give rise to a deferred tax asset of $43,150,000 have not been recognised in the balance sheet.

20 Current liabilities – Payables

	Consolidated 30 June 2011 $'000
Trade payables	**42,124**
Other payables	**124**
	42,248

(a) Foreign currency risk
The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

	Consolidated 30 June 2011 $'000
US Dollar	**8,064**
Indonesia Rupiah	**10,167**
Australian Dollar	**23,833**
Other minor currencies	**184**
	42,248

(b) Risk exposure
Information about the Company's exposure to foreign exchange risk is provided in note 7.

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

21 Current liabilities – Interest bearing liabilities

	Consolidated 30 June 2011 $'000
Secured	
Bank loans	**22**
Lease and hire purchase liabilities	**7,772**
Other loans	**482**
Total secured current interest bearing liabilities	**8,276**

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.

(a) 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.

(b) Fair value disclosures
Details of the fair value of interest bearing liabilities for the Group are set out in note 24.

22 Current liabilities – Non interest bearing liabilities

	Consolidated 30 June 2011 $'000
Secured	
Non interest bearing – Bogan Shire Loan	**250**
	250

Secured loan
The shire loan was provided to a Group subsidiary company. The loan is repayable over 4 years, is interest free and is secured by a floating charge over the assets of the Group subsidiary company.

23 Current liabilities – Provisions

	Consolidated 30 June 2011 $'000
Provisions – employee benefits	**2,214**
Other provisions	**402**
	2,616

(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:

	Other provisions $'000	Total $'000
2011		
Current		
Carrying amount at start of period	**–**	**–**
Additions(See Note: 2)	**38**	**38**
Additional provisions recognised	**390**	**390**
– derecognition of discontinued operations	**(26)**	**(26)**
Carrying amount at end of period	**402**	**402**

24 Non-current liabilities – Interest bearing liabilities

	Consolidated 30 June 2011 $'000
Secured	
Bank loans	**798**
Lease and hire purchase liabilities	**9,091**
Other loans	**2,418**
Total secured non-current interest bearing liabilities	**12,307**

(a) Secured liabilities and assets pledged as security

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

	Consolidated 30 June 2011 $'000
Bank overdrafts and bank loans	**820**
Lease liabilities	**16,863**
Other loans	**2,900**
Total secured liabilities	**20,583**

Residential housing loans provided are secured over the residential properties. This loan has 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 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	Consolidated 30 June 2011 $'000
Non-current		
First mortgage		
Freehold land and buildings	17	**1,166**
		1,166
Finance lease		
Plant and equipment	17	**18,431**
Fixed charge		
Plant and equipment (see note (c) below)	17	**2,805**
Total non current assets pledged as security		**22,402**
Total assets pledged as security		**22,402**

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

(b) Lease and hire purchase 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:

	Consolidated 30 June 2011 $'000
Floating rate	
Bank project finance loan facilities and residential housing loans	**820**
Used at balance date	
Bank project finance loan facilities and residential housing loans	**820**
Unused at balance date	
Bank project finance loan facilities and residential housing loans	**–**

(i) Credit standby arrangements
The Company has a $22,000,000 bank guarantee facility in respect of its rehabilitation obligations which matures on 30 September 2011. These guarantees are secured by $10,995,000 in restricted cash.

A controlled entity PT IMK has $547,000 (US$586,000) bank guarantee facility in respect of its rehabilitation obligations. These guarantees are secured by $547,000 (US$586,000) in restricted cash.

(ii) Bank residential housing loans
The residential housing loans totalling $812,000 (original principal $900,000) are repayable over 25 years at a current interest rate of 7.24%.

(iii) Discontinued operations
A discontinued operation had access to trade financing facilities totalling $21,075,000. A total of $15,538,000 was being utilized at the balance date. These financing facilities were secured through assets pledged with a total book value of $13,563,000.

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

(e) Interest rate risk exposures

The following table sets 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.

2011	Floating interest rate $'000	Fixed interest rate: 1 year or less $'000	Fixed interest rate: Over 1 to 5 years $'000	Non interest bearing $'000	Total $'000
Bank overdrafts and loans (notes 21 and 24)	820	–	–	–	820
Bogan Shire loan (note 22)	–	–	–	250	250
Trade and other creditors (note 20)	–	–	–	42,248	42,248
Lease and hire purchase liabilities (notes 21 and 24)	–	7,772	9,091	–	16,863
Other loans (notes 21 and 24)	–	482	2,418	–	2,900
Discontinued operations (note 15)	13,369	2,314	291	–	15,974
	14,189	10,568	11,800	42,498	79,055

(f) Fair value

The carrying amounts and fair values of borrowings at balance date are:

Group	30 June 2011 Carrying amount $'000	30 June 2011 Fair value $'000
On-balance sheet		
Non-traded financial liabilities		
Bank loans	820	820
Other loans	2,900	2,900
Lease and hire purchase liabilities	16,863	16,863
Discontinued operations	15,974	15,974
	36,557	36,557
	36,557	36,557

(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 32. As explained in this note, no material losses are anticipated in respect of any of those contingencies.

(g) Foreign exchange risk exposures

The Group is exposed to foreign exchange risk in relation to the Group's borrowings within continuing operations with respect to some United States Dollar denominated finance leases. The total liability at balance sheet date subject to foreign exchange risk was $10,759,000 (US$11,530,000). All other borrowings are denominated in Australian dollars.

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 7.

25 Non-current liabilities – Deferred tax liabilities

	Consolidated 30 June 2011 $'000
The balance comprises temporary differences attributable to:	
Amounts recognised in the profit and loss	
Inventories	931
Mineral rights	231
Investments	1,511
Sundry	815
Total deferred tax liabilities	3,488
Other	
Cash flow hedges	1,009
Total deferred tax liabilities	4,497
Set-off deferred tax liabilities pursuant to set-off provisions	(4,497)
Net deferred tax liabilities	–

Movements – Consolidated	Investments $'000	Inventories $'000	Mineral rights $'000	Cashflow hedges $'000	Other $'000	DTA net off $'000
At 1 November 2010	-	-	-	-	-	-
Additions(See Note: 2)	2,478	-	8	1,012	730	(4,228)
Debited/(credited)						
– to profit or loss	(967)	931	223	(1,012)	85	740
– to other comprehensive income	-	-	-	1,009	-	(1,009)
At 30 June 2011	1,511	931	231	1,009	815	(4,497)

26 Non-current liabilities – Provisions

	Consolidated 30 June 2011 $'000
Provisions – employee benefits	2,435
Provision for rehabilitation and dismantling	14,686
	17,121

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

	Provision for Rehabilitation and Dismantling $'000	Total $'000
Consolidated – 2011		
Non-current		
Carrying amount at start of period	–	–
Additions (See Note: 2)	16,891	16,891
Additional provisions recognised during the period	786	786
Unwinding of discounts on provisions	666	666
Transfer to liabilities held for sale	(3,420)	(3,420)
Exchange differences	(237)	(237)
Carrying amount at end of period	14,686	14,686

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 Contributed equity

		30 June 2011 Shares	30 June 2011 $'000
(a) Share capital			
Ordinary shares	(b),(c)		
Issued and paid up capital		316,342,835	219,921
ESAP loans – contributed equity		8,312,914	-
		324,655,749	219,921
Total contributed equity			219,921

27 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$'000
01/11/10	Opening balance		1	–	–
11/02/11	Shares issued under International Coal Holdings Limited (SRL) Demerger Scheme* See Note: 2		316,342,834	$0.70	219,921
04/03/11	ESAP issue	(d)	8,012,914	$0.56	–
03/04/11	ESAP issue	(d)	300,000	$0.85	–
30/06/11	Balance		324,655,749		219,921

* *Under the International Coal Holdings Limited (formerly Straits Resources Limited) Demerger Scheme, one ordinary share was issued for each International Coal Holdings Limited ordinary share held at the Record Date for the demerger being 8 February 2011.*

(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 40.

(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. As part of this review the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations from the Group, 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 30 June 2011 was as follows:

		Consolidated
	Notes	30 June 2011 $'000
Total interest bearing liabilities		**20,583**
Less: cash and cash equivalents	9	**(36,716)**
Net debt		**(16,133)**
Total equity		**204,409**
Total capital		**188,276**
Gearing ratio		**N/A%**

28 Reserves and retained profits

	Consolidated 30 June 2011 $'000
(a) Reserves	
Hedging reserve – cash flow hedges	**2,353**
Share-based payments reserve	**130**
Foreign currency translation reserve	**(2,969)**
	(486)

	Consolidated 30 June 2011 $'000
Movements:	
Hedging reserve – cash flow hedges	
Balance at the beginning of the period	**–**
Revaluation – gross	**6,032**
Deferred tax	**(1,810)**
Transfer to net loss – gross	**(2,670)**
Deferred tax	**801**
Balance 30 June	**2,353**

	Consolidated 30 June 2011 $'000
Movements:	
Share-based payments reserve	
Balance at the beginning of the period	**–**
Option expense	**130**
Balance 30 June	**130**

	Consolidated 30 June 2011 $'000
Movements:	
Foreign currency translation reserve	
Balance at the beginning of the period	**–**
Currency translation differences arising during the period	**(2,038)**
Exchange differences on translation discontinued operation	**(931)**
Balance 30 June	**(2,969)**

28 Reserves and retained profits (continued)

(b) Retained profits
Movements in retained profits were as follows:

	Consolidated 30 June 2011 $'000
Balance at the beginning of the period	–
Net loss for the period	(19,009)
Balance at the end of the period	(19,009)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges
The hedging reserve is used to record gains or losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

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

(iii) Foreign currency translation reserve
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.

29 Dividends

(a) Dividends not recognised at period end
The directors did not declare a dividend for the period ended 30 June 2011.

30 Key management personnel disclosures

(a) Directors
Details of directors are disclosed in the Directors' Report.

(b) Key management personnel compensation

	Consolidated 2011 $
Short term employee benefits	1,534,449
Long term employee benefits	–
Post employment benefits	138,291
Share based payments	88,009
Total	1,760,749

Detailed remuneration disclosures are provided in the Remuneration Report on pages 53 to 63.

30 Key management personnel disclosures (continued)

(c) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers 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.

2011	Issued on Demerger	Issued and acquired*	Disposed	Balance at the end of the period
Directors				
Ordinary shares				
Milan Jerkovic	6,828,385	1,689,914	–	8,518,299
Alan Good	13,564	21,202	–	34,766
Garry Lowder **	450,000	–	–	450,000
Michael Gibson	2,862,703	1,099,785	–	3,962,488
Susan Vearncombe	50,000	–	–	50,000
Alastair Morrison	–	–	–	–
Other key management personnel				
Ordinary shares				
Peter Storey	1,027,069	422,478	–	1,449,547
David Greenwood	793,762	422,478	(85,000)	1,131,240
Gail Campbell	723,867	402,360	(700,000)	426,227
Nic Earner	207,055	1,180,257	–	1,387,312
Ivan Jerkovic	721,690	321,888	–	1,043,578

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

*** Garry Lowder retired as a director on 1 July 2011.*

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

(d) Loans to key management personnel

Details of loans made to directors of Straits Resources Limited and other key management personnel of the consolidated entity, including their personally related entities, are set out below.

(i) Aggregates for directors and other key management personnel

2011	Balance at the start of the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Number in Group at the end of the period
Directors	–	–	–	1,560,000	2
Other key management personnel	–	–	–	1,357,500	4

30 Key management personnel disclosures (continued)

(d) Loans to key management personnel (continued)

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

2011	Balance at the start of the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Highest indebtedness during the period $
Directors					
M Jerkovic	–	–	–	**945,000**	**945,000**
Michael Gibson	–	–	–	**615,000**	**615,000**
Other key management personnel					
Peter Storey	–	–	–	**236,250**	**236,250**
David Greenwood	–	–	–	**236,250**	**236,250**
Gail Campbell	–	–	–	**225,000**	**225,000**
Nic Earner	–	–	–	**660,000**	**660,000**

All secured loans to key management personnel 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).

(e) Other transactions with key management personnel

Mr Garry Lowder is a director and chairman of Malachite Resources Limited, a public company listed on the Australian Stock Exchange in which the Company holds 5.5 percent.

Alastair Morrison, the global co-head of Standard Chartered Private Equity Limited, a non executive director has not received any salary or fees to 30 June 2011.

31 Remuneration of auditors

During the period 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:

	Consolidated 30 June 2011 $
(a) PwC Australia	
Audit services and other assurance services	
Audit and review of financial reports and other audit work	**378,645**
Other assurance services	
Controls enhancement review	**19,540**
Total remuneration for audit services	**398,185**
Taxation services	
Tax compliance and advisory services, including review of company income tax returns	**30,498**
Total remuneration for taxation services	**30,498**
Total remuneration of PwC Australia	**428,683**
(b) Related practices of PwC Australia	
Audit and other assurance services	
Audit and review of financial reports and other audit work	**144,440**
Total remuneration for audit and other assurance services	**144,440**
Taxation services	
Tax compliance and advisory services	**30,275**
Total remuneration for taxation services	**30,275**
Total remuneration of related practices of PwC Australia	**174,715**
(c) Non-PwC audit firms	
Audit and other assurance services	
Audit and review of financial reports	**8,041**
Total remuneration for audit and other assurance services	**8,041**
Taxation services	
Tax compliance and advisory services	**11,864**
Total remuneration for taxation services	**11,864**
Total remuneration of non-PwC audit firms	**19,905**
Total auditors remuneration	**623,303**

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.

32 Contingencies

The Group has contingencies at 30 June 2011 in respect of:

Contingent liabilities

a) In prior years, PT Indo Muro Kencana (PT IMK) as owned by previous owners, was served with legal proceedings commenced on behalf of 29 persons claiming to have been operating local community mining within the Contract of Work Area prior to 1987 when PT IMK took possession of the mine site. The claim is made for loss of improvements on the land of about US$ 45,000 but also includes a very broad ambit claim totalling Rp 100 billion (approximately US$11.6 million). The claim is under appeal by the plaintiffs in the Supreme Court, having been unsuccessful in both the District Court and High Court. PT IMK and its lawyers believe that the ambit claim is lacking any legal basis and that there are strong grounds to defend the claims. Management is therefore confident that the Supreme Court will uphold the lower court's decision.

b) In prior years, PT Indo Muro Kencana (PT IMK) as owned by previous owners, was also served with legal proceedings in relation to a land compensation claim of Rp 37.2 billion (approximately US$4.3 million) due to material loss of land due to mining activities. The claim is under appeal by the plaintiffs in the Supreme Court, having been unsuccessful in the District Court. PT IMK and its lawyers believe that the ambit claim is lacking any legal basis and that there are strong grounds to defend the claims. Management is therefore confident that the Supreme Court will uphold the lower court's decision.

Contingent assets

a) A controlled entity PT IMK currently has a number of tax disputes outstanding with the Indonesian Tax Office ("ITO") arising from tax audits in respect of corporate income tax, withholding tax and VAT covering a number of years. The assessed amounts, net of cash paid and outstanding refunds that remain in dispute total $1,510,000 (US$1,619,000). The Group has not recognised a receivable with respect to these disputed assessments.

   Appeals in respect of all disputed assessments have been lodged with the Tax Court and these are being vigorously pursued. Given the current differences of opinion with the ITO in respect of these matters, it is not possible to predict at this time the ultimate outcome of these matters.

33 Commitments

Capital commitments

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

	Consolidated 30 June 2011 $'000
Property, plant and equipment	
Payable:	
Within one year	**590**
Later than one year but not later than five years	**–**
	590

Lease commitments

(a) Exploration and mining leases

	Consolidated 30 June 2011 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:	
Within one year	**6,666**
Later than one year but not later than five years	**12,318**
Later than five years	**14,072**
	33,056

(b) Operating leases

	Consolidated 30 June 2011 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	
Within one year	**104**
Later than one year but not later than five years	**104**
Commitments not recognised in the financial statements	**208**

33 Commitments (continued)

Lease commitments (continued)

(c) Finance leases

	Consolidated 30 June 2011 $'000
Commitments in relation to finance leases are payable as follows:	
Within one year	**9,081**
Later than one year but not later than five years	**10,169**
Minimum lease payments	**19,250**
Less: future finance charges	**(1,951)**
Recognised as a liability	**17,299**
Total lease liabilities	**17,299**
Representing lease liabilities:	
Current (note 21)	**7,772**
Non current (note 24)	**9,091**
Liabilities held for sale – discontinued operations (note 15)	**436**
	17,299

Included in the commitments above was a discontinuing operation Straits Hillgrove which was contractually liable for leases with a total liability of $436,000 at the balance sheet date. This liability was made up of a current liability of $145,000 and a non-current liability of $291,000. Future interest charges in relation to those leases is $40,000.

34 Related party transactions

(a) Parent entity
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 35.

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

	Consolidated 30 June 2011 $
Superannuation contributions	
Contributions to superannuation funds on behalf of employees	**868,737**

(d) Key management personnel
Disclosures relating to key management personnel are set out in note 30.

35 Subsidiaries

The consolidated 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 2011 %
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**
Tritton Resources Pty Ltd	Australia	Ordinary	**100**
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**
Straits (Hillgrove) Gold Pty Ltd	Australia	Ordinary	**100**
Straits Indo Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**
Muro Offshore Pty Ltd and its subsidiaries	Australia	Ordinary	**100**
PT Indo Muro Kencana	Indonesia	Ordinary	**99**
Kalteng Emas Pte Ltd	Singapore	Ordinary	**100**
PT Borneo Emas Perkasa	Indonesia	Ordinary	**100**
PT Bumi Bahari Nusantara Persada	Indonesia	Ordinary	**99**
Kalteng Minerals Pte Ltd	Singapore	Ordinary	**100**
Indo Muro Pty Ltd	Australia	Ordinary	**100**
PT Indo Muro Kencana	Indonesia	Ordinary	**1**
Straits Mine Management Pty Ltd and its subsidiaries	Australia	Ordinary	**100**
Varomet Holdings Limited and its subsidiaries *	Cyprus	Ordinary	**100**
Magontec Gmbh	Germany	Ordinary	**100**
Magontec Xi'an Co. Ltd	China	Ordinary	**100**
Macontec (SuZhou) Co. Ltd	China	Ordinary	**100**
Magontec SRL	Romania	Ordinary	**100**
Goldminco Corporation Limited and its subsidiaries**	Canada	Ordinary	**71**
Goldminco Resources Pty Ltd	Australia	Ordinary	**100**
Templar Resources Pty Ltd	Australia	Ordinary	**100**
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**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 and Straits Gold Pty Ltd hold 8.5% and 62.8% respectively of the ordinary share capital of Goldminco Corporation Limited.

* *Varomet Holdings Limited and its subsidiaries were disposed of on 4th July 2011 and have been reported within the Group's accounts as discontinued operations.*

** *The reporting date of Goldminco Corporation Limited is 31 March.*

36 Interests in jointly controlled assets

Name and principal activity	% Interest Held during the year 2011
Kokomo scandium (earn in 20%) located in Queensland. Principal activity scandium exploration.	–
Torrens (earn in 70%) located in South Australia. Principal activity copper and gold exploration.	–

There was no expenditure incurred on the above interests included in capitalised exploration expenditure for the period.

37 Events occurring after the balance sheet date

(a) Varomet Holdings group of companies
On 4 July 2011, Straits Resources Limited ("Straits") announced it had entered into an agreement for the divestiture of the Magontec business to Advanced Magnesium Limited ("AML"). The sale of the Magontec business was finalised on 4 July 2011. The total consideration for the sale is US$6 million payable to Straits as a combination of equity and a convertible note loan in AML. Existing loans of A$12.8 million from Varomet Holdings group of companies to Straits remain on foot and repayable over three years.

(b) Goldminco Corporation
On 25 May 2011, Straits Resources Limited ("Straits") announced an offer for all common shares of Goldminco that it did not currently own at that date. The shares subject to the offer representing approximately 28.67% of the issued and outstanding common shares of Goldminco.

On 26 July 2011, Straits announced that 128,099,445 common shares deposited under the offer, representing approximately 92.6% of the Goldminco common shares not already owned by Straits or its affiliates prior to the offer had been taken up. As a result Straits currently owns approximately 97.9% of the issued and outstanding common shares. Straits also announced that in accordance with the provisions of the *Canada Business Corporations Act*, Straits will exercise its right to acquire all remaining outstanding common shares not already owned by Straits or its affiliates at the same price as the offer of Cdn$0.10 per share. Straits also intends to de-list the common shares of Goldminco from the Toronto Venture Exchange and cause Goldminco to cease to be a "reporting issuer" for purposes of relevant Canadian securities laws.

(c) Metallica Minerals Limited
On 4 August 2011, Straits Resources Limited ("Straits") disposed of the remaining 20% interest in the NORNICO scandium rights to Metallica Minerals Limited ("Metallica"). The consideration for the scandium disposal to Metallica is $1,858,649, satisfied by the issuance of 3,400,000 fully paid escrowed shares in Metallica, and options to acquire Metallica shares as detailed below. The shares are subject to a one year escrow.

Metallica has also issued Straits with 1,000,000 options to acquire shares in Metallica at an exercise price of 50 cents each, with the options being exercisable for 2 years from the date of grant. The terms also see Straits issued with a further 1,000,000 options to acquire shares in Metallica at an exercise price of 70 cents upon Metallica advising Straits in writing, or Metallica making an announcement to the ASX, that a decision to mine either the Kokomo deposit or the Lucknow deposit has been made (the Vesting Date). These options will expire on the date being 3 years from the Vesting Date.

(d) Hillgrove mine
On 26 August 2011, Straits Resources Limited ("Straits") announced that it had reached an agreement with Ancoa NL (previously Court Resources Pty Ltd) for the sale of Hillgrove, subject to a successful capital raising and IPO by Ancoa, for $40 million in cash and shares. Straits is to receive $20 million of this consideration in cash and the balance of $20 million in shares at the IPO price, upon the successful completion of Ancoa's IPO. Straits understands that Ancoa's IPO prospectus will be lodged with ASIC on or about 3 October 2011.

38 Non-cash investing and financing activities

	Consolidated 30 June 2011 $'000
In specie distribution of shares from Cape Alumina Limited	**54**
Acquisition of leased plant and equipment	**19,639**
Net assets upon demerger excluding cash (see note 2).	**175,378**
	195,071

39 Earnings per share

(a) Reconciliation of earnings used in calculating basic and diluted earnings per share

	Consolidated 30 June 2011 $'000
Basic and diluted earnings per share	
Loss from continuing operations	**(16,504)**
Loss attributable to non-controlling interests	**35**
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(16,469)**
Loss from discontinued operation	**(2,540)**
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(19,009)**

(b) Weighted average number of shares used as the denominator

	Consolidated 30 June 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**322,877,747**

40 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.

There were no shares issued under the scheme to participating employees in the period ended 30 June 2011.

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 27(c)).

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.

(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.

(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:

	Consolidated
	30 June 2011 $
Employee Share Acquisition Plan	**129,867**

41 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. 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.

Base Metals
Consists of the Tritton copper mine.

Precious Metals
Consists of the Mt Muro gold and silver mine operated by PT Indo Muro Kencana in Indonesia.

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.

Discontinued operations
The discontinued operations segment consists of the Varomet Holdings group of companies which previously formed the Specialty Metals segment and Hillgrove mine which is a non core asset currently on care and maintenance.

Geographical segments
The Group operates in a number of geographical areas:

Australia
The home country of the parent entity. Activities are principally copper mining, project development and exploration activities.

South East Asia
Principal activities in this region comprise the Mt Muro gold operation.

Europe/China
The Group operated a specialty metals business during the period. These operations were classified as discontinued operations at balance sheet date.

Segment results
Included in the June 2011 segment results is the discontinued operations segment relating to the Varomet Holdings group of companies and the Hillgrove mine as the disposal group held for sale.

41 Segment information (continued)

(b) Segment information provided to the directors of Straits Resources Limited

The segment information provided to the directors of Straits Resources Limited for the reportable segments for the period ended 30 June 2011 is as follows:

30 June 2011	Base Metals $'000	Precious Metals $'000	Other $'000	Total continuing operations $'000	Discontinued operations (note 15) $'000	Consolidated $'000
Segment revenue						
Sales to external customers	104,323	17,588	–	121,911	41,735	163,646
Total sales revenue	104,323	17,588	–	121,911	41,735	163,646
Other revenue	1,560	609	728	2,897	549	3,446
Total segment revenue	**105,883**	**18,197**	**728**	**124,808**	**42,284**	**167,092**
Unallocated revenue				852	–	852
Consolidated revenue				**125,660**	**42,284**	**167,944**
Adjusted EBITDA	**1,698**	**917**	**(12,085)**	**(9,470)**	**(567)**	**(10,037)**
Segment assets and liabilities						
Segment assets	**128,153**	**67,189**	**129,374**	**324,716**	**61,715**	**386,431**
Intersegment elimination				(79,010)	–	(79,010)
Unallocated assets				17,814	–	17,814
Total assets				**263,520**	**61,715**	**325,234**
Segment liabilities	**52,362**	**53,634**	**35,251**	**141,247**	**38,007**	**179,254**
Intersegment elimination				(79,010)	–	(79,010)
Unallocated liabilities				20,582	–	20,582
Total liabilities				**82,819**	**38,007**	**120,825**
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	39,018	16,840	631	56,489	1,607	58,096
Depreciation and amortisation expense	5,443	748	181	6,372	810	7,182

41 Segment information (continued)

(b) Segment information provided to the directors of Straits Resources Limited (continued)

	Segment revenues from sales to external customers	Segment assets	Acquisitions of property, plant and equipment, intangibles and other non-current segment assets
	30 June 2011 $'000	30 June 2011 $'000	30 June 2011 $'000
Australia	104,323	138,270	39,908
South East Asia	17,588	49,713	15,293
Europe/China	41,735	119,438	2,895
	163,646	307,421	58,096
Unallocated assets		17,814	
Total assets		325,235	

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.

(c) Other segment information

(i) Segment revenue
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the directors is measured in a manner consistent with that in the income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated
	30 June 2011 $'000
Sales to external customers	121,911
Management fees	14
Interest revenue	838
Other revenue	1,439
Total revenue from continuing operations (note 3)	124,202

(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 and exploration write-downs.

41 Segment information (continued)

(c) Other segment information (continued)

(ii) *Adjusted EBITDA* (continued)

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Consolidated 30 June 2011 $'000
Adjusted EBITDA for continuing operations	**(9,470)**
Finance costs	**(1,585)**
Depreciation and amortisation expenses	**(6,461)**
Loss before income tax from continuing operations	**(17,516)**

(iii) *Segment assets*
The amounts provided to the directors with respect to total assets are measured in a manner consistent with that of the financial statements. 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:

	Consolidated 30 June 2011 $'000
Segment assets	**324,716**
Intersegment eliminations	**(79,010)**
Discontinued operation (see note 15)	**61,715**
Unallocated:	
Deferred tax assets	**17,814**
Total assets as per the balance sheet	**325,235**

(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 Company's borrowings are not considered to be segment liabilities but rather managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated 30 June 2011 $'000
Segment liabilities	**141,247**
Intersegment eliminations	**(79,010)**
Discontinued operation (see note 15)	**38,007**
Unallocated:	
Current borrowings	**8,276**
Non-current borrowings	**12,306**
Total liabilities as per the balance sheet	**120,826**

42 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity 30 June 2011 $'000
Balance sheet	
Current assets	**141,165**
Non-current assets	**70,746**
Total assets	**211,911**
Current liabilities	**3,134**
Non-current liabilities	**577**
Total liabilities	**3,711**
Shareholders' equity	
Contributed equity	**219,921**
Reserves	
Share based payments reserve	**130**
Retained earnings	**(11,851)**
Total equity	**208,200**
	208,200
Loss for the period	**(11,851)**
Total comprehensive income	**(11,851)**

(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 certain of its subsidiaries amounting to $20,555,000. The bank guarantee facility for the parent company totals $22,000,000 of which $10,995,000 is secured by cash deposits.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011. 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 2011.

Directors’ Declaration
30 June 2011

In the directors’ opinion:

(a) the financial statements and notes set out on pages 67 to 133 are in accordance with the *Corporations Act 2001*,

   (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 2011 and of its performance for the financial period 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 the directors.

Milan Jerkovic
Chief Executive Officer

Perth
31 August 2011

Independent auditor's report to the members of Straits Resources Limited

PricewaterhouseCoopers
ABN 52 780 433 757

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250 St Georges Terrace
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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 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Straits Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

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. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

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 2011 and of its performance for the period ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the remuneration report included in pages 53 to 63 of the directors' report for the period ended 30 June 2011. 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 period ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

David J. Smith

David J Smith
Partner

Perth
31 August 2011

Shareholder Information

	Fully Paid Ordinary Shares	Employee Options	Number of Shares
Issued Capital	324,796,141	Nil	324,796,141
Distribution of Holders			
1 – 1,000	1,157		487,100
1,001 – 5,000	1,532		4,092,542
5,001 – 10,000	519		4,019,101
10,001 – 100,000	608		19,245,458
100,001 and over	109		296,951,940
	3,925		324,796,141
Shareholders holding less than a marketable parcel Minimum $500.00 parcel	742		

Shareholder information as at 29 August 2011

Substantial shareholders as at 29 August 2011

	Ordinary Shares	% Issued Capital
Standard Chartered Private Equity Limited	61,139,221	18.8%
Merricks Capital Pty Ltd	55,795,974	17.2%

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

Fully Paid Ordinary Shares

	Name	Number	%
1.	Standard Chartered Private Equity Limited	61,139,221	18.82
2.	Merrick Capital Pty Ltd (BT SRQ A/C)	36,037,001	11.10
3.	National Nominees Limited	32,198,627	9.91
4.	HSBC Custody Nominees (Australia) Limited	23,035,364	7.09
5.	UBS Nominees Pty Ltd	19,951,051	6.14
6.	Morgan Stanley Australia Securities (Nominee) Pty Ltd (No. 1 A/C)	17,745,102	5.46
7.	Citicorp Nominees Pty Limited	17,467,583	5.38
8.	JP Morgan Nominees Australia Limited (Cash Income A/C)	12,340,206	3.80
9.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	10,428,285	3.21
10.	J P Morgan Nominees Australia Limited	8,121,278	2.50
11.	CPU Share Plans Pty Ltd (SRQ ESAP Control A/C)	7,991,026	2.46
12.	Mr Milan Jerkovic	6,269,632	1.93
13.	Buttonwood Nominees Pty Ltd	5,667,369	1.74
14.	Penson Australia Nominees Pty Ltd (Argonaut A/C)	4,805,737	1.48
15.	Argo Investments Limited	3,111,921	0.96
16.	Mr Michael Gibson	2,850,503	0.88
17.	Mr Martin David Purvis	2,419,826	0.75
18.	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,193,546	0.37
19.	Zero Nominees Pty Ltd	882,673	0.27
20.	Mr Rodney Graham Griffith	858,248	0.26
Totals: Top 20 holders of fully paid ordinary shares (Total)		**274,514,199**	**84.52**
Total Remaining Holders Balance		**50,281,942**	**15.48**

Glossary

$ or A$	Australian dollar
Ag	silver
ASX	Australian Stock 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
CAD$	Canadian dollar
Company or company	Straits
Cu	copper
EU	European Union
for the year	12 months to 30 June 2011
FY	Financial year
Fx	Foreign exchange
g	gram
Goldminco	Goldminco Corporation, a company incorporated in Canada and holder of exploration tenements in New South Wales, in which Straits held majority ownership at the balance date (subsequent to the balance date Straits has moved to 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 1000000/number of hours worked
IP	induced polarisation
IPO	initial public offering
kt	thousands of metric tonnes
M	million
oz	ounces
Sb	antimony
Straits	Straits Resources Limited, ABN 30 147 131 977
tpa	tonnes per annum
t	metric tonnes
tpm	tonnes per month
US	United States of America
US$	United States dollar
VMS	volcanic massive sulphide

Corporate Directory

Directors

Alan Good	Non-Executive Chairman
Milan Jerkovic	Chief Executive Officer
Garry Lowder (retired 1 July 2011)	Non-Executive Director
Susan Vearncombe	Non-Executive Director
Alastair Morrison	Non-Executive Director
Michael Gibson	Executive Director

Company Secretary

Mark Hands

Assistant Company Secretary

Matthew Smith

Senior Management

Nic Earner	Executive General Manager Operations
Peter Storey	Executive General Manager Strategy & Business Development
David Greenwood	Executive General Manager External Affairs & Exploration
Gail Campbell	Chief Financial Officer
Ivan Jerkovic	General Manager Exploration
Harry Holle	General Manager Technical Services

Operations & Projects

Rodney Griffith	General Manager – Projects
Luke McGarry	General Manager – Tritton Mines
Gerhardus Kielenstyn	General Manager – Indonesia
Stephen Playford	Resident Manager – Mt Muro Gold Mine

Registered and Head Office

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Website

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Auditors

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Chartered Accountants
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Share Registry

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Stock Exchange Listing

Australian Stock Exchange Limited – ASX Code – SRQ

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